

Pestle analysis: everything you need to know

[Business](#)



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PESTLE analysis is one of the most popular tools used in business analysis, and for good reason! It can tell you all about the circumstances that an individual, product, or organization finds itself in, which can help in making decisions and understanding its current (or future) position in the market. In this article, we'll be thoroughly exploring the humble PESTLE analysis in order to ensure you a complete understanding of this invaluable business tool.

What Is PESTLE Analysis?

PESTLE analysis is a business analysis technique which takes into account six groups of external factors that can affect businesses. The six categories included are:

- Political factors
- Economic factors
- Sociocultural factors
- Technological factors
- Legal factors
- Environmental factors

This tool is an extension of 'PEST' analysis, which only looks at the first four of those factors. You might also come across 'PESTEL' analysis (which is exactly the same), 'STEEP' analysis (which forgoes legal factors), or 'STEEPLE' analysis (which further includes ethical factors).

What Does Each of The Categories Include?

Sometimes it can be unclear what each of the categories should include in a well-executed PESTLE analysis, so here is a short summary of each of the factors along with a link to read more about them.

Political Factors

The political factors taken into account for in PESTLE analysis are the variables which pertain to both local and global politics, but yet still influence businesses. In PEST analysis, factors relating to the law and legal environment are often grouped together with political factors; however, it's important to distinguish those as ' legal' factors in PESTLE analysis.

Nonetheless, examples of political factors might include:

A country's political system

International relationships

Government sanctions

Subsidies

Read more about political factors which affect business [here](https://assignbuster.com/pestle-analysis-everything-you-need-to-know/).

Economic Factors

In PESTLE analysis, the economic factors are ones which are connected with the general state of the economy, goods, services and money. There are a number of different economic factors which can affect business, including:

Supply and demand for a certain product

Taxes

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Interest rates

Inflation

You can read all about economic factors which affect business here on our website.

Sociocultural Factors

The ' S' in PEST(LE) stands for ' sociocultural' factors, or sometimes just simply ' social' factors. These are the factors connected with the general public and their behavior (in other words, society and its culture). Here are some of the social factors that might have an impact on business:

Consumer lifestyles

Social classes

Immigration and emigration

Family size

There are plenty more examples of social factors which affect business, along with a more in-depth explanation of them, provided in this article.

Technological Factors

Technological factors are ones which “ relate to the existence, availability, and development of technology”. It’s important to remember, though, that this is not just exclusive to digital technology, but also includes mechanical and other physical technologies. Some examples of technological factors are:

The development of robots

Internet connectivity

Security in cryptography

Engine efficiency

For more information about technological factors in business analysis be sure to visit this page of our website.

Legal Factors

PESTLE analysis also accounts for the legal factors that might affect a business. These are external factors which focus on the influence that the law may have on business operation and customer behavior. The important distinction between legal factors and political factors is that the latter is concerned with government intervention in society and the economy to create growth, while the former is concerned with government intervention in society and the economy to maintain fairness and wellbeing. Some examples of legal factors that you might come across in a PESTLE analysis are as follows:

Consumer law

The legality of doing XYZ

Fraud law

Import/Export law

For a more detailed explanation of legal factors, as well as plenty more examples, visit this article.

Environmental Factors

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Environmental factors, also known as ‘ ecological’ factors, refer to the variables pertaining to the physical environment of the world we live on. A few examples are:

Climate change

Animal extinction

Pollution

Be sure to check out this article for a more concise outlook on environmental factors.

How Do I Use PESTLE Analysis?

If you want to conduct a PESTLE analysis, the first step in doing so is deciding what product, organization, or idea you want to analyze. Then, assuming it’s a business that you want to analyze, you should fully explore all of its facets to identify any external factors which are playing a part in how it operates and performs. Finally, you should attempt to categorize each of the factors.

Don’t worry if one category has more entries than another, or if some factors don’t entirely fit into any category. This can happen depending on the nature of the business that you are analyzing.

Conclusion

In conclusion, PESTLE analysis is an invaluable business tool that analyzes six different groups of external factors, all of which can affect businesses. From political ones to environmental ones, each of these categories presents

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a wide range of variables which can impact a business. However, PEST analysis (and its derivatives) is not an exhaustive technique that considers every type of factor, especially as some just can't be categorized — so don't be too concerned if you don't get an even spread of different factors in your analyses!

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