

How to Effectively Conduct a PESTLE & SWOT Analysis

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PESTLE and SWOT are highly effective analysis tools to help you during the process of developing a strategic plan for your business. They can be used in isolation, however become significantly more effective when used in combination.

occur in this context.

- **SWOT** analysis then interprets these findings for the business to determine the strengths and weaknesses, and opportunities and threats.

If combined, PESTLE analysis is usually completed first to provide a context for the SWOT analysis.

PESTLE Analysis



PESTLE analysis is, in effect, an audit or external scan of an organisation's environmental influences that helps guide the planning and strategic decision making. It is often referred to as providing a 'big picture' of the environment in which a business operates.

The assumption is that, if a business is able to audit its current environment and assess potential changes, it will be better placed than its competitors to respond to changes. Often, the analysis will determine likely issues/events that will impact the business - these are generally considered to be outside the control of the business.

operates.



Let's consider the individual factors and how they may impact your business plan:

POLITICAL

This factor represents the way and extent to which the government influences the economy, and certain businesses. This could be at the federal, state or local level. Current considerations in the market that may impact planning include factors, e.g. a potential change of government, unstable government due to the balance of

ECONOMIC

This factor refers to the areas unique to the economy and directly influence it. Factors that may influence your business plan include inflation rates, interest rates, economic growth, exchange rates, and property prices.

Economic also refers to local economic factors within your geographic area, e.g. Newcastle, the second most populated area in NSW, is famous for its coal exports. In comparison, Port Lincoln in South Australia is known as the Seafood Capital of Australia. Economic factors differ for each town or city and must be analysed for their impact on your business.

SOCIAL

This factor refers to demographic factors, including population growth rates, cultural aspects, age distribution of population, and changing social behaviours; e.g. people using social media applications to discuss products and services. Many of these factors may impact the way you do business with your clients and the methods of interaction you may have.

TECHNOLOGICAL

This refers to the rate of technological changes and Research and Development (R & D) activities, automation, and incentives. These factors influence outsourcing

appointments, location based searching, emergence of Artificial Intelligence etc. Over the last 10 years, changes in technology have massively impacted every industry and the degree and speed that this will occur in the future is only going to increase.

LEGAL

This factor refers to all the laws directly connected to a business or company and its area of activity. E.G. WHS, Consumer Law, Privacy and Discrimination Law.

ENVIRONMENTAL

This refers to all the factors directly related to, influenced, or determined by the surrounding environment. This could include weather and natural disasters, geographical position, climate changes, and sustainability. Think about the apparent increased frequency of natural disasters (floods, drought etc.) and their impact on the business and future planning of many affected businesses.

The traditional use of PESTLE in change management is as follows:

Step 1 - List external PESTLE factors for the business

You may need to brainstorm and have an expert knowledge of the business and/or the world outside the business for this.

Decide the implications of the external factors - rank or rate them. Normally, this involves assessing their impact over time (short, medium and long-term), impact by type (positive or negative affects), and impact by dynamics; i.e. the significance/importance of the implication increasing, decreasing, or remaining unchanged.

Step 3 - Rate the impact and likelihood

Rate the potential impact on the business, high - low, and the likelihood of it happening, low - high.

Step 4 - Further action

You can then undertake further analysis in the form of a SWOT Analysis or scenario building. Developing 'what if' scenarios enables you to visualise different alternative futures for the business, focusing on the high frequency, high impact combinations of influences.

SWOT analysis

As discussed earlier, SWOT analysis helps to interpret the findings of the PESTLE analysis to determine the business's strengths and weaknesses, and opportunities and threats. It is important, as a part of the internal focus, to conduct the SWOT analysis prior to completing

It helps to understand SWOT analysis by classifying the strengths and weaknesses as an internal assessment of a business, so looking within a business at controllable factors. The opportunities and threats are therefore classified as an external assessment of the business, so looking at outside forces and influences that are beyond the businesses control.



What are some of the questions you could ask yourself, which would also assist with the business planning process?

