

How combining pest and swot analysis is essential for all businesses

[Business](#)



PEST analysis and SWOT analysis are typically discussed separately because they're polar opposites. They both have their own strengths and uses for situations, but they're rarely mixed together.

Which is a shame because they complement each other perfectly.

When you need the full picture for a launch, marketing venture, or blossoming idea, using both analyses simultaneously will unlock significant knowledge others don't have.

Why Use PEST and SWOT analysis together?

It just makes sense. Really.

PEST analysis examines four outside factors you can't directly influence: political, economic, social, and technology. And you can't interfere or change any of them without tremendous force which most people don't have.

These factors just there and you exist within it. And you can't forget that these factors play a crucial role in the development of any business or product. If you don't abide by their rules, you may be in for a hard time.

For example, if you're starting a new business, understanding what regulations you should follow (political) is important to avoid non-compliance fees. Having a full grasp of taxes and inflation rates (economic) can help you avoid unexpected fees or a visit from the IRS. And if you don't understand your customers (social) or have a grasp on necessary technology to make and close a sale, profits are going to stagnate. If they even exist at all.

The connection between PEST and SWOT analysis

I mentioned that PEST and SWOT analysis are opposites. Which means if PEST discusses external factors than SWOT must focus on the internal, right?

Exactly! T

That's why they complement each other: One looks at how a business is affected by pre-defined factors and the other examines the business from the inside.

SWOT analysis helps companies understand the strengths, weaknesses, opportunities, and threats of a product or idea. But unlike PEST, you can directly influence everything with SWOT. That's also what makes it such a fan-favorite amongst new businesses.

People like to focus on what their strengths are while identifying weaknesses to fix before they get out of hand. Opportunities are exciting because it only takes one to push a business down the road to success. But threats could undermine that growth if not acknowledged and prevented.

SWOT is beloved because people have the power to change imperative decisions that affect the company's future, like marketing, operations, sales, and products. It makes them feel like they're doing something productive because they are.

But that doesn't mean PEST analysis should be tossed to the wayside. Both of these analyses are necessary to understand a company from every angle.

Do one analysis followed by the other

Why would you want to take your time doing one analysis before the other?

Because the information you uncover with PEST analysis will be required to do an effective SWOT analysis. Truthfully though, you'll be doing one PEST analysis, one SWOT analysis, and then a final SWOT analysis.

It'll make sense, I promise.

When you do PEST analysis, you'll uncover specific information regarding legislation, the economy, your customers, and available technology. Once you have that, you'll examine your topic (business, product, idea) to discover the strengths, weaknesses, opportunities, and threats.

And then you'll do a SWOT analysis on the PEST information you gathered. You'll be identifying strengths, weaknesses, etc about the political laws you must follow, buying behaviors, available and future technology (for example), and how to use it to benefit the company as a whole.

Using PEST analysis for success

By now you probably grasp the factors involving PEST analysis. And you know nothing you can do will overturn them. But by identifying them, you can prevent unexpected financial loss later on.

You're just identifying the following:

? Political factors, rules, and legislation you must follow to keep your business legal

? Economic factors that will affect sales, fees, and profits

? Social factors affecting your customer and their buying behaviors

? Technological factors that could benefit or impede your processes

For example, if you don't account for inflation rates, you may come up short later in the year during tax time. Or if you don't follow specific business-focused bills, you may find yourself on the receiving end of non-compliance fees.

Not exactly fun.

You do the same thing when it comes to social factors. This is about identifying who your customer is and why they'd want to buy from you. And technology can either be an expensive nuisance or a profitable savior, depending what you use and why.

Using SWOT analysis for success

SWOT analysis can be as short or as detailed as you want it to be. But the more detailed it is, the better your results will be.

SWOT is really what you make of it. It only requires brainstorming, while PEST benefits more from hard data and research.

Since you're typically trying to understand the positives and negatives surrounding a product or business, it's much simpler to do SWOT than any other analysis.

You're just answering four questions:

1. What are the strengths of the product or business?
2. What are the weaknesses (and how can you limit them)?
3. What opportunities exist (or which ones can you create)?
4. What are the threats (and how devastating are their effects)?

Combining PEST and SWOT analysis

Once you have completed both analyses, take a look at your PEST data and use it for another SWOT analysis. For example, is there a bill that will be a massive marketing advantage for your product?? How can you capitalize on that?

Likewise, are there economic weaknesses you should be concerned about, like unemployment rates or a decline in buying trends? Are these threats or could there be an opportunity there?

By mixing the information you have and outlining the concerns from the two, you can grasp both outside influences (on a macro-level) and internal factors (on a micro-level). Even though you can't influence PEST factors, you can take advantage of it with SWOT analysis.

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