PESTEL ANALYSIS

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The essence of formulating strategy
is relating a company to its environment.

Michael E. Porter
(economist and professor at Harvard Business School)

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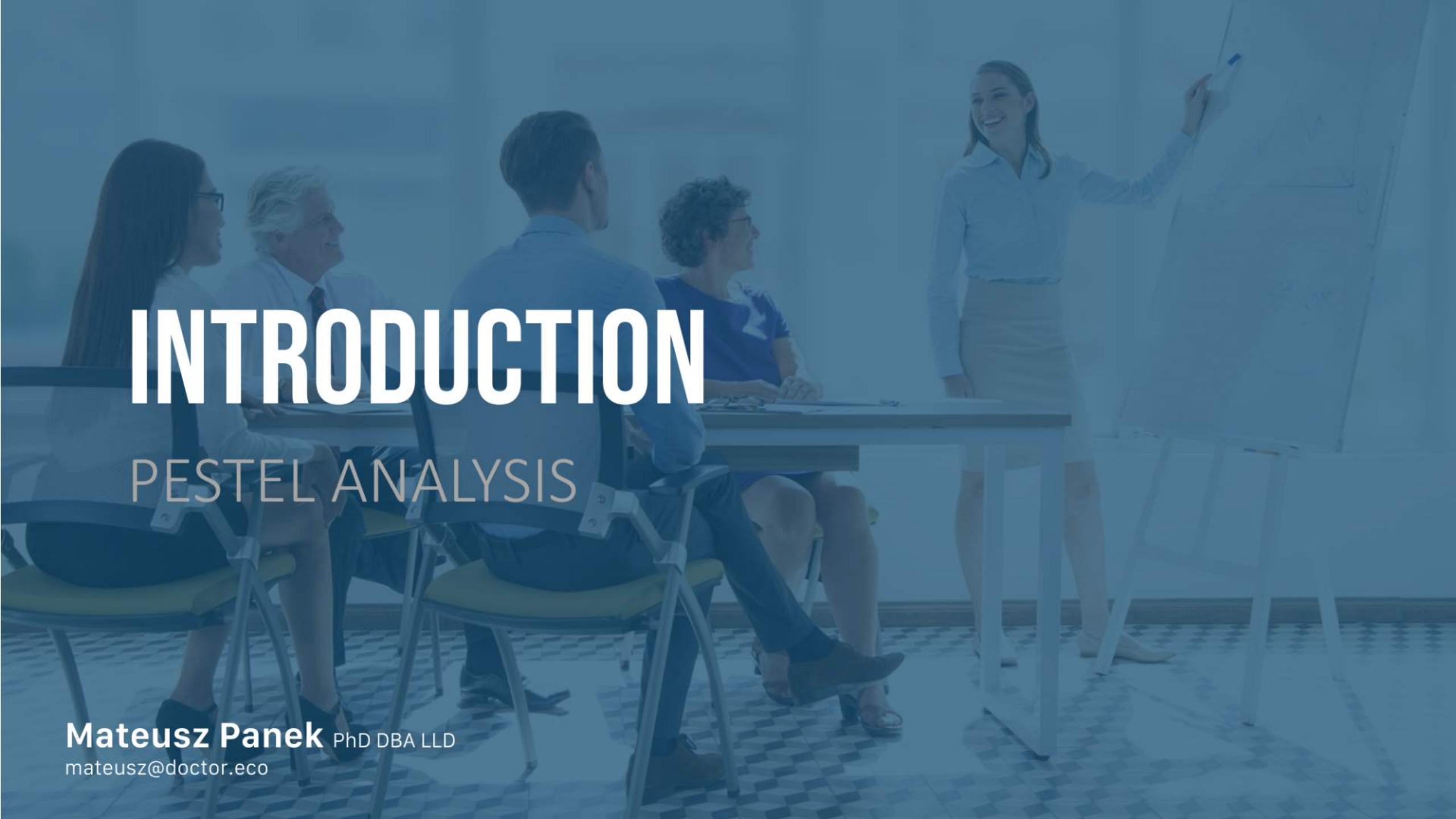

INTRODUCTION

PESTEL ANALYSIS

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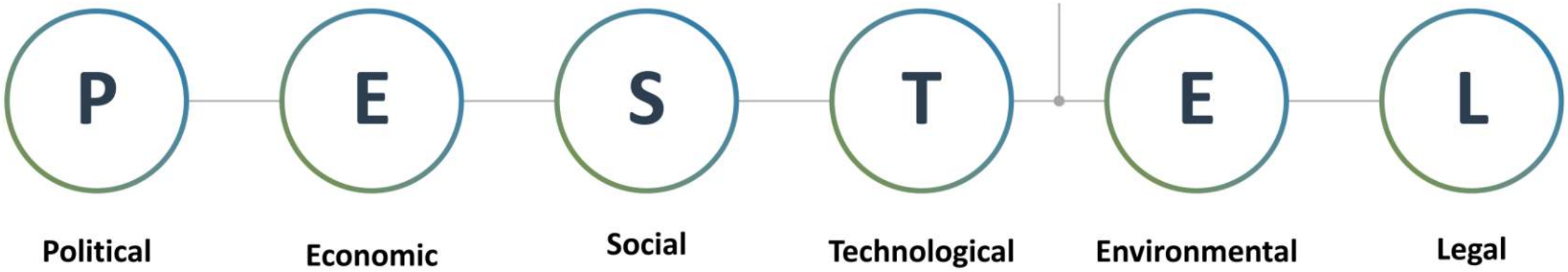
DEFINITION: PESTEL ANALYSIS

Introduction

The acronym
PESTEL stands for:



The PESTEL analysis is a tool for quantitative and qualitative business analysis.

