

How the stock market can help you write a pestle or swot analysis

[Business](#)



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People invest in stocks every single day because it can improve their finances, serve as a passive income stream, and build capital.

For some businesses, the discussion of stocks was so “ fundamentally important”, a native stock app was included on their products. I’m talking about Apple products (iPhones, and iPads). Keep in mind, iPads didn’t have a built-in calculator app (and still don’t!) but came with a stock app already installed.

And yet, stocks are still ridiculed in mystique. It seems you either have some, or you don’t. And if you have some, what do you do with them? Sit on them for years? Sell and buy, then sell and buy again, like a broken record?

For an individual, the aim of buying stocks is to achieve financial freedom. Or at least a few extra bucks in the bank. For businesses, the rise and decline of stocks reflect the current economic and social standing of that business.

To understand how this is possible, and how this information can be beneficial for your PESTLE or SWOT analysis, we have to first understand what a stock is.

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What are stocks?

If you have stock in a company, it means you have legal ownership in that business. The stockholder doesn't own the rights to the business though. They do, however, own shares provided by that company. And that entitles the shareholder to an amount of profits created by the company. How much of those profits make it into the hands of stockholders varies stock to stock.

There are two types of stocks: common and preferred stocks.

When most people talk about stock investments, they're referring to common stocks. When you get a profit from these stocks, you may get it in a dividend check or electronic deposit (paid quarterly or paid in a "one-off" special). In some cases, the dividends are skipped entirely. Instead, the profits you would have made are put back into the company, with the expectation that a future payout will be larger than this current one.

Then there are preferred stocks. People who have preferred stocks get their dividends in specific times. But if the company were to go bankrupt, the preferred stockholders have a greater chance of recouping their investment over the common stockholders.

Why do companies have and offer stocks?

Stocks fulfill a few needs.

For instance, stocks are one way for companies to raise money (called capital). If we didn't have capital markets, we likely wouldn't have many of the products we know and love today. Because without capital, many businesses can't turn an idea into a business.

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Stocks help investors. Investing in stocks, and raising capital, means the investors have a chance to gain financial benefits. Specifically, investors may have greater financial returns after investing in a company.

A stock represents a certain amount of money. I'll do an example. As a business owner, you may divide your company shares into 1, 000 individual stocks. To make it simple, let's say each stock is worth \$100. If you sell all one thousand stocks — to friends, families, and outside investors — you'd raise \$100, 000. This is how stocks are used to raise money/capital.

Then, if your company earns a profit, each person who owns at least one stock of the company may get a profit. However, your cousin may later decide to sell his stock shares. He may get a public offering (IPO) if the company is large enough. He can then sell his stock on a stock exchange through a stockbroker.

Alright, so what do stocks and businesses have to do with your SWOT or PESTLE analysis?

Stocks, businesses, and analyses

In previous articles, I've mentioned using company stocks in a SWOT and PESTLE analysis. In a SWOT analysis, a company's shares and stocks may be a strength or a weakness. In a PESTLE analysis, stocks are tied to the economy, and thus be important to mention in the economic (and maybe even social) sections of the analysis.

This is how you can include it in your analysis.

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If people are itching to buy stock in a company, that means there's a demand. It can also mean that this demand to buy will make the price of selling the stocks higher. And that means bigger profits for all investors.

But what if everyone is trying to sell their stock? Likely, the company isn't doing so well. People are trying to get or recoup as much profit as they can before the prices drop. Because once the prices drop, the value of the stock goes down.

And if no one wants to buy your stocks, then it may mean the business is having troubles. No one wants to invest in something that might not yield rewards.

Now, when something happens to a company's public image, it can affect their stocks. Investors may lose confidence in the business's ability to sell their products. Or they may not believe in the business owners.

An example of stocks affecting a company

I bring up Facebook often because it's a good representation of a business that's losing favor amongst users and investors this year. Facebook, the social media platform, is constantly in the news these last few months because of dishonesty to the public and data breaches. As such, their stocks have fallen more than 35 percent since July 2018. That's harsh. And as more negative press appears, Facebook's stocks are likely to plunge deeper.

How to use stock information in your SWOT or PESTLE analysis

In a SWOT analysis, plunging stocks is considered a weakness. It means the company may be in trouble legally, financially, or both. And this means investors and advertisers have lost faith in the company. They want out, and so stocks take a dive.

If the stock issue is linked to legal trouble, this would fall under the Legal section of a PESTLE analysis. If it's connected to politics (as Facebook is), it will also fall under political. And since stocks are a form of investment, capital, and profits, any changes linked to stocks fall under the economic category too. And because some of the falling stock value is linked to Facebook's data breaches, you can also include information under the Technology section as well.

This is an example of how to use plunging stocks in the analyses. But you can also use the information if stocks are soaring. Obviously, the company is doing something right if more people are investing. When you find out why, see how many parts of the PEST(LE) analysis it falls under. For SWOT, it likely be included the Strengths and maybe even the Opportunities sections.

Where to find company stock info

All of this information can be uncovered by checking stocks of the company you're researching.

A few places to check include:

- InvestorPlace (they also write articles about stock picks and hot stocks)
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- MarketWatch
- Yahoo! Finance

And if these places aren't giving up the intel you want, use google. Search "company name + stocks" and see what articles come up.

Search for trends. Over the last year, have stocks risen, fallen, or stayed the same? Then find out why. The "why" may highlight specific information you can use in the other sections of your PESTLE and SWOT analysis (like I did above with Facebook). Draw conclusions from the facts, when you can.

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