

# PEST ANALYSIS



# SESSION 1

## PEST ANALYSIS



# PEST ANALYSIS

- The PEST analysis is a useful tool for understanding market growth or decline,
  - and as such the position, potential and direction for a business.
- A PEST analysis is a business measurement tool.
- PEST is an acronym for Political, Economic, Social and Technological factors,
  - which are used

organizational unit.



# PEST ANALYSIS

## PEST ANALYSIS

### **POLITICAL**

- 1) Government type and stability
- 2) Government policies
- 3) Tax and trading policy
- 4) Market regulation

### **SOCIAL**

- 1) Literacy of the place
- 2) Lifestyle and social trends
- 3) Company/brand image in society
- 4) Media views



### **ECONOMIC**

- 1) Economic growth
- 2) Interest rates
- 3) Exchange rates
- 4) Inflation rates

### **TECHNOLOGICAL**

- 1) R&D activity
- 2) Licensing
- 3) Patent acquiring
- 4) Maturity of technology

# Political Factors

- Political factors indicate how the domestic political environment affects the business and economy. Any laws, policy, initiatives by the government come under this category. Main Political factors are as follows:

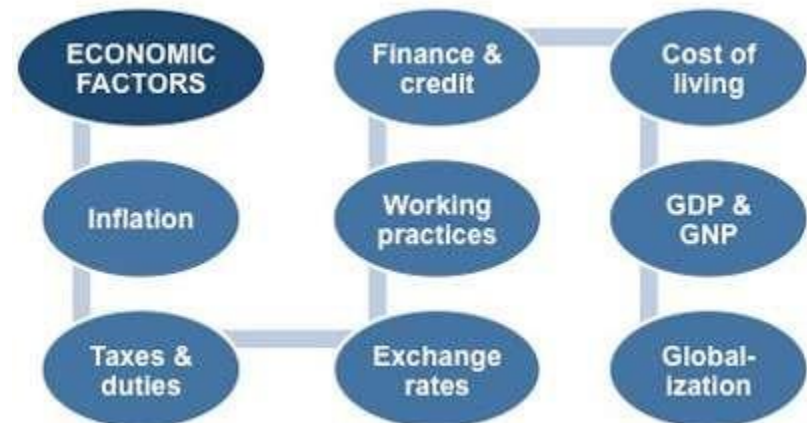
- Political Stability or Stable government
- Proper laws and legal framework
- Proper IPR and Copyright protection
- Government policies regarding human rights
- Favorable tax rate of taxation policies
- Favorable labor laws
- Trade laws and bi-lateral agreements with other countries
- Encouraging corporate laws and policies
- Favorable policies for foreign investment
- Proper Security



# Economic Factors

Economic factors indicate the economic health and its suitability for more economic and industrial growth. Economic health includes Purchasing Power Parity, GDP per Capital, GDP growth etc. All the major economic factors are outlined as follows:

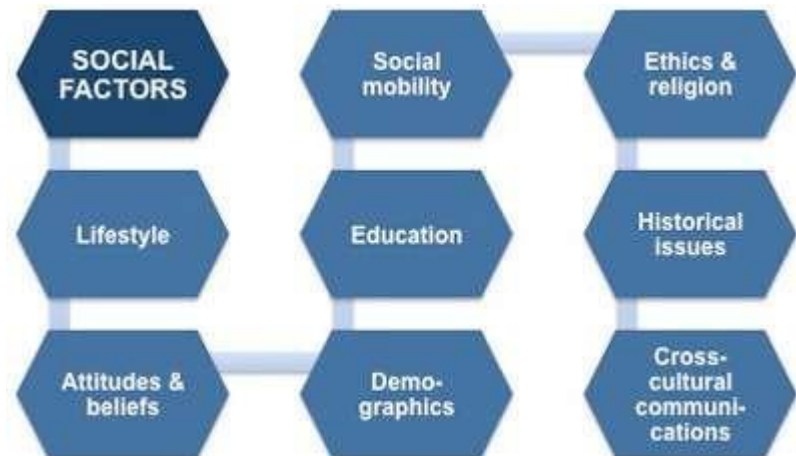
- Economic Growth and Industrial Growth
- GDP Per Capita
- Purchasing Power Parity
- Number of Consumers
- Interest rate
- Inflation rate
- Exchange rate and currency stability
- Unemployment rate
- Consumer confidence
- Activate Labour forces
- Investment Opportunity
- Trade Balance
- Balance of Payment



# Social Factors

Social factors include the cultural and social aspects of a country. Better social aspects and parameters always set up the basic foundation for higher economic and industrial growth. Main social factors involved here are:

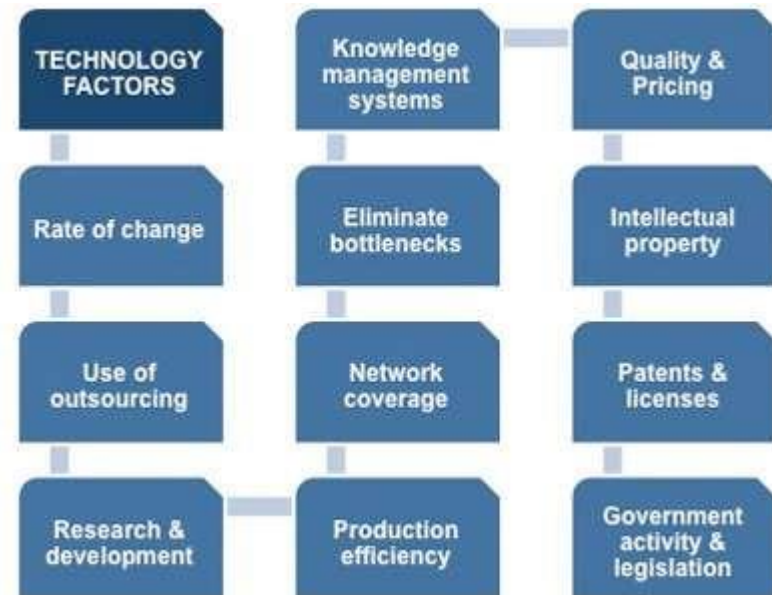
- Demographic including growth rate, sex ratio, age distribution, Population density etc.
- Social culture and lifestyle
- Basic and Higher Education
- Human Development index
- Social safety and benefits
- Career attitudes



# Technological Factors

Technology factors indicate the technological aspects of a country including R&D, Technological changes, technological advancement and acceptance etc. As per economics, technological advancement plays an important role in driving GDP growth for an economy. Technological advancement and more innovation lead to faster growth. The main technological factors are as follows:

- Technological Development
- Innovation
- R&D
- Skilled resources
- Easier acceptance of new technologies
- Information and Communication
- Number of Technology institutes





# Use of PEST

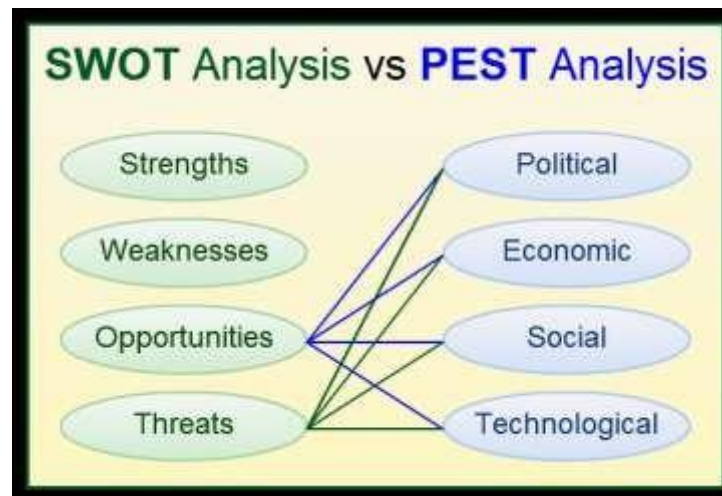
## Analysis

PEST Analysis is useful for four main reasons:

1. It helps you to spot business or personal opportunities, and it gives you advanced warning of significant threats.
2. It reveals the direction of change within your business environment. This helps you shape what you're doing, so that you work with change, rather than against it.
3. It helps you avoid starting projects that are likely to fail, for reasons beyond your control.
4. It can help you break free of unconscious assumptions when you enter a new country, region, or market; because it helps you develop an objective view of this new environment.

# PEST Vs SWOT

- A **PEST analysis** most commonly measures a **market**.
- A **SWOT analysis** measures a **business unit, a proposition or idea**.
- Generally speaking a SWOT analysis measures a business unit or proposition, whereas a PEST analysis measures the market potential and situation, particularly indicating growth or decline, and thereby market attractiveness, business potential, and suitability of access - market potential and 'fit' in other words.



## PEST Vs SWOT

- PEST analysis can be used for marketing and business development assessment and decision-making, and the PEST template encourages proactive thinking, rather than relying on habitual or instinctive reactions.
- PEST assesses a market, including competitors, from the standpoint of a particular proposition or a business.
- SWOT is an assessment of a business or a proposition, whether your own or a competitor's.
- Strategic planning is not a precise science - no tool is mandatory - it's a matter of pragmatic choice as to what helps best to identify and explain the issues.