It provides a means to identify and evaluate the most important external influences on a company or project.

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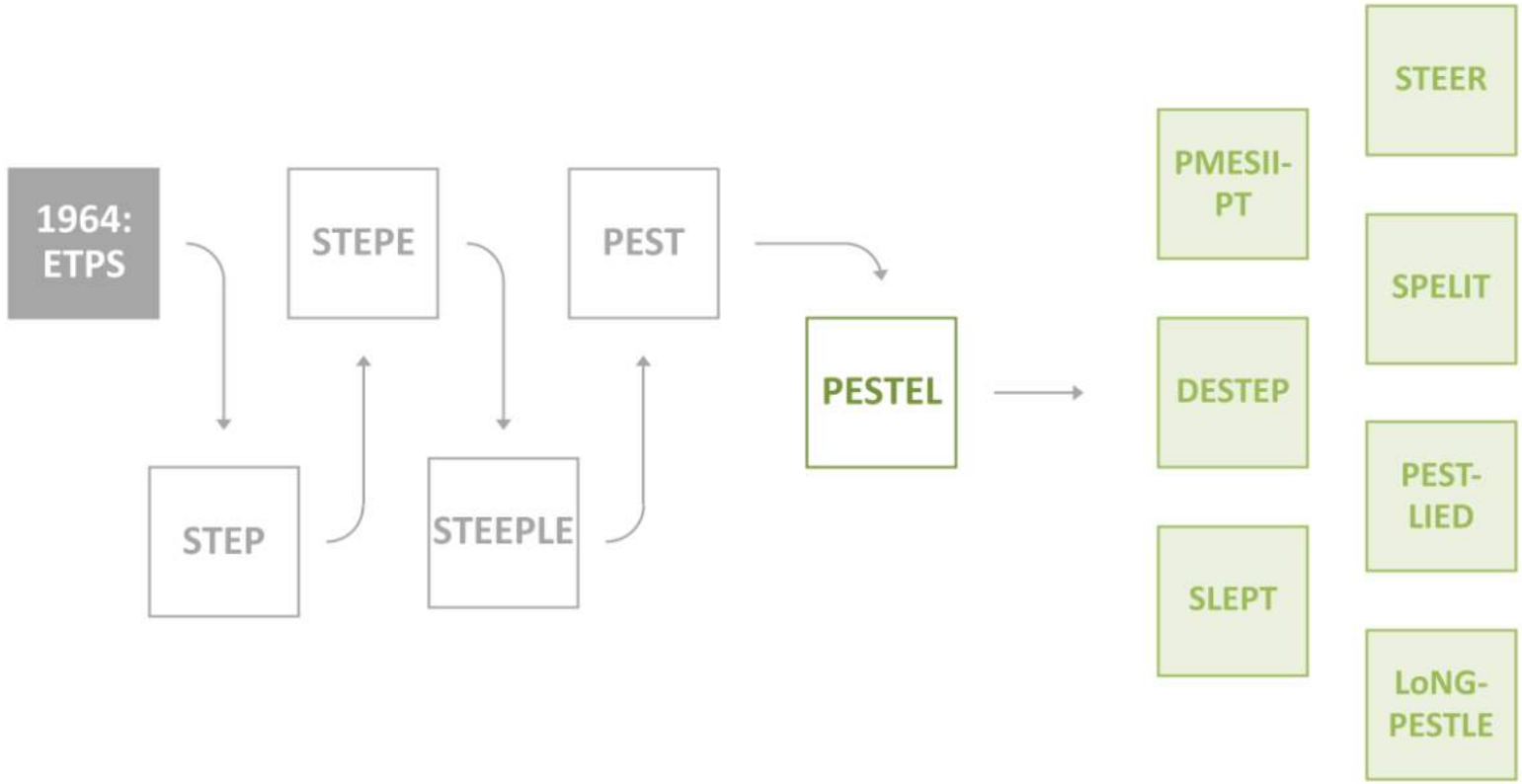
FURTHER ITERATIONS

Introduction

Since Francis J. Aguilar first developed the method in 1964, it has evolved into numerous iterations and has become an international mainstay in strategy management.



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PESTEL ANALYSIS CATEGORIES

Introduction

P	E	S	T	E	L
Political	**Economic**	**Social**	**Technological**	**Environmental**	**Legal**
How do politics influence the company?	How does the economy influence the company?	How does society influence the company?	How does technology influence the company?	How does the environment influence the company?	How do laws and regulations influence the company?

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APPLICATIONS

Introduction

Strategy planning
Analyze the current situation's opportunities and threats to develop an appropriate strategy.

Decision making
Analyze the business environment to make informed decisions.

Product development
Find out which products are in demand using PESTEL categories.

Marketing plans
Analyze target groups to plan marketing activities.

Corporate compliance
Examine the external business environment, laws and regulations.

Project management
Use a PESTEL analysis to provide more information for project implementation.