Strengths

- What do you do better than anyone else?
- What unique or lowest-cost resources can you draw upon, that others can't?
- What do the people in your market perceive as your strengths?
- What factors indicate that you "win business"?
- What is your Unique Selling Proposition (USP)?

Weaknesses

- What could you improve?
- What should you avoid?
- What are the people in your market likely to perceive as your weaknesses?
- What factors cause you to lose business?

Opportunities

1. What good opportunities can you spot?
2. What interesting trends are you aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both, broad and narrow scales.

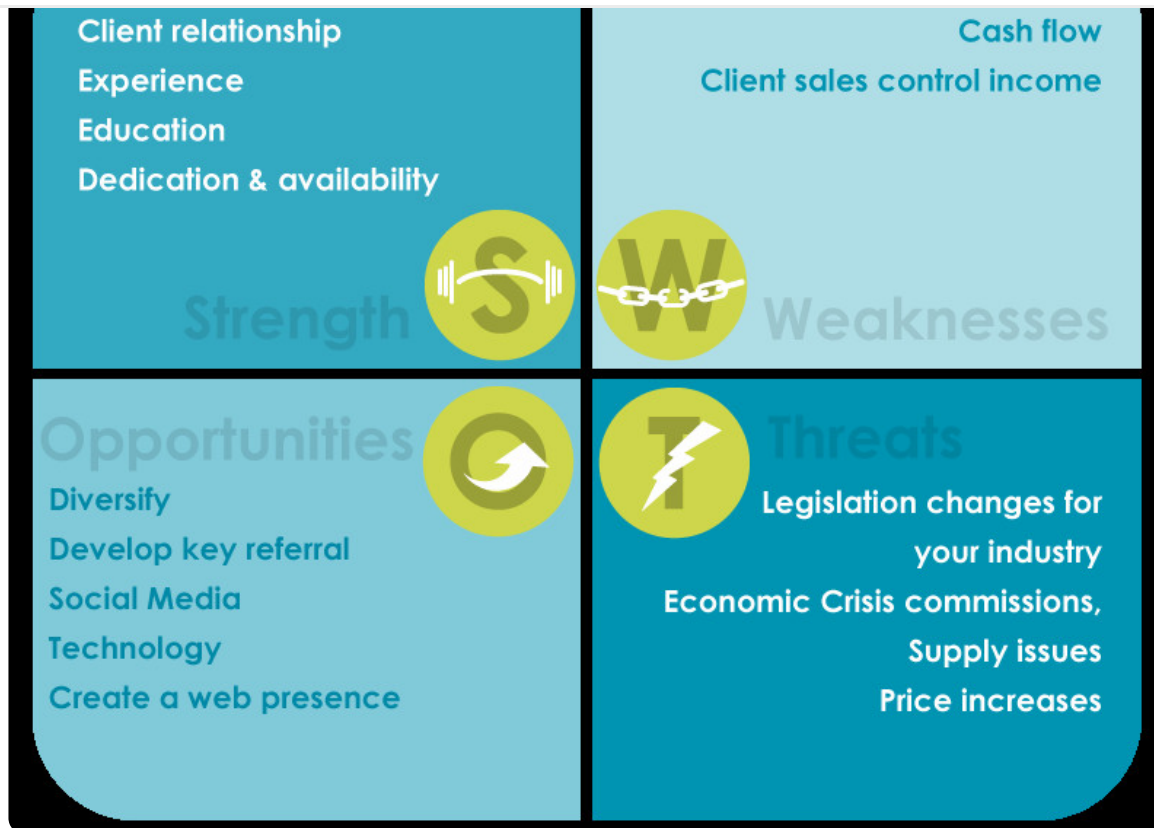
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events.

Threats

- What obstacles do you face?
- What are your competitors doing?
- Are quality standards, compliance requirements, or the specifications for your job, products, or services changing?
- Is changing technology threatening your position?
- Do you have bad debts or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?


Think about some of these considerations when conducting a SWOT analysis.

The completed SWOT analysis image provides an example of the issues that a business owner may face.



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