## PEST Vs SWOT

- PEST becomes more useful and relevant to the larger and more complex business or proposition, but even for a very small local businesses a PEST analysis can still throw up one or two very significant issues that might otherwise be missed.
- The four quadrants in PEST vary in significance depending on the type of business, eg., social factors are more obviously relevant to consumer businesses or a B2B business close to the consumer-end of the supply chain, whereas political factors are more obviously relevant to a global munitions supplier or aerosol propellant manufacturer.
- All businesses benefit from a SWOT analysis, and all businesses benefit from completing a SWOT analysis of their main competitors, which interestingly can then provide some feedback into the economic aspects of the PEST analysis.

# SESSION 2

## PESTEL/PESTLE

### ANALYSIS



# PESTLE Analysis

- A PESTLE analysis considers political, economic, social, technological, legal, environmental issues affecting your organization.
- It is used especially when launching a new product or service, exploring a new route to market, or selling into a new country or region and also in the department of human resources.
- PESTLE analysis is in effect an audit of an organisation's environmental influences with the purpose of using this information to guide strategic decision-making. The assumption is that if the organisation is able to audit its current environment and assess potential changes, it will be better placed than its competitors to respond to changes.

# PESTLE Analysis

- PESTLE analysis is a tool or framework for marketers. You can use it if you are seeking to analyze and screen the external marketing environment of your company. The strategic management tool gauges the macro environmental factors. The results make decision taking much easier.
- A PESTLE analysis is a useful tool for understanding the 'big picture' of the environment in which an organisation is operating. Specifically a PESTLE analysis is a useful tool for understanding risks associated with market (the need for a product or service) growth or decline, and as such the position, potential and direction for an individual business.

# PESTLE Analysis

- A PESTLE analysis is often used as a generic 'orientation' tool, finding out where an organisation or product is in the context of what is happening outside that will at some point affect what is happening inside an organisation. The six elements form a framework for reviewing a situation, and can also be used to review a strategy or position, direction of a company, a marketing proposition, or idea.





# PESTLE Analysis

- To help make decisions and to plan for future events, organisations need to understand the wider 'meso-economic' and 'macro-economic' environments in which they operate. (The meso-economic environment is the one in which we operate and have limited influence or impact, the macro-environment includes all factors that influence an organisation but are out of its direct control). An organisation on its own cannot affect these factors, nor can these factors directly affect the profitability of an organisation.
- But by understanding these environments, it is possible to take the advantage to maximise the opportunities and minimise the threats to the organisation. Conducting a strategic analysis entails scanning these economic environments to detect and understand the broad, long term trends.

# Political Factors

- **Political:** These factors determine the extent to which a government may influence the economy or a certain industry. [For example] a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.
- This is because there is a balance between systems of control and free markets. As global economics supersedes domestic economies, companies must consider numerous opportunities and threats before expanding into new regions. It also applies to firms identifying optimal areas for production or sales. Political factors may even help determine the location of corporate headquarters.

# Political Factors

Some of the political factors you need to watch are:

- Tax policies
- Stability of government
- Entry mode regulations
- Social policies
- Trade regulations

## Economic Factors

- **Economic:** These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. [For example] a rise in the inflation rate of any economy would affect the way companies' price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.
- The economic state will change a lot of times during the firm's lifetime. You have to compare the current levels of inflation, unemployment, economic growth, and international trade. This way, you can carry out your strategic plan better.

# Economic Factors

Some examples of economic factors you can judge are:

- Disposable income of buyers
- Credit accessibility
- Unemployment rates
- Interest rates
- Inflation

## Social Factors

- **Social:** These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics etc. An example for this can be buying trends of Western countries like the US where there is high demand during the Holiday season.
- Social factors assess the mentality of the individuals or consumers in a given market. These are also known as demographic factors. Social indicators like exchange rates, GDP and inflation are critical to management. They can tell when it is a good time to borrow. These factors help find out how an economy might react to certain changes.

# Social Factors

The following are some social factors to focus on:

- Population demographics: (e.g. aging population)
- Distribution of Wealth
- Changes in lifestyles and trends
- Educational levels

# Technological Factors

- **Technological:** These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. This refers to automation, research and development and the amount of technological awareness that a market possesses.
- Technological advancements can optimize internal efficiency and help a product or service from becoming technologically obsolete. Role of technology in business is increasing each year. This trend will continue because R&D drives new innovations.
- Recognizing evolving technologies to optimize internal efficiency is a great asset in management. But, there are few threats. Disruptive innovations such as Netflix affect business for CD-players. The best strategy is to adapt according to the changes. Your strategies should sidestep threats and embrace opportunities.



# Technological Factors

This is a large challenge for management. Below is a list of common technological factors:

- New discoveries and innovations
- Rate of technological advances and innovations
- Rate of technological obsolescence
- New technological platforms (e.g. VHS and DVD)

## Environmental Factors

- **Environmental:** These factors include all those that influence or are determined by the surrounding environment. This aspect of the PESTLE is crucial for certain industries particularly for example tourism, farming, agriculture etc. Factors of a business environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets etc.
- Both consumers and governments penalize firms for having adverse effect on the environment. Governments levy huge fines upon companies for polluting. Companies are also rewarded for having positive impact on the environment. The consumers are willing to switch brands if they find a business is ignoring its environmental duties.

# Environmental Factors

Few common environmental factors are:

- Waste disposal laws
- Environmental protection laws
- Energy consumption regulation
- Popular attitude towards the environment

## Legal Factors

- **Legal:** These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labor laws etc.
- This step involves learning about the laws and regulations in your region. It is critical for avoiding unnecessary legal costs.
- This is the last factor in PESTEL. These factors overview the legal elements. Often, start-ups link these elements to the political framework. Many legal issues can affect a company that does not act responsibly. This step helps to avoid legal pitfalls.

# Legal Factors

Common legal factors that companies focus on include:

- Employment regulations
- Competitive regulations
- Health and safety regulations
- Product regulations
- Antitrust laws
- Patent infringements

# Use of PESTLE Analysis

## **Use a PESTLE Analysis when:**

Launching a new product or service

Entering a new region or country

Considering a new route to your market

Working as part of a strategic project team

# Advantages of PESTEL analysis

- Provides a simple and easy-to-use framework for your analysis.
- Involves cross-functional skills and expertise.
- Helps to reduce the impact and effects of potential threats to your organization.
- Aids and encourages the development of strategic thinking within your organization.
- Provides a mechanism that enables your organization to identify and exploit new opportunities.
- Enables you to assess implications of entering new markets both nationally and globally.

# Disadvantages of PESTEL analysis

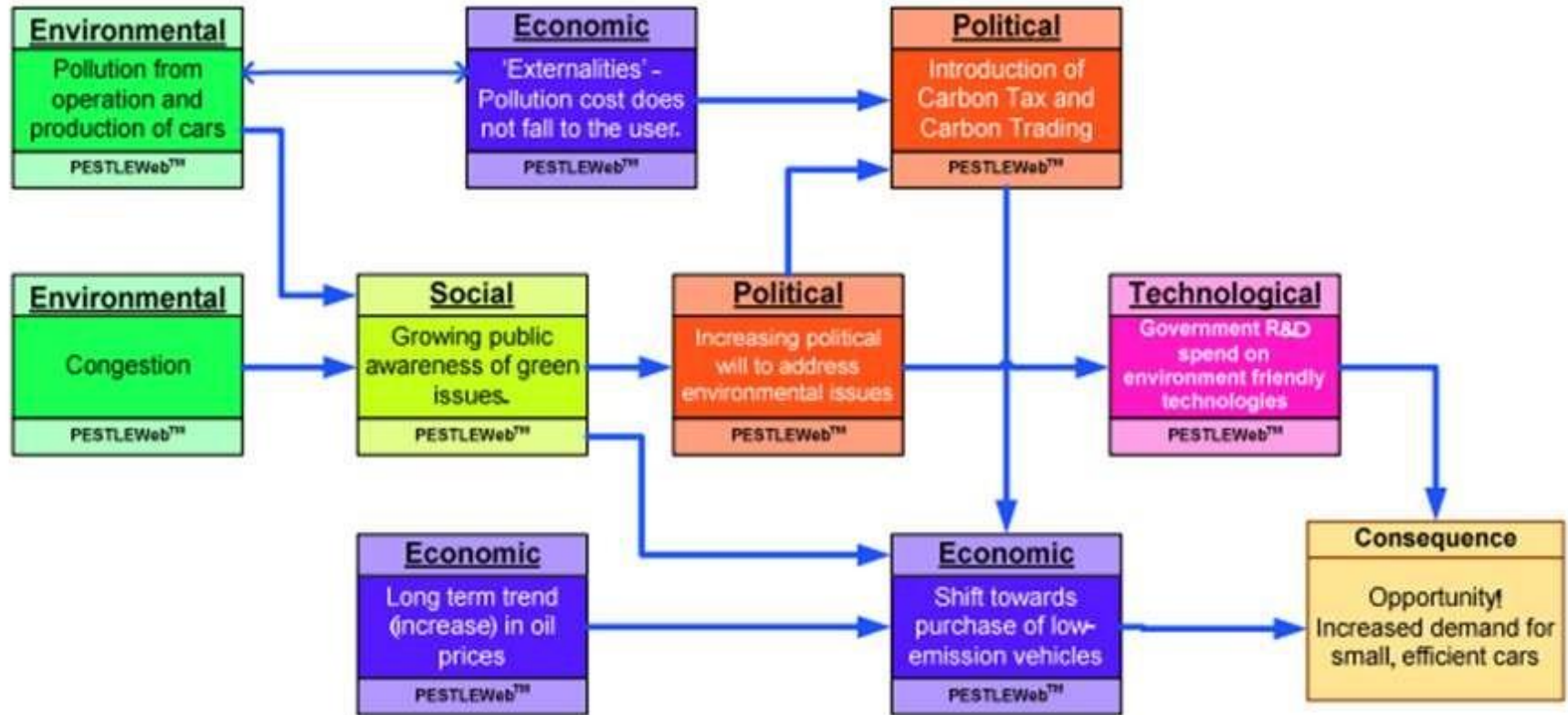
- Users can oversimplify the information that is used for making decisions.
- The process has to be conducted regularly to be effective and often organizations do not make this investment.
- Users must not succumb to 'paralysis by analysis' where they gather too much information and forget that the objective of this tool is the identification of issues so that action can be taken.
- Organizations often restrict who is involved due to time and cost considerations. This limits the technique's effectiveness as a key perspective may be missing from the discussions.
- Users' access to quality external information is often restricted because of the cost and time needed to collate it.
- Assumptions often form the basis for most of the data used, making any decision made based on such data subjective.