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ADVANTAGES AND CHALLENGES

Introduction

Advantages

Provides an overview of indirect corporate influences that might be otherwise neglected

Unlocks new markets and optimizes existing ones

Provides a foundation for further action

Provides a clear structure for analysis and presentation

Is a well-known and widely accepted method

In-depth analysis helps optimize corporate strategy

Challenges

Can be time-consuming and cost-intensive if data is not readily available

Includes only the immediate macro-environment. Needs to be supplemented by other methods (e.g., SWOT)

Factors can possibly be weighted incorrectly and lead to misinterpretation

Provides snapshots without tangible forecasts

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BEST PRACTICES

Introduction

Find relevant analysis factors and eliminate irrelevant influences and false conclusions

Select correct sources and formulate questions for each category

Select a reasonable duration for the analysis and keep an eye on effort and costs

Take enough time to collect the necessary data

Consider digital tools to analyze the data externally

Perform a PESTEL analysis on a regular basis and update the results

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PESTEL ANALYSIS: PROCESS

Introduction

Brainstorm

Draw up a list of all relevant influencing factors and assign them to the PESTEL categories

Plan

Define key figures and values used in the analysis to provide transparency and measurability

Research

Perform and document data acquisition

Analyze

Clearly summarize and evaluate data sets; formulate a course of action from the conclusions

Repeat

Perform regularly to keep results up-to-date and monitor longer timeframes

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LONGPESTLE

PESTEL ANALYSIS

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LONGPESTLE ANALYSIS

Variations

The loNGPESTLE analysis supplements the classic PESTEL analysis with local, national and global perspectives.

It allows the PESTEL categories to be analyzed in greater depth and facilitates better decision making within the company.

Local

National

Global

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LONGPESTLE ANALYSIS

Variations

Example

	POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
Local	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit
National	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit
Global	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit	Lorem ipsum dolor sit

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PESTEL CATEGORIES

PESTEL ANALYSIS

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OVERVIEW

PESTEL categories

General questions asked in a PESTEL analysis are:

Which political factors influence the company?

Which economic factors influence the company?

Which social factors influence the company?

Which technological factors influence the company?

Which environmental factors influence the company?

Which legal factors influence the company?

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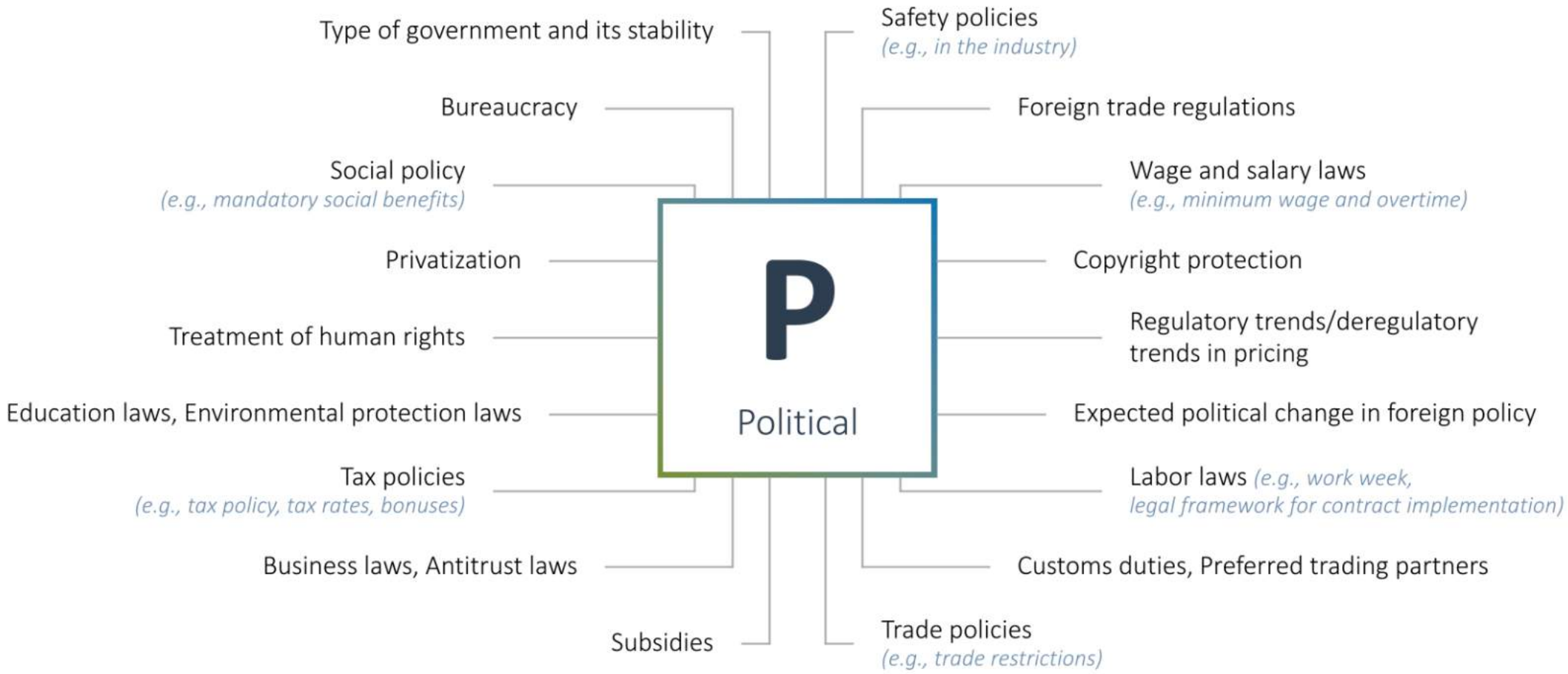
POLITICAL FACTORS

