

PEST Analysis

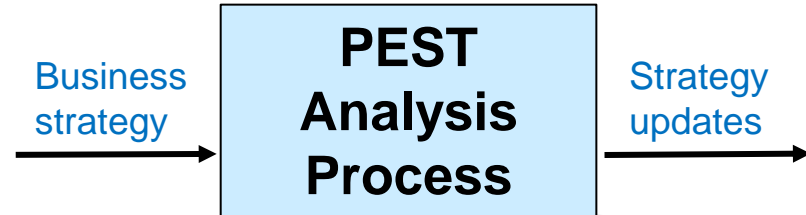
Problem

How to use external factors to update business strategy?

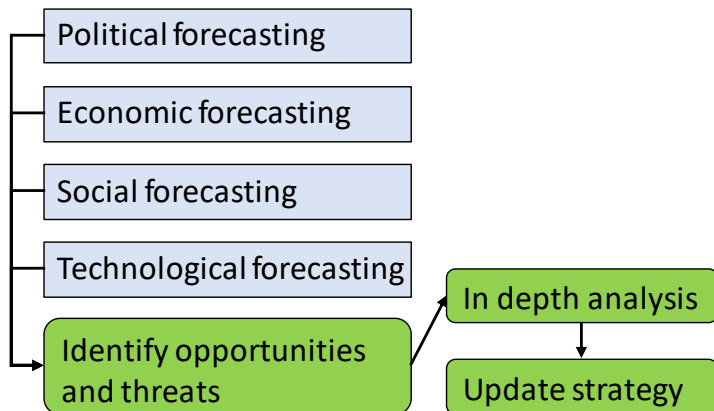
Difficulty

Some training required

- **PEST** (Political, Economic, Social and Technological) **Analysis** determines the influence of external factors on an organization.
- A PEST analysis is an input to the strategic planning process. (Changes in external factors can create opportunities or threats.)
- PEST is used (with SWOT) to evaluate the pros/cons of a project.



1. Determine relevant factors within PEST categories:
 - A. Political → political stability, taxation and economic policies, trade agreements, ...
 - B. Economic → economic trends, GDP, interest rate, tax rate, unemployment rate, ...
 - C. Social → cultural and religious factors, demographic factors, religious factors, ...
 - D. Technological → effects of technology on: distribution, manufacturing, marketing, ...
2. For each factor, do the following:
 - A. Identify potential opportunities and/or threats.
 - B. Identify sources of information for that factor.
 - C. Prepare a questionnaire for that factor.
 - D. Collect detailed data for that factor.
3. Analyze the collected data.
4. Take appropriate actions, as necessary.



PEST – Example

Sample Template

	Factors	Potential opportunity and/or threat	Information sources	Questionnaire: questions & data collection plan	Data obtained	Conclusions	Strategy actions
Political	<i>A, B, ...</i>	<i>A=threat, B=opportunity, ...</i>	<i>citations</i>	<i>Ask X and Y about Z</i>	<i>know K</i>	<i>L is likely</i>	<i>Prevent P</i>
Economic	...						
Social							
Technological							

List of factors for each of P, E, S, T

Categorize each factor as “threat” or “opportunity”

Information from others

Information you have obtained

Analysis and actions

Example: Fast food chain (e.g., McDonald’s, Burger King) in other countries

1. Political Factors

- Must abide by (changing?) tax rules; product contents depend on import taxes.
- Must abide by (changing?) labeling requirements; product contents depends on which information appears on label.

2. Economic Factors

- Need to anticipate (changing?) supply chain capabilities, to adjust product contents.
- Need to anticipate (changing?) buying power of consumers, to adjust prices.

3. Social Factors

- Need to anticipate (changing?) fast food health concerns; to adjust products and offerings.
- Need to anticipate (changing?) behaviors (workers at home no longer drive past restaurants).

4. Technological Factors

- Need to anticipate (changing?) customer desires to pay via mobile app.
- Need to anticipate (changing?) customer desire to order on web site, and pick up food in store.

PEST – Notes

Slide 1

1. PEST does not address internal factors such as: employee expectations, management style, organizational culture and structure, ...
2. PEST analysis and SWOT analysis are similar but different:
 - A. SWOT focuses on a company's internal strengths and weaknesses; PEST concentrates on external factors.
 - B. Usually, perform a PEST first and then a SWOT; they may include the same factors. That is, start with the business environment and then investigate the details of a particular situation.
3. Benefits of a PEST analysis
 - A. Encourages strategic thinking
 - B. Identifies threats and opportunities
 - C. Provides a contextual understanding of the business environment
4. Can add other letters such as
 - D=demographical
 - E=Ethical and/or E=Environmental
 - L=Legalto obtain: PESTEL, STEEP, SLEPT, and STEEPLD.

Slide 2

1. There are normally many factors within each of P, E, S, and T. It is useful to make a large list and then determine which are relevant.
2. The template shows the type of information to capture, aligned with the PEST analysis process.