# PESTLEWeb

- The PEST factors, combined with external micro-environmental factors and internal drivers, can be classified as opportunities and threats in a SWOT analysis. A graphical method for PEST analysis called 'PESTLEWeb' has been developed at Henley Business School in the UK. Research has shown that it is considered by users to be more logical, rational and convincing than traditional PEST analysis.
- **PESTLEWeb** is a diagram that **links** issues together.

# Pestleweb Diagram



*Model of Pestleweb Diagram (created for the Global Automotive Industry)*

# Issues of Concern

- The main problem with these external PESTEL factors is that they are continuously changing.
- Therefore PESTEL analysis should include a through analysis of what is affecting the organization or a project now, and what is likely to affect in the future.
- The result of a PESTEL analysis is usually a list of positive and negative factors that are likely to affect a project.

# SESSION 3 PESTLE ANALYSIS CASE STUDY



P

E

S

T

L

E

# Presentation Agenda

- Introduction
- PEST Analysis
- PESTLE Analysis
- Dimensions of the model
- Aim of the analysis
- Apple Inc – PESTLE Analysis
- Conclusion

# Introduction



Apple was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne on April 1, 1976 to develop and sell personal computers. It was named Apple Inc. on January 9, 2007 to reflect its shifted focus towards consumer electronics.



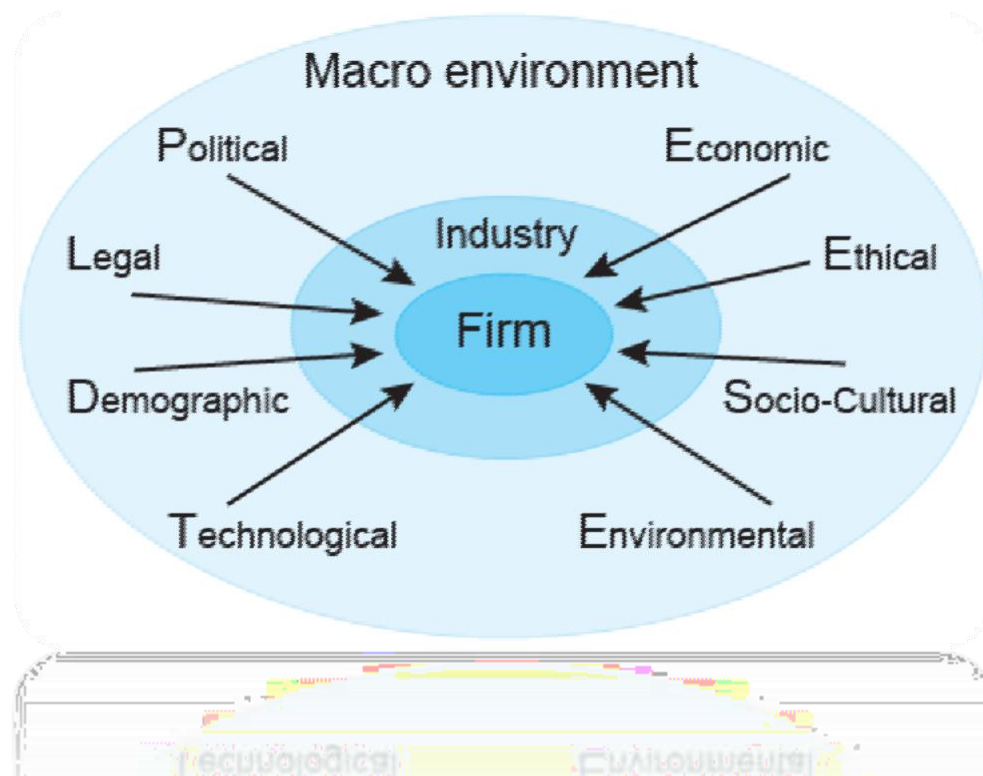
Its best-known hardware products are the Mac line of computers, the iPod media player, the iPhone smartphone, and the iPad tablet computer.



Apple has continuously come up with innovative products making it the most valuable company in the world and leaving behind all its competitors.

# PEST Analysis

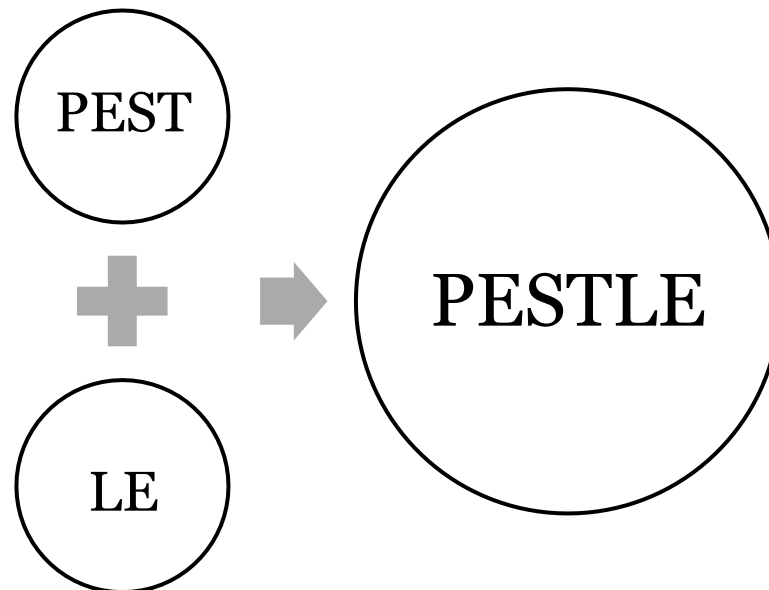
It is a simple and effective tool used in situation analysis to identify the key external (macro environment level) forces that might affect an organization.





# PESTLE Analysis

Incorporating the Legal and Environmental dimensions in the model makes it more comprehensive and gives better results.



# Dimensions of the model



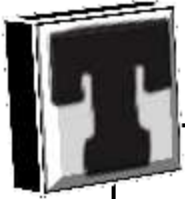
- Government stability
- Tax policy
- Trade control
- Import restrictions
- Competition regulation
- Tariffs
- Regulation/de-regulation
- Bureaucracy



- Growth rates
- Inflation rate
- Interest rates
- Exchange rates
- Unemployment trends
- Labor costs
- Stage of business cycle
- Credit availability
- Stock market trends
- Trade patterns



- Health consciousness
- Education level
- Population growth rate
- Lifestyles
- Buying habits
- Religion and beliefs
- Age distribution
- Family size
- Minorities
- Life expectancy



- Basic infrastructure level
- Rate of technological change
- Spending on research & development
- Legislation regarding technology