PESTEL categories



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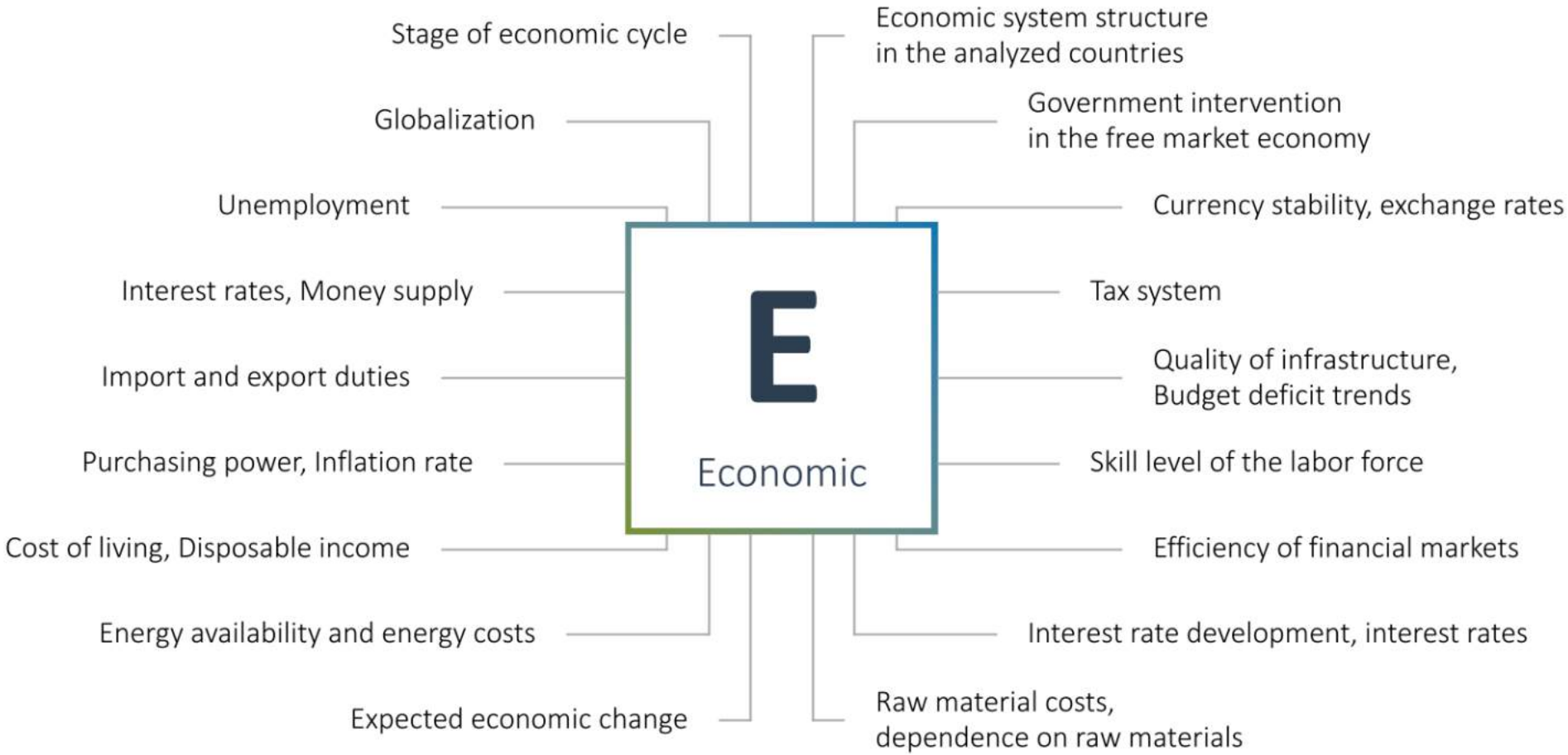
ECONOMIC FACTORS

PESTEL categories



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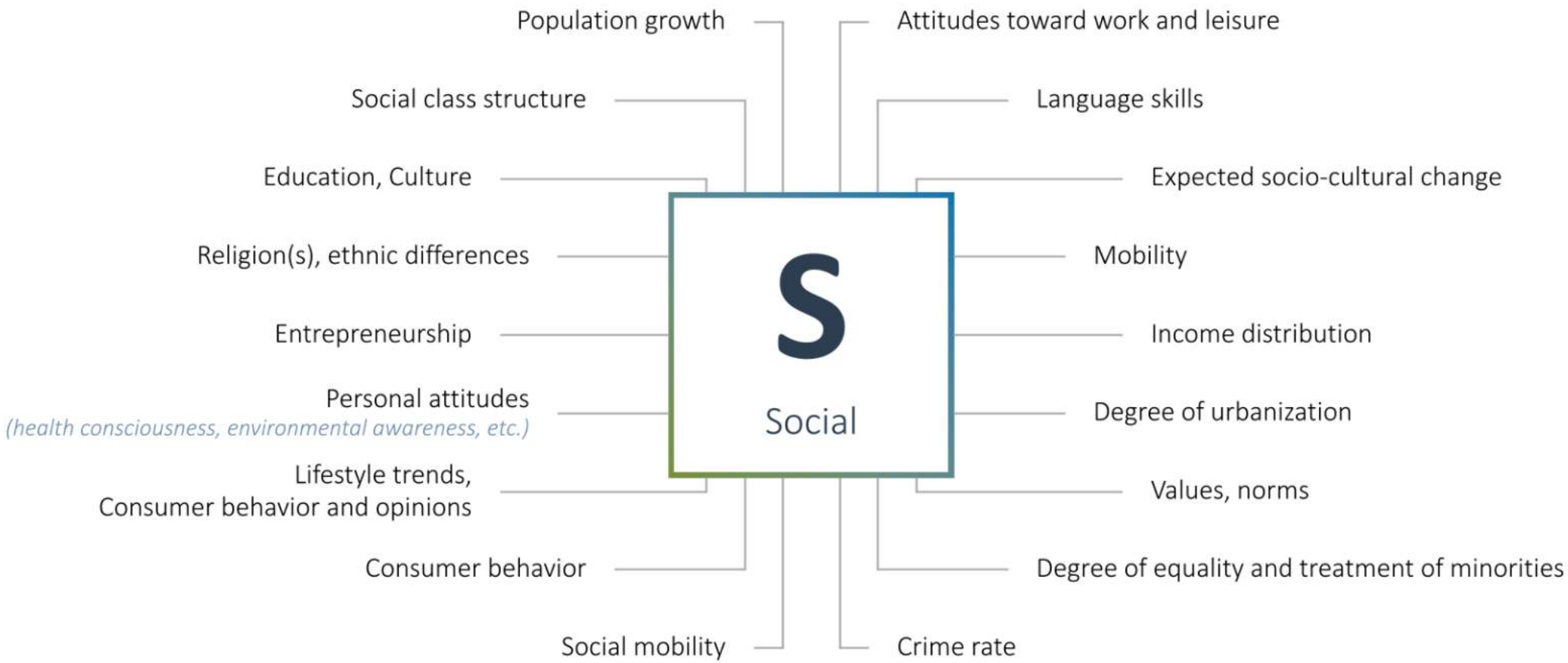
SOCIAL FACTORS