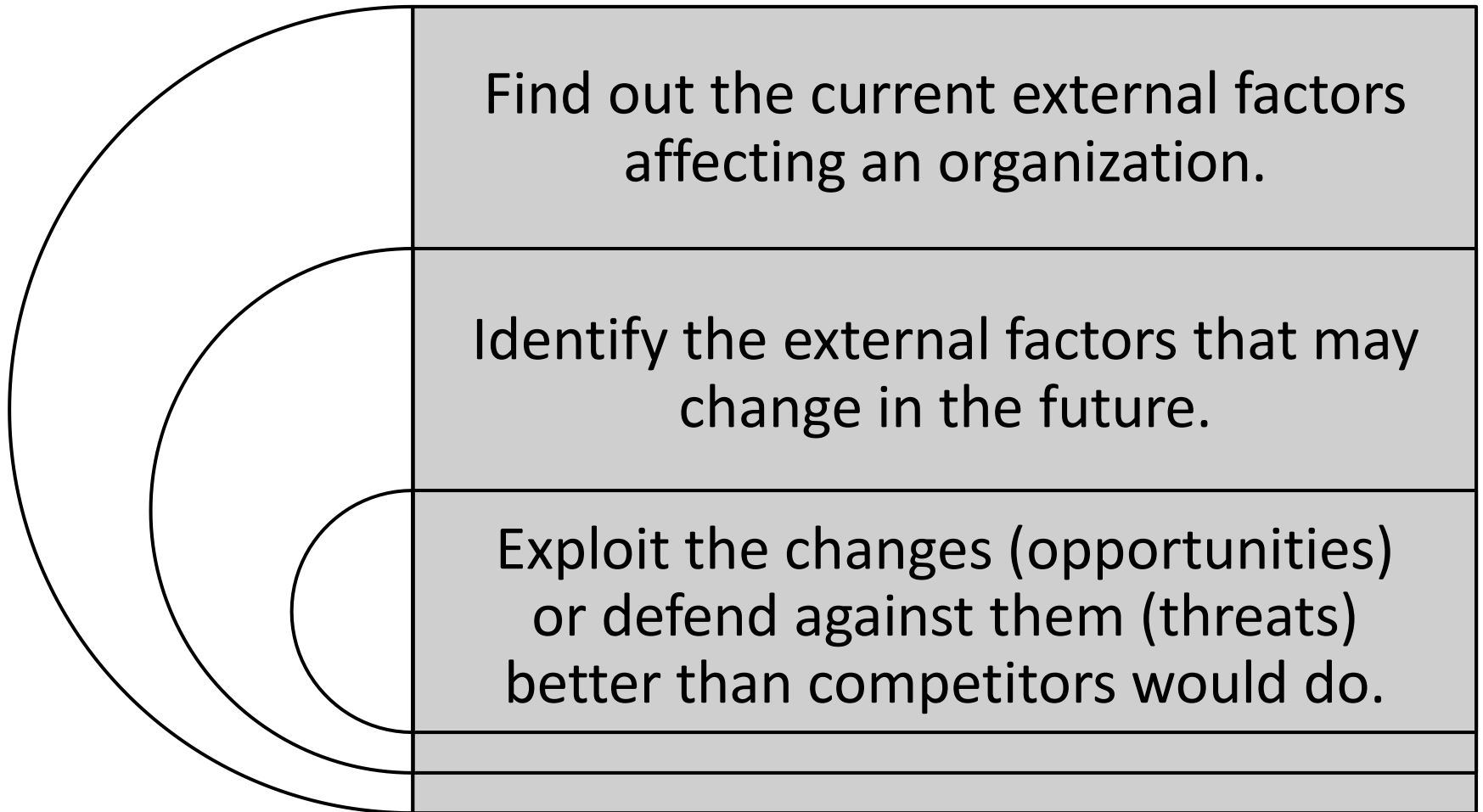


- Anti-trust law
- Discrimination law
- Copyright, patents / Intellectual property law
- Consumer protection
- Employment law
- Health & safety law

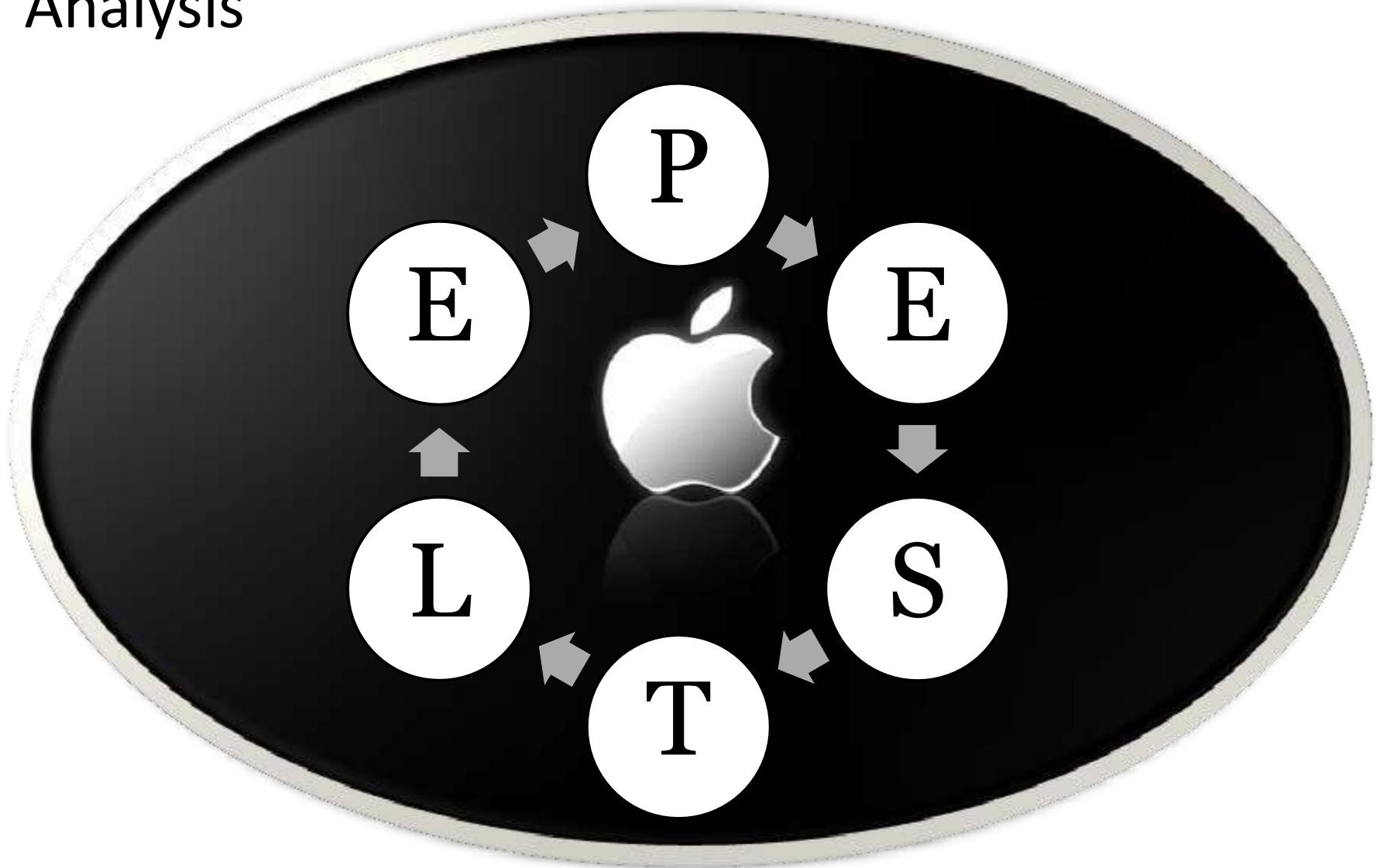


- Weather
- Climate change
- Laws regulating environment pollution
- Air and water pollution
- Recycling
- Waste management
- Carbon footprints

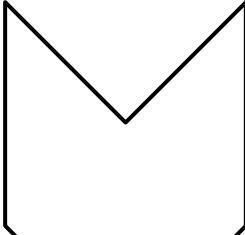
## Aim of the Analysis

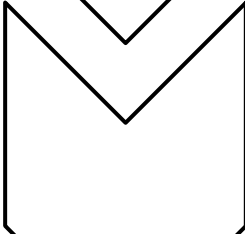


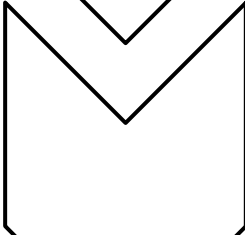
# Apple Inc – PESTLE Analysis



# Political Factors

- 
- It is reported that more than a half of sales of their products come from countries other than America.

- 
- Apple Inc manufactures a number of its parts and products from outside the US, like Czech Republic, Ireland, China, Korea and Cork.

- 
- The bad political relations between US and the other world have bad outcomes for the company.

# Economic Factors

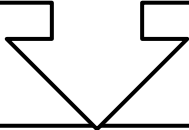
Inflation, recession and currency are three important economic factors that Apple noticed.

Since Apple Inc products were viewed as luxury products, therefore customers started spending less on them.

US dollar value keeps fluctuating, however the company has purchased itself foreign currencies and thus, the economic effects on the company are minimized.

# Social Factors

As the world cannot be imagined without the gadgets, thus Apple products have marked their presence on the international market.

A large, hollow, downward-pointing arrow connecting the first box to the second box.

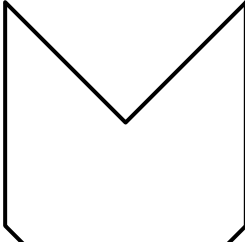
As the purchasing power of the common has risen in various markets across the world the purchasing of luxury products have gone up.

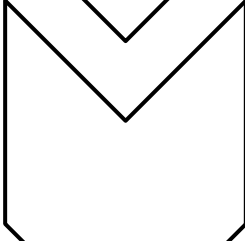
A large, hollow, downward-pointing arrow connecting the second box to the third box.

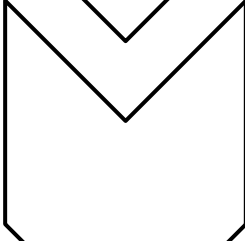
Possessing these items are considered as status symbols in many societies which have also increased the sales of Apple Inc products.



# Technological Factors

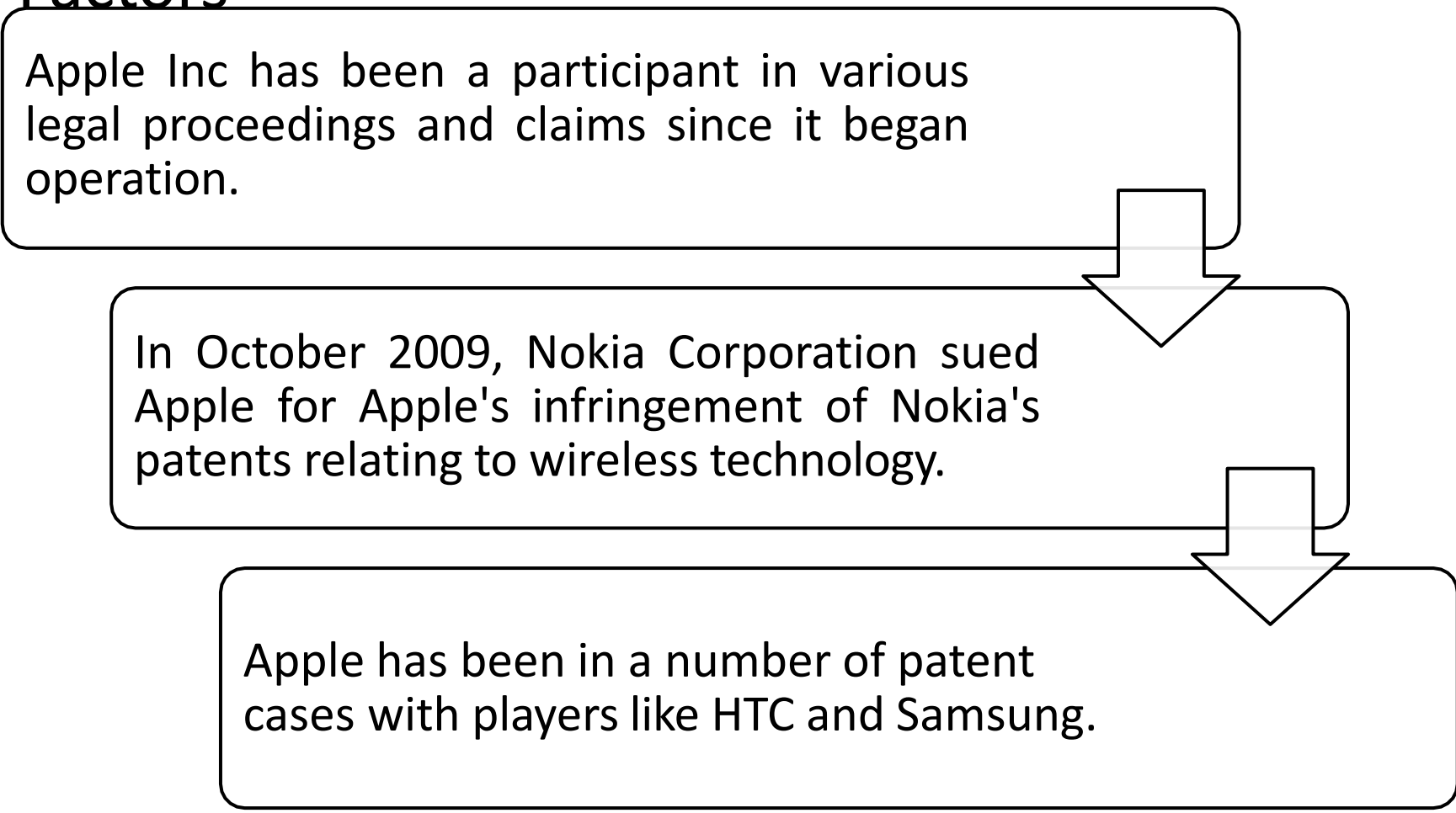
- 
- Technology has a short lifetime. That is why Apple needs to upgrade their product more often so they will outdo their competitors easily.

- 
- Apple Inc has invested largely in its product research and development field and thus its products are at the top of the new innovative products ranking.

- 
- One of the most innovative and technologically advanced products is the iPod which marked the demise of walkman.

# Legal Factors

Apple Inc has been a participant in various legal proceedings and claims since it began operation.



```
graph TD; A[Apple Inc has been a participant in various legal proceedings and claims since it began operation.] --> B[In October 2009, Nokia Corporation sued Apple for Apple's infringement of Nokia's patents relating to wireless technology.]; B --> C[Apple has been in a number of patent cases with players like HTC and Samsung.];
```

In October 2009, Nokia Corporation sued Apple for Apple's infringement of Nokia's patents relating to wireless technology.

Apple has been in a number of patent cases with players like HTC and Samsung.

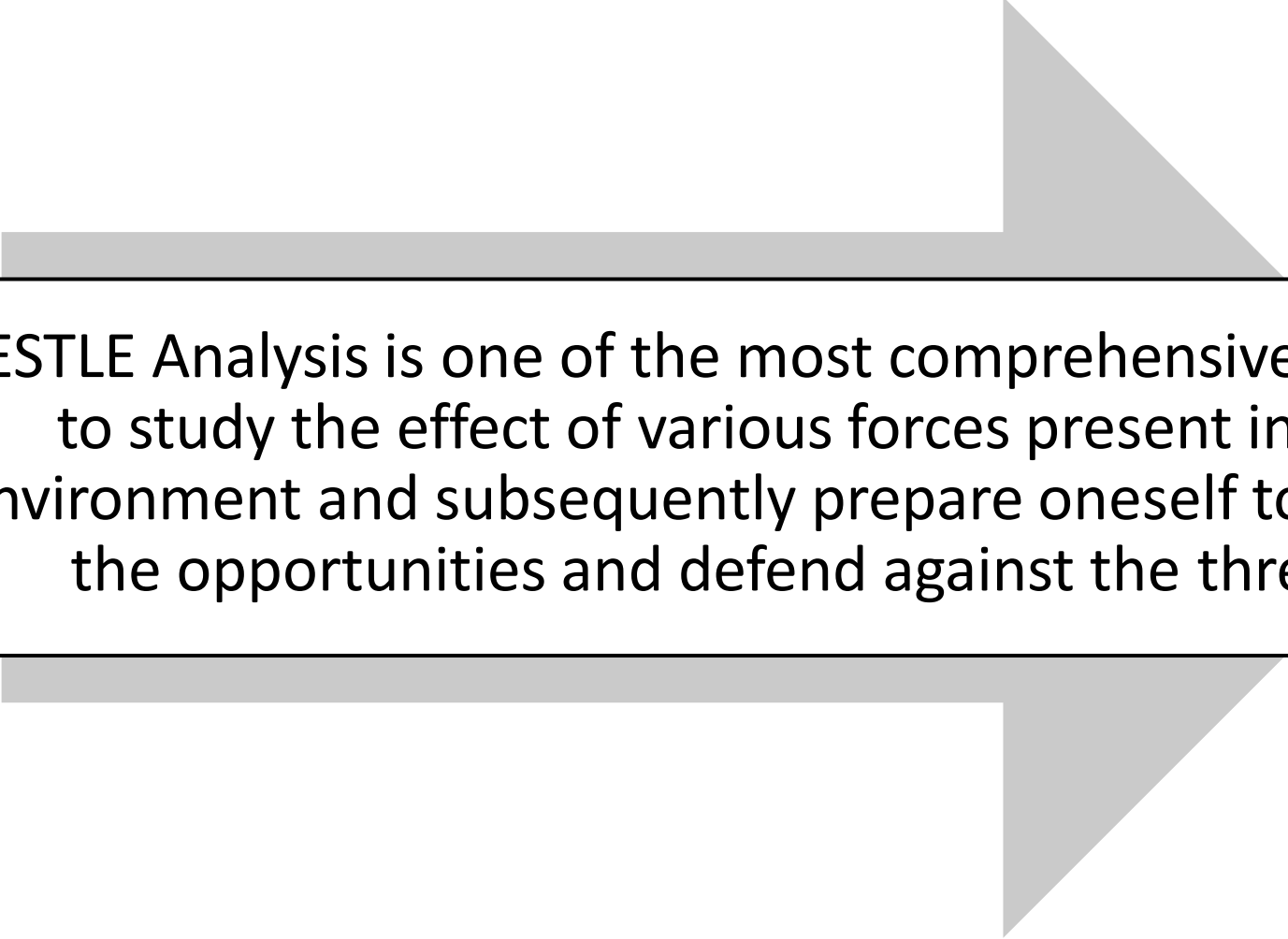
# Environmental Factors

From reporting the entire carbon footprint to finding ways to reduce that footprint, Apple takes a comprehensive approach to environmental responsibility.

Apple's commitment to the environment includes proper disposing of electronic equipment at the end of its useful life. It responsibly recycle your computers and displays.

On track towards achieving an ambitious goal: to power every Apple facility entirely with energy from renewable sources — solar, wind, hydro and geothermal.

# Conclusio n



PESTLE Analysis is one of the most comprehensive models to study the effect of various forces present in the environment and subsequently prepare oneself to exploit the opportunities and defend against the threats.

# SESSION 4 SLEPT ANALYSIS



# SLEPT Analysis

- SLEPT analysis is a framework to assess an organization's external environmental influence on it.
- It considers five factors affecting the macro-environment - Social, Legal, Economic, Political and Technological (hence the mnemonic SLEPT).
- Each of these categories include important external factors that will impact the strategic direction of a company.

# SLEPT Analysis

- The outcome of SLEPT analysis is an overall picture of the macro environment to identify threats and opportunities that can be used in SWOT analysis.
- SWOT further adds on the internal factors affecting the organization.
- SLEPT helps to identify and hence take advantage by maximizing opportunities and minimizing threats.
- It gives an understanding of the broad and long term trends and makes the firm in a better position for strategic decision making.

# Social Factors

- **Social Factors:** Includes health consciousness, education level, population growth rate, sex distribution, social classes etc.