PESTEL categories



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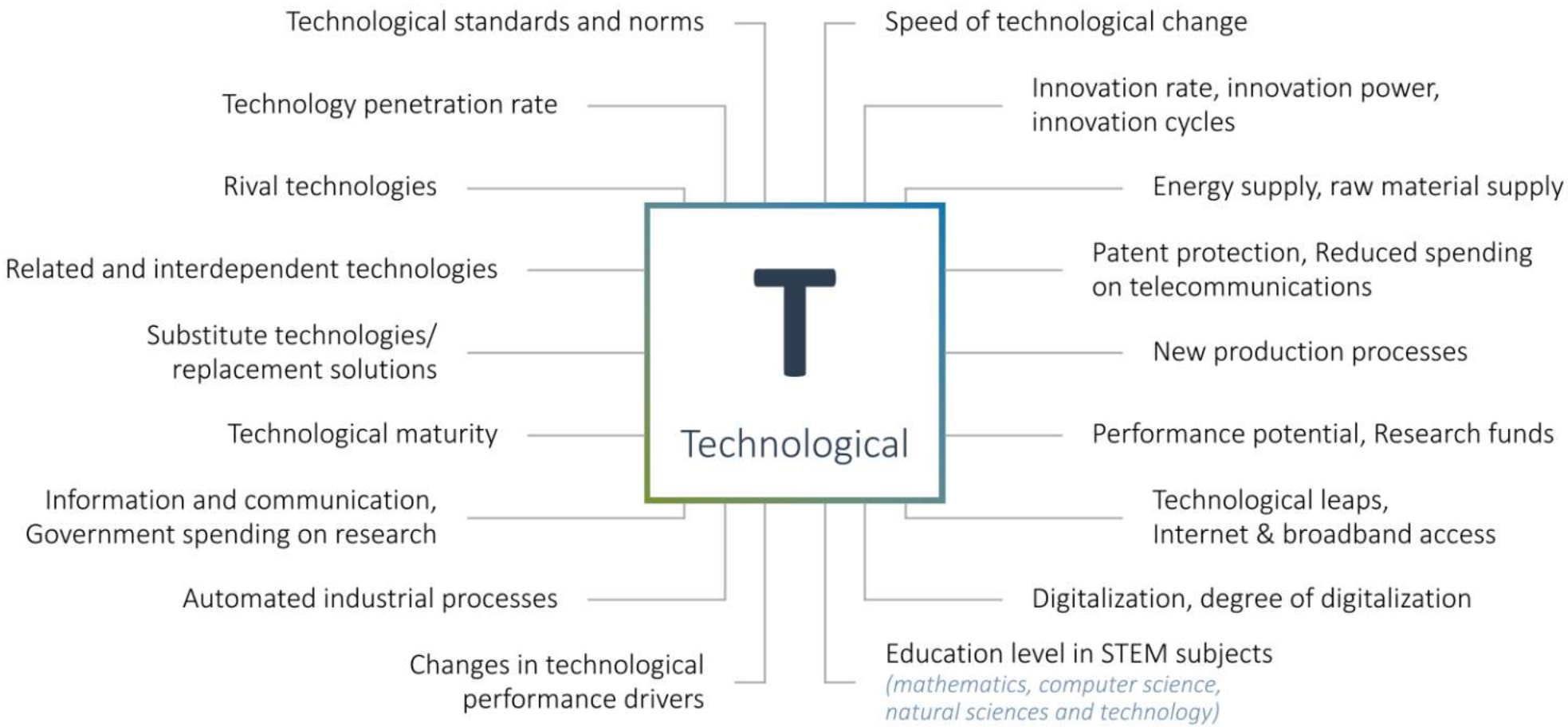
TECHNOLOGICAL FACTORS

PESTEL categories



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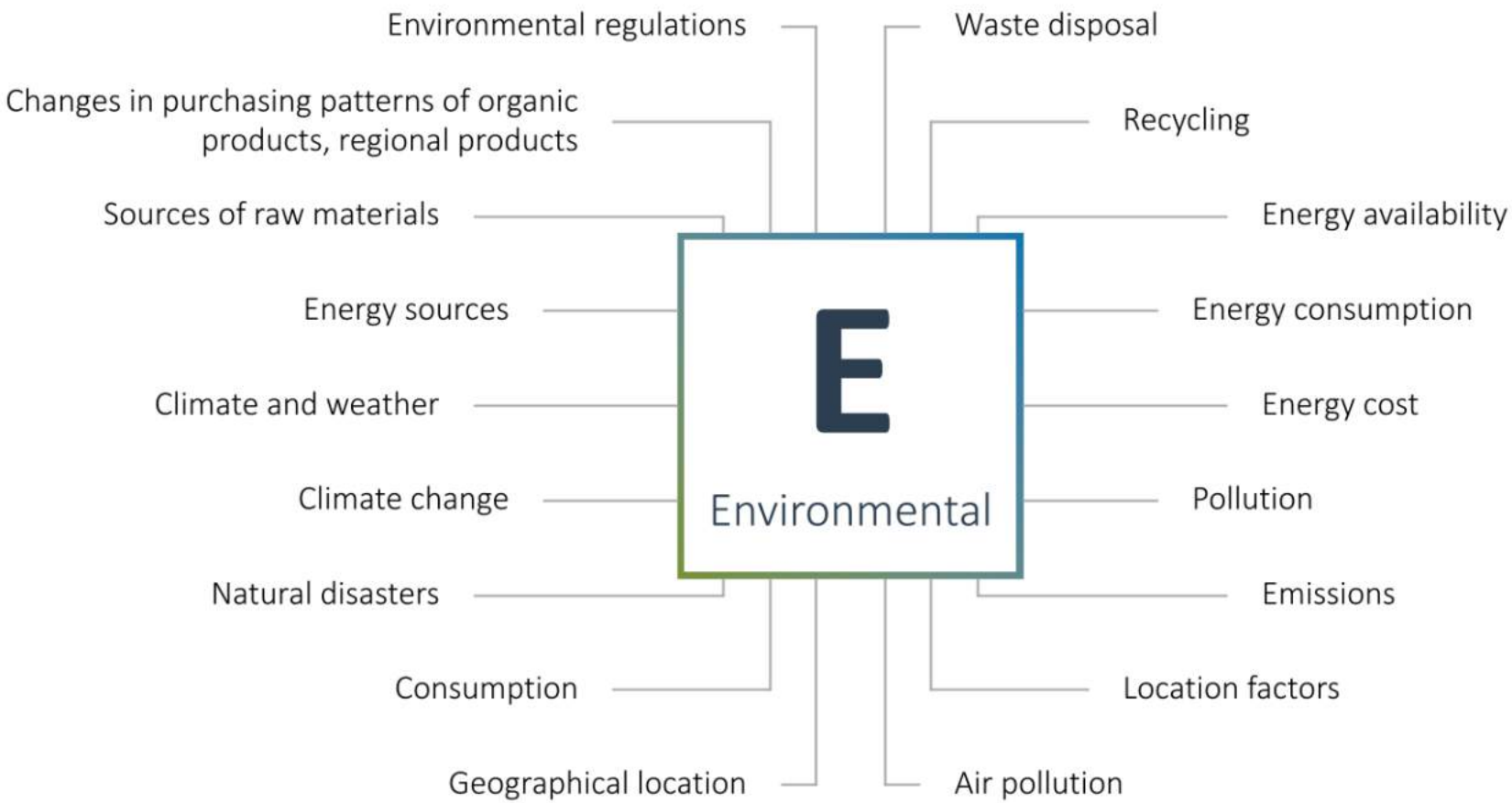
ENVIRONMENTAL FACTORS

PESTEL categories



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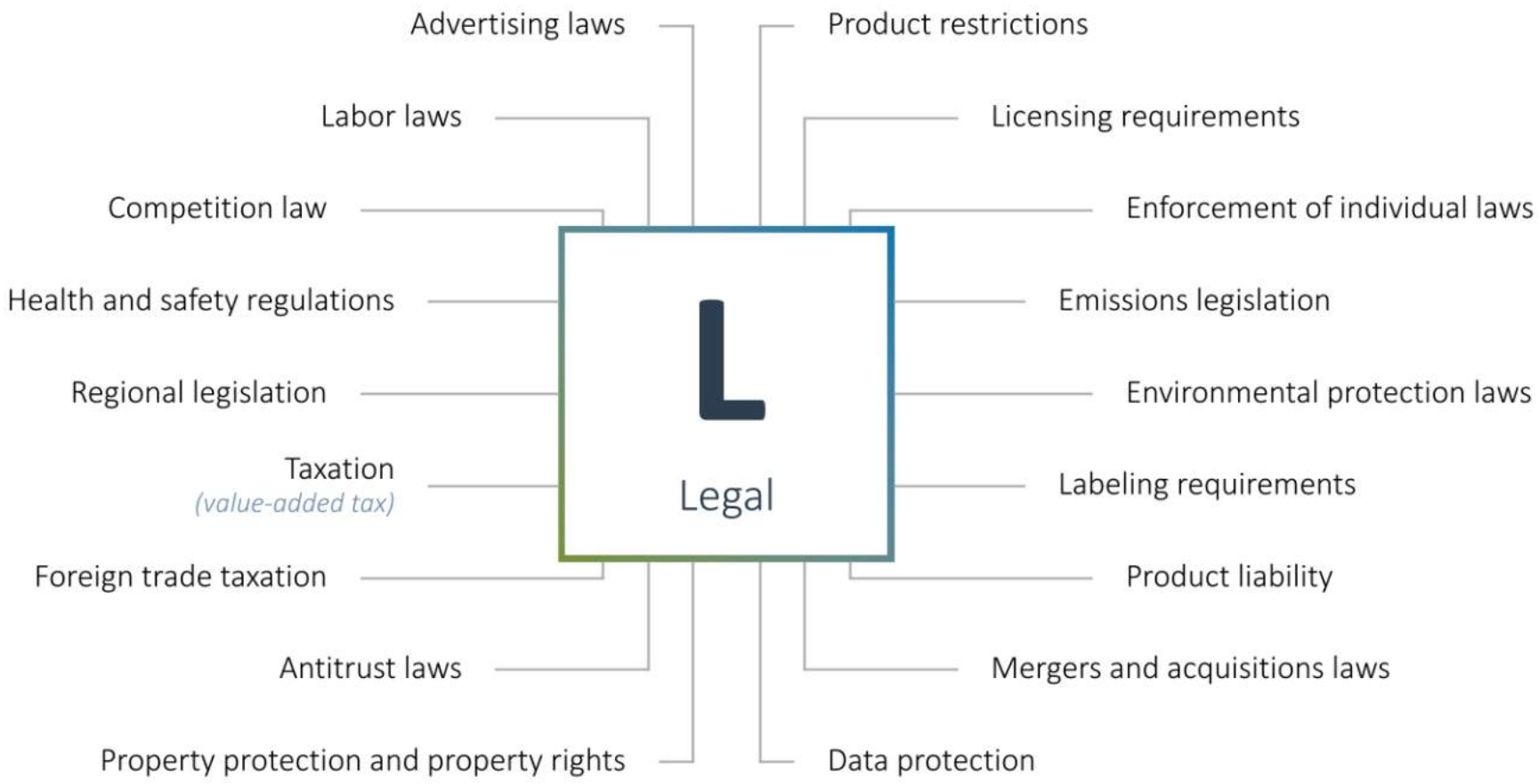
LEGAL FACTORS