Social factors	Demographic characteristics	<ul style="list-style-type: none"> <li>• population size</li> <li>• age structure</li> <li>• labour preferences</li> <li>• geographic distribution</li> <li>• ethnic distribution</li> </ul>
	Macroeconomic characteristics of the labour market	<ul style="list-style-type: none"> <li>• income distribution</li> <li>• employment – unemployment rate</li> </ul>
	Social-cultural aspects	<ul style="list-style-type: none"> <li>• life standards</li> <li>• gender equity</li> <li>• population policy</li> </ul>
	Availability of manpower, working habits	<ul style="list-style-type: none"> <li>• availability of potential employees with required skills and abilities</li> <li>• existence of educational institutions able to provide the necessary education</li> <li>• diversity of the manpower</li> </ul>

# Legal Factors

- **Legal Factors:** Includes laws such as anti-trust law, discrimination law, intellectual property laws, consumer protection laws, employment laws, regulatory mechanism etc.

Legal factors	Existence and functioning of the essential legal norms	<ul style="list-style-type: none"> <li>• business law</li> <li>• tax laws</li> <li>• deregulatory proceedings</li> <li>• legislative restrictions (distribution, ecological proceedings... )</li> <li>• regulation of working conditions</li> </ul>
	Unfinished legislation	
	Other factors	<ul style="list-style-type: none"> <li>• functioning of the courts</li> <li>• law enforcement</li> <li>• copyrights</li> </ul>

# Economic Factors

- **Economic Factors:** Includes growth rates, inflation rates, interest rates, exchange rates, fiscal policies, monetary policies, credit availability etc.

Economic factors	Basic evaluation of the macroeconomic situation	<ul style="list-style-type: none"> <li>• inflation rate</li> <li>• interest rate</li> <li>• trade deficit or surplus</li> <li>• budget deficit or surplus</li> <li>• the amount of GDP, GDP/inhabitant and its development</li> <li>• monetary stability</li> <li>• status of exchange rate</li> </ul>
	Access to financial resources	<ul style="list-style-type: none"> <li>• costs of local loans</li> <li>• banking system</li> <li>• accessibility and form of loans</li> </ul>
	Tax factors	<ul style="list-style-type: none"> <li>• tax rates</li> <li>• development of tax rates</li> <li>• customs and tax burdens</li> </ul>

# Political Factors

- **Political Factors:** includes government policies and intervention in the economy such as corruption level, government stability, trade control, competition regulation, involvement in Trade Unions, consumer protection laws, employment laws etc.

Political factors	Evaluation of political stability	<ul style="list-style-type: none"> <li>• forma and stability of government</li> <li>• key institutions and offices</li> <li>• the existence and influence of political personalities</li> <li>• political party in power</li> </ul>
	Political-economical factors	<ul style="list-style-type: none"> <li>• attitude towards private and foreign investments</li> <li>• relationship to the state industry</li> <li>• attitude towards private sector</li> </ul>
	Evaluation of external relationships	<ul style="list-style-type: none"> <li>• foreign conflicts</li> <li>• regional instability</li> </ul>
	Political influence of different groups	

# Technological Factors

- **Technological Factors:** includes technological aspects such as R&D activity, technology incentives, rate of technological change, infrastructure level, access to technology etc.



Technological factors	<ul style="list-style-type: none"><li>• government support for research</li><li>• the amount of spending on research (basic, applied)</li><li>• new inventions and discoveries</li><li>• speed of implementation of new technologies</li><li>• speed of moral obsolescence</li><li>• new technological activities</li><li>• general technical level</li></ul>
-----------------------	---

To sum up

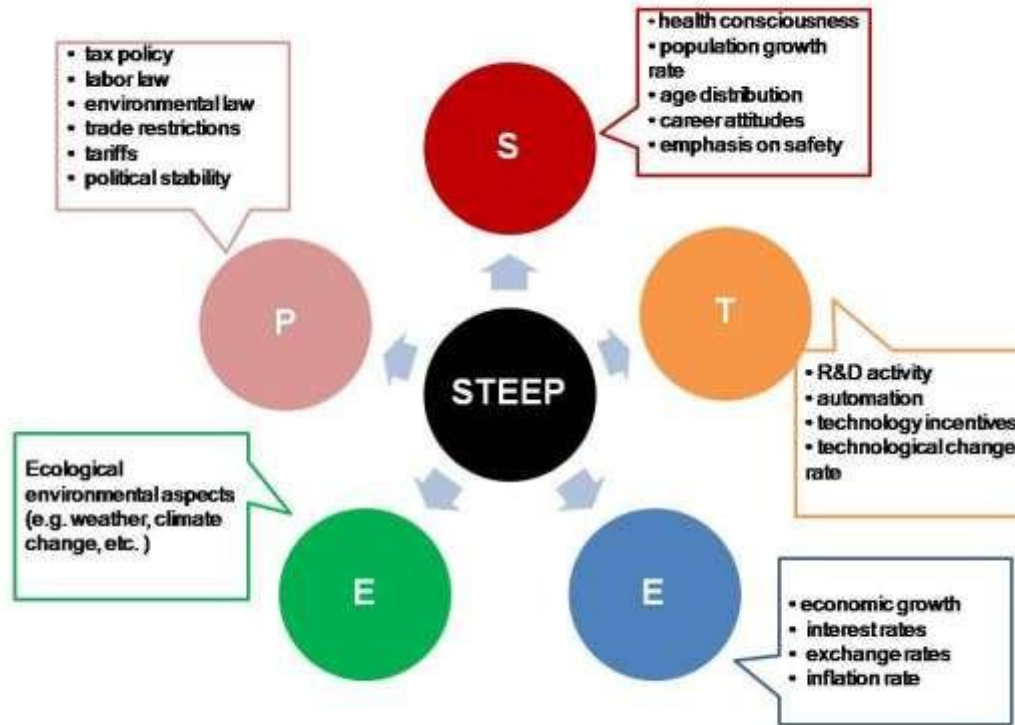
- Changes in technology have become particularly significant in the post-millennium world. This is particularly true in terms of modern communication technologies.
- The creation of databases and electronic communications have enabled vast quantities of information to be shared and quickly distributed in a modern company enabling vast cost reductions, and often improvements in service.
- Thus, tools such as SLEPT provide organisations to be aware of the latest relevant technologies for their business and to surf the wave of change.

## Note to the students

- *While coming for the next session, you are advised to get two feedbacks: One from your peer and one from a senior or an elderly person.*

# SESSION 5

## STEEP & STEEPLE ANALYSIS



# STEEP Analysis

- A STEEP analysis is a tool commonly used in marketing to evaluate
  - different external factors which impact an organization.
- It is essential for every business to consider some external forces before they can take decisions.
- Many people have limited imagination as it is shaped by their own experience and beliefs.
- This tendency often leads an individual to neglect the reality or to refuse to recognize the critical changes around them.

# STEEP Analysis

- In the world of business, there is immense pressure to take quick decisions and to act on the judgment and instinct instead of careful analysis of the situation.
- The STEEP analysis is often conducted by firms to get a detailed overview on what external factors determine the trends.
- It also helps to predict what might happen in the future.
- STEEP is basically an acronym which stands for Social, Technological, Economical, Environmental, and Political.

# STEEP Analysis

- ***Social:*** The social developments include factors like consumer behavior demographics, religion, lifestyles, values, and advertising.
- ***Technological:*** The technology aspect of STEEP analysis focuses highly on technological advancements. It includes factors like innovation, communication, energy, transport, research and development, patent regulations and life-cycle of products.