PESTEL categories



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INTERPRETING RESULTS

PESTEL ANALYSIS

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PESTEL TOOL

Interpreting results

Example

LEGAL	P	C	F	L	S	
Labor laws	2	3	1	1	1	7
Safety	2	3	1	5	2	22
Lorem ipsum						

POLITICAL	P	C	F	L	S	
Political stability	4	2	5	4	1	15
Reliable institutions	1	3	4	4	1	13
Lorem ipsum						

ECONOMIC	P	C	F	L	S	
Growth	2	3	4	3	3	36
Industry structures	1	3	5	5	4	56
Lorem ipsum						

ENVIRONMENTAL	P	C	F	L	S	
Emission standards	1	2	4	4	4	44
Regulations	5	5	5	5	1	20
Lorem ipsum						

LOW PRIORITY	COUNTRY OF ANALYSIS	GOAL OF ANALYSIS
Lorem ipsum	Lorem ipsum	Lorem ipsum

SOCIAL	P	C	F	L	S	
Heath	5	4	5	4	5	90
Values	2	3	3	3	1	11
Lorem ipsum						

TECHNOLOGICAL	P	C	F	L	S	
Innovations	1	3	5	4	2	26
Industry standards	1	3	4	4	1	12
Lorem ipsum						

IMPACT

- **P**ast
- **C**urrent
- **F**orecast
- **L**ikelihood of occurrence (0 none to 5 high)
- **S**ignificance (1 not measurable, 2 unimportant, 3 neutral, 4 major, 5 critical)

- High priority
- Average priority
- Low priority

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PESTEL WEIGHTING

Interpreting results

Example

P

Political

Subsidies	+5
Research funding	+1
Infrastructure	-3
Education	+4
Political conflicts	0
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

E

Economic

Raw material costs	-3
Growth	+6
Consumer expectations	0
Currency fluctuations	+2
Performance components	+4
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

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PESTEL WEIGHTING

Interpreting results

Example

S

Social

Income distribution	0
Health	+4
Age distribution	-7
Share of urban population	-2
Value system of the population	+1
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

T

Technological

New materials	+1
Technological standards	-3
Process technology	+6
Product lifetime	-2
Performance components	+4
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

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PESTEL WEIGHTING

Interpreting results

Example

E

Environmental

Climate change	**-3**
Air pollution	**+1**
Water pollution	**-2**
Hazardous materials	0
Waste management	**+5**
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

L

Legal

Permits	**+2**
Labeling requirements	0
Liability	**+1**
Product safety regulations	**-3**
Corruption	**+6**
Lorem ipsum	
Lorem ipsum	
Lorem ipsum	

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RESULTS CANVAS: POLITICAL

Interpreting results

Example

Bureaucracy

Lorem ipsum dolor

sit amet consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna

negative

Labor laws

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore

neutral

Education law

Lorem ipsum dolor sit amet

positive

Environmental laws

Lorem ipsum dolor

sit amet consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna

negative

Subsidies

Lorem ipsum dolor sit amet, consetetur sadipscing elitr

positive

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RESULTS CANVAS: ECONOMIC

Interpreting results

Example

Employment

Lorem ipsum dolor

sit amet consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna

neutral

Economic growth

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore

negative

Income

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy

positive

Purchasing power

Lorem ipsum dolor sit amet, consetetur sadipscing

positive

Exchange rates

Lorem ipsum dolor sit amet, consetetur sadipscing elitr

neutral

Inflation

Lorem ipsum dolor sit

negative

Interest rates

Lorem ipsum dolor sit

positive

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RESULTS CANVAS: SOCIAL

Interpreting results

Example

Values

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Beliefs

Lorem ipsum dolor sit amet consetetur sadipscing elitr

negative

Language

Lorem ipsum dolor

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positive

Education

Lorem ipsum dolor sit amet, consetetur sadipscing elitr

negative

Consumer behavior

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore

neutral

Religion

Lorem ipsum dolor sit amet, consetetur sadipscing

neutral

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RESULTS CANVAS: TECHNOLOGICAL