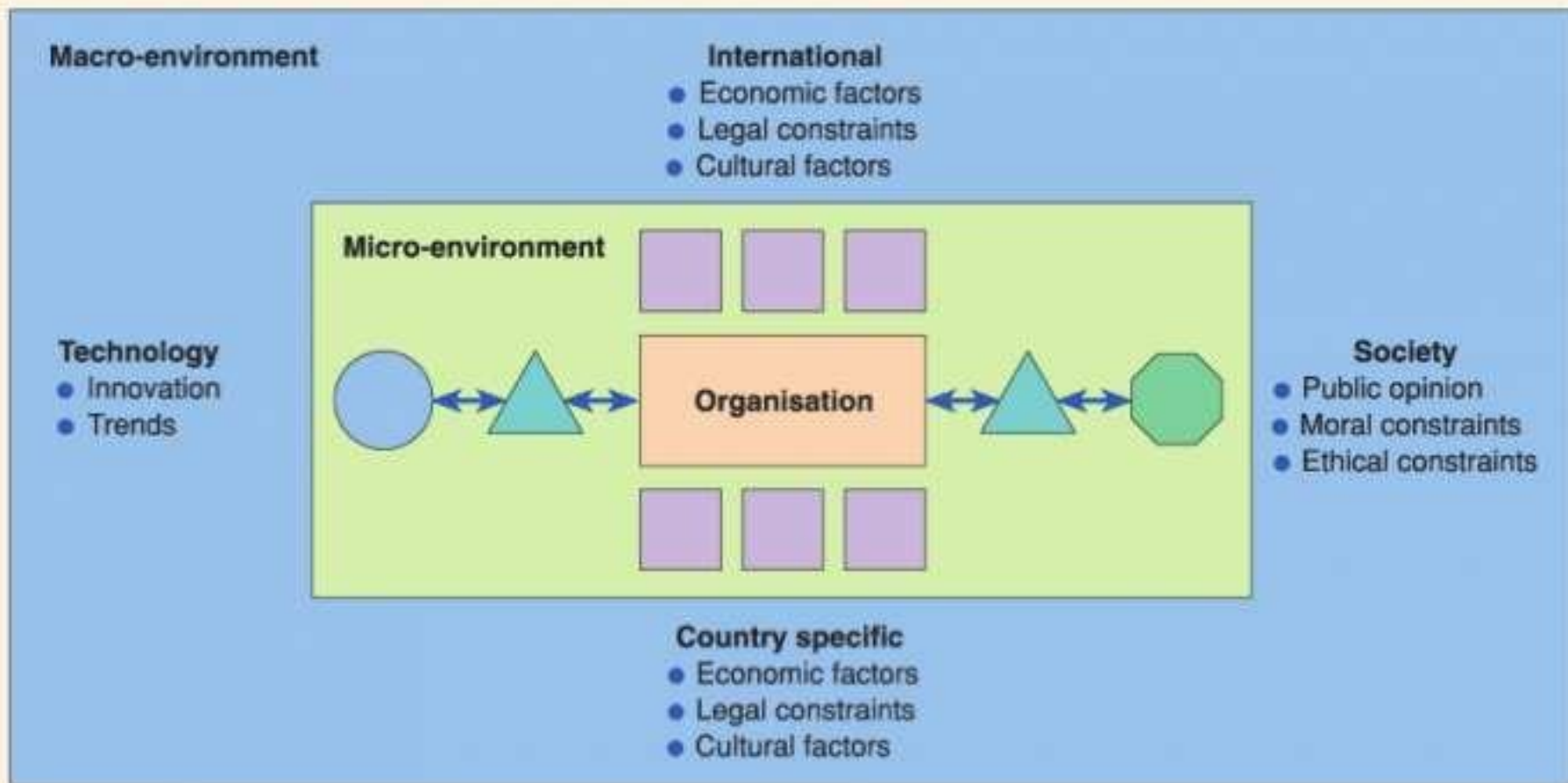
# STEEP Analysis

- ***Economic:*** The economic condition is strongly associated with the consumers' buying position. In this step, factors such as interest rates, international trade, taxes, savings, inflation, subsidies, availability of jobs and entrepreneurship are considered.
- ***Environmental:*** Environmental developments involve ecosystem factors such as water, wind, food, soil, energy, pollution and environmental regulations.



# STEEP Analysis

- ***Political:*** The Political developments can highly influence individuals and organizations. It is important to be aware of likely upcoming shifts in power. Political developments can affect environmental, antitrust, financial markets, trade, and other kinds of laws. Factors to be considered include political stability, regulation of monopolies, tax policies, price regulations consumer protection, jurisdiction and trade unions.



Key



Suppliers



Competitors



Intermediaries



Customers

# Why STEEP Analysis

- STEEP is commonly used to **gain an insight into past**, current and future of the external environment developments during times of uncertainty, times of information overload and times of disorganization.
- So, STEEP analysis is conducted when members are unsure about how the market will react to changes in particular elements. It's also used when there is a constant flow of information from the external environment for a company or when firms seem *confused* about the external environment.

# Which STEEP factors you should rely on

- **Which STEEP factors you should rely on more** depends highly on your field of interest or aim. B2C firms, for example, are most likely to focus on the social factors.
- Large non-profit companies, on the other hand, would perhaps be more concerned about the political factors.
- The factors which are most likely to alter and affect entities directly are the most crucial ones.

# STEEP Analysis Plan

- The analysis can be conducted by anyone who wants to control developments in the contextual factors. It can be carried out by an individual but is most commonly done by a firm's corporate level or a division.
- Educational institutes may also choose to do STEEP analysis.
- However, it is important to follow some steps to get the best results in the time invested in executing the analysis.
- A 5-step plan has been given below to get the best results.

## Step 1: Understand the elements being analyzed

- This step urges the analyst to comprehend the factors of the environment which are being evaluated. Individuals or companies should try to answer questions about the following:
  - What are the key trends and events within the element and what evidences support these trends?
  - How have these trends evolved historically?
  - What is the nature of change in the trends you noticed?
  - What kind of effects do the trends have on the firm?

## Step 2: Assess the interrelationship between different trends

- This step entails properly assessing the interrelationship that trends have with the external environment elements.
- As an analyst, you are expected to find out what the conflicts between the trends are and what the interrelationships between the trends are like.

## Step 3: Relate the trends to issues

- Analysts should identify the trends which play a significant role in
  - boosting or hindering the company's process to reach its objectives.
- It is recommended that the best approach to executing this step is to create a list of possible trends and then gradually shrinking it down to what the main issues are.



## Step 4: Forecast the upcoming direction of issues

- At this stage, you are expected to take the analysis beyond the information you collected in prior steps.
- Using your expertise and collected data to determine what the driving forces behind the issues are.
- Try to identify the causes and symptoms of the trends to find the driving forces.
- It is true that this task can be quite time-consuming and even frustrating at times.
- Yet, when the step is completed it can offer a wealth of insights which will guide the firm's decision-making process.

## Step 5: Derive the implications

- Deriving implications is a crucial step.
- It will provide a unique opportunity to make conclusions or decisions about the external environment.
- It can help deduce how the factor can affect any present and future strategic initiatives.
- Remember, good conclusions will leave your organization with “food for thought” and the implications which should be dealt with when executing a strategic plan.

## When should I use the STEEP method?

- STEEP is used to gain an insight into (past, current and/or future) developments of the external (macro) environment.
- The STEEP factors that are most important to you depends on your goal or field of interest.
- For example a business-to-consumer company will most likely focus more on the social factors, while large non-profit companies could be more affected by political factors.
- The most critical factors are those that are most likely to change and affect businesses directly.

## Who would use a STEEP analysis?

- All people who want to study the developments in the external (contextual) macro environment.
- This could be an organization (on corporate level or a division), a educational institute or an individual.

## STEEP analysis

- When external environment factors like downturns in the economy and lack of investment have their toll on a company's strategic options, the **STEEP analysis can help get a better understanding** of how each factor affects the planning process.
- The tool helps take better decisions.

# STEEPLE ANALYSIS



## STEEPLE Analysis

- When planning the strategic positioning of your organisation, carrying out a STEEPLE analysis can be extremely helpful.
- While the popular SWOT Analysis focuses on internal factors, the STEEPLE model handles macro-environmental external factors.
- The Steeple analysis offers practical insight into seven major factors that affect your business.

## S – SOCIAL

- The social step of the STEEPLE analysis will prompt you to take a close look at the social and cultural changes occurring in your business environment. This step typically requires market research so that you can see trends and patterns. Whether you are analysing population growth, age structure, consumer attitudes or lifestyle changes, analysing the social environment of your firm may point out current faults in your strategy or provide new ideas for the future.



## T – TECHNOLOGICAL

- Today's business world behaves very differently from the business world of the past. Many of these changes in behaviour result from technological changes throughout the world. The significance of technological change depends on the market of your business.
- Changes in production methods can provide new opportunities for improving your profit margin, but can also require large initial investments. Technological changes can also have a huge impact on demand. New markets and new opportunities can be created by advancements in technology. By keeping a close eye on the technology industry, you may be able to capitalise more effectively on changes.

## E – ECONOMIC

- Throughout a company's lifetime, the overall economic situation of the environment will change many times. By analysing current levels of inflation, unemployment, economic growth and international trade, you can maintain your strategic plan more effectively. If the trends suggest that your region or country may be headed for recession, you may want to make small changes to your capital investment plan or new product launch strategies.

## E – ENVIRONMENTAL

- Every business impacts its environment in one way or another. This impact can be negative in cases of costly pollution or waste, but it can also be positive when a firm provides benefits for its environment such as processing and cleaning waste.

## P – POLITICAL

- Political factors depend on changes in the government policy of your environment. These changes can be economic, social, legal or any combination of the three. Your government may increase taxes for some businesses while reducing taxes in other areas. These can have a direct impact on your business so it is important to stay up-to-date with political factors. In some cases government interventions like interest rate policy changes can have an impact on your demand patterns.

## L – LEGAL

- While everyone wishes they could do so, businesses cannot act simply as they wish. Legal restraints and regulations prevent negative behaviours and increase costs in many industries. To legally operate in the environment, the business must comply with laws focusing on everything from health and safety to employment and competition. To ensure compliance, you need to constantly check on new legal requirements.

## E – ETHICAL

- Ethical factors refer to the array of social values that govern business behaviour and provide a foundation for what is right and what is wrong. You should always check on the ethical factors of your company. While the ethical ideas of a country don't change overnight, small changes in morality occur over time. Use the concept of social responsibility to lead your company to superior ethical standing.

## Conclusion

- Many business owners spend a lot of time analysing the internal competencies of their company, but external factors can have just as much impact on the success of your business. The STEEPLE analysis is a great way to focus your efforts and to prompt helpful discussion on the standing of your business within its external environment.

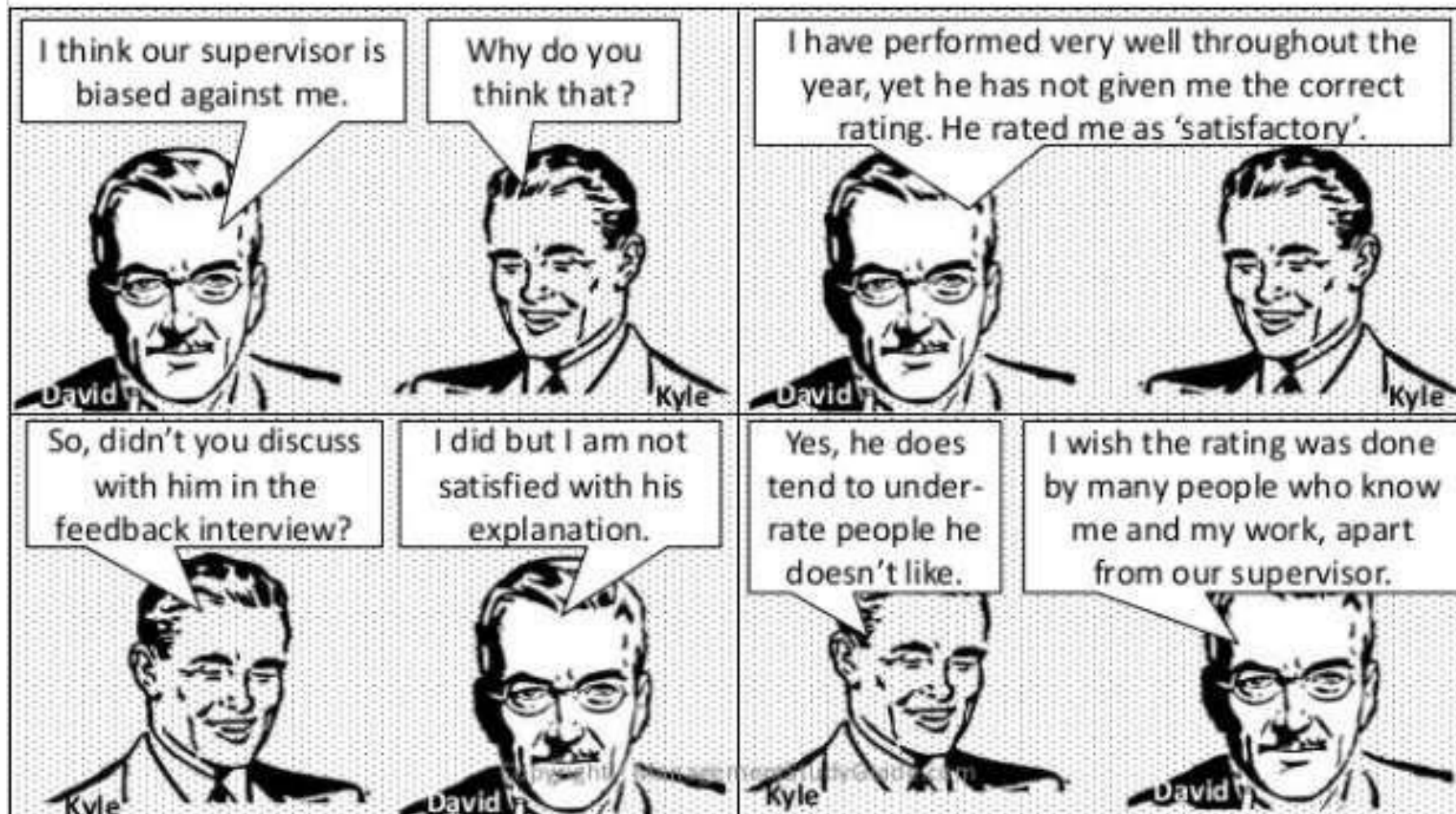
# SESSION 6

## 360 DEGREE FEEDBACK





Look at a dialog between two colleagues of an organization after the performance appraisals are over.



Look at a dialog between two colleagues of an organization after the performance appraisals are over.





# What is Performance Appraisal?



Performance Appraisal (PA) is the process that is used to evaluate the personality, performance and potential of the employees of an organization.



It is a process of evaluating and communicating to an employee how he or she is performing the job and establishing a plan for improvement.



Hence, it is a system of review and evaluation of job performance to assess accomplishments and to evolve plans for development.

# What is 360 Degree Feedback?



360-degree feedback is an appraisal or assessment process used to improve managerial effectiveness by providing the manager with a more complete assessment of the employee's effectiveness, his performance and development needs.

360 degree feedback is also known as Multi-rater feedback, Multi-source feedback, Full-circle appraisal or Group performance review.

## What does 360 feedback measure?

- Measures behaviour and competencies
- Addresses skills such as listening, planning and goal-setting
- Focusses on subjective areas such as teamwork, character and leadership effectiveness
- Provide feedback on how others perceive and employee



# Who should do the appraising?





# Purpose of Multi-rater Feedback

## Inputs

- Self
- Managers
- Peers
- Direct Reports
- Customers

## Outcomes

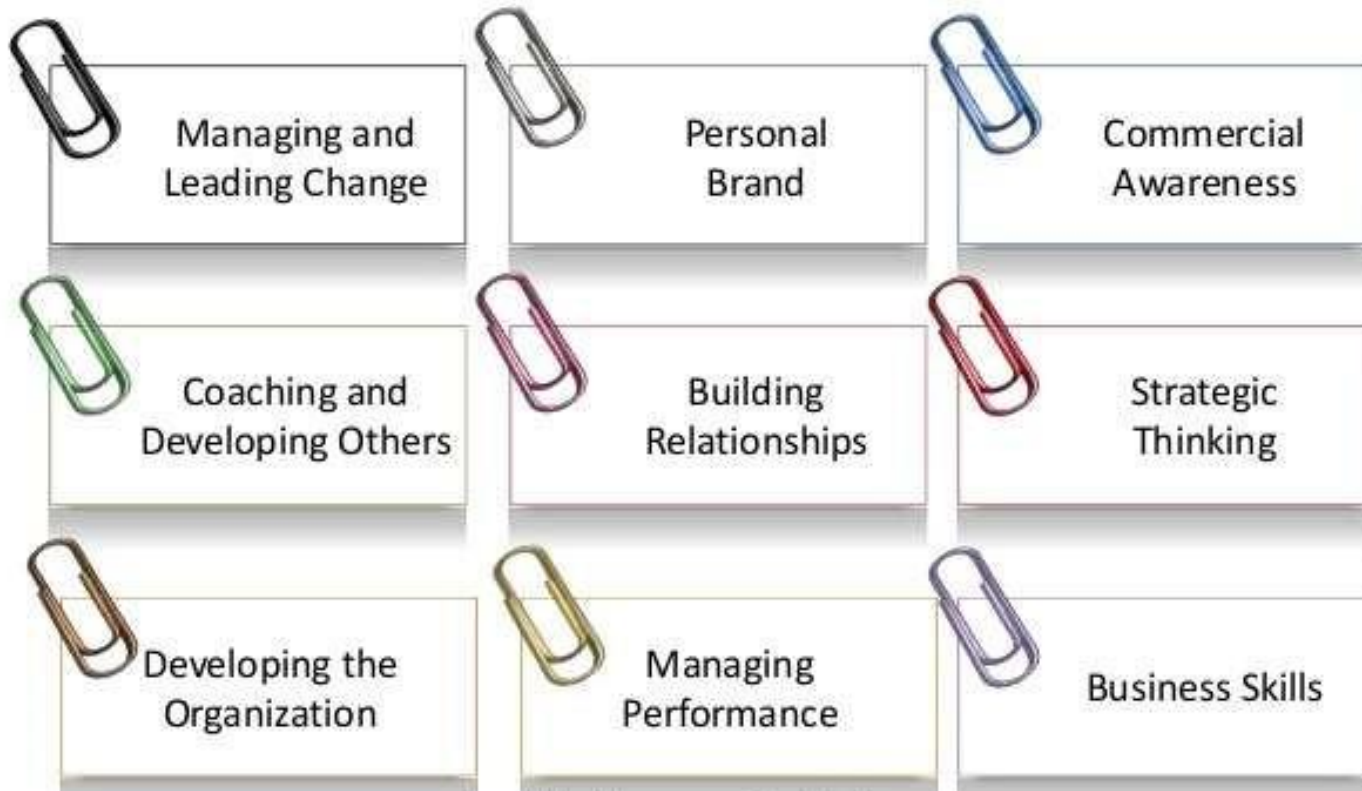
- Development
- Performance
- Well-rounded
- Holistic



# 360 degree feedback parameters?

## Measurement Parameters

360 degree feedback system appraises the employee and evaluates the employee on various measurement parameters such as:





# Factors for Successful Feedback

1. Self-Awareness – of both strengths and weaknesses
2. Reliable Sources (raters who have known you over time)
3. Timing – will be immediately useful
4. Openness to learn—even about blind spots
5. Resources for using feedback productively



# Possible Reasons for 360 Degree Feedback

#1 Personal Development

#2 Organizational Development

#3 Assessment (of individuals, teams, and organization)

#4 Performance Appraisal and Compensation



# #1 Personal Development

- Helps participant discover blind spots (as well as strengths and areas for development)
- Can cause change in perceptions to change beliefs and thus change performance
- Only the participant reads the report (with help of facilitator/coach)
- Raters chosen by participant
- Development plan and self-tracking for progress



## #2 Organizational Development

- Focuses on aligning people's behaviors and skills to organization's values/goals
- May be used to set team, and organizational goals
- Clarifies expectations
- Group results are shared with manager and/or team
- Raters determined jointly by participants/managers
- Development planning and follow-up with team



# #3 Assessment

## **(of individuals, teams, and organizations)**

- Provides clear direction for individual or team development
- Identifies specific competencies - strengths as well as areas for development (can build on strengths)
- Individual results are shared with manager
- May be used to set individual performance goals
- May be used for succession planning
- Rater selection and follow-up by managers



## #4 Performance Appraisal and Compensation

- Focuses on competencies specific to position
- Raters may be selected in a formal process
- Determines group and individual rankings
- May be linked to compensation



# Administering a 360-Degree Feedback

- Introducing the process
- Inviting participants
- Gathering data and setting deadlines
- Scoring , analyzing, reporting