Interpreting result

Example

Energy supply

Lorem ipsum dolor sit amet consetetur sadipscing elitr

negative

Supplier infrastructure

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Information and communications technology

Lorem ipsum dolor sit amet consetetur sadipscing elitr

neutral

Transport infrastructure

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Research and development

Lorem ipsum dolor sit amet consetetur sadipscing elitr

neutral

Digitalization

Lorem ipsum dolor sit amet consetetur sadipscing elitr

negative

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RESULTS CANVAS: ENVIRONMENTAL

Example

Interpreting result

Land

Lorem ipsum dolor sit amet consetetur sadipscing elitr

neutral

Climate

Lorem ipsum dolor sit amet consetetur sadipscing elitr

negative

Resources

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy

positive

Urbanization

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Environmental regulations

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neutral

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RESULTS CANVAS: LEGAL

Interpreting result

Example

Legal consciousness

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neutral

Legal system

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negative

Competition law

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Labor laws

Lorem ipsum dolor sit amet consetetur sadipscing elitr

negative

Level of corruption

Lorem ipsum dolor sit amet consetetur sadipscing elitr

positive

Liability

Lorem ipsum dolor sit amet consetetur sadipscing elitr

neutral

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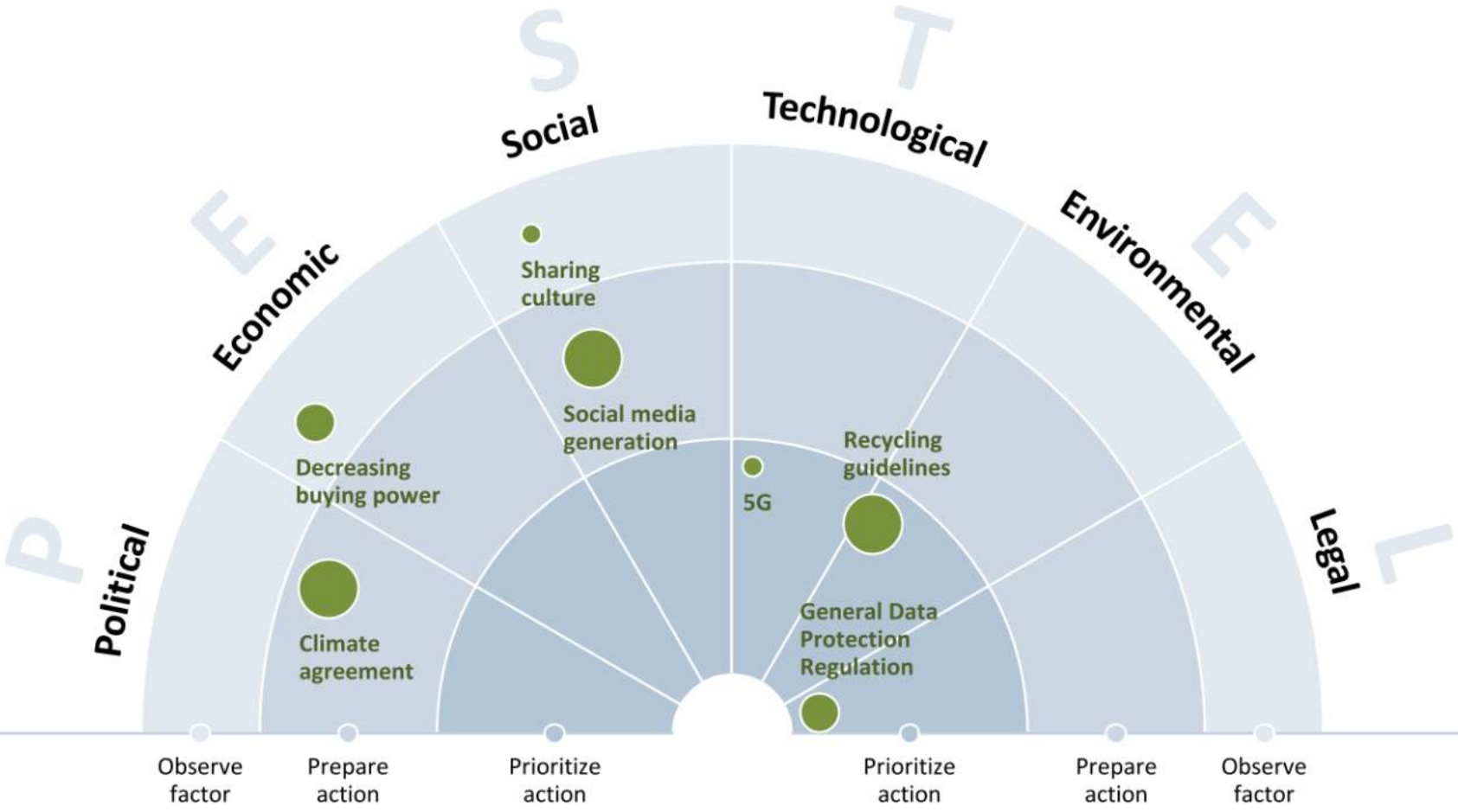
PESTEL EVALUATION

Interpreting results

Example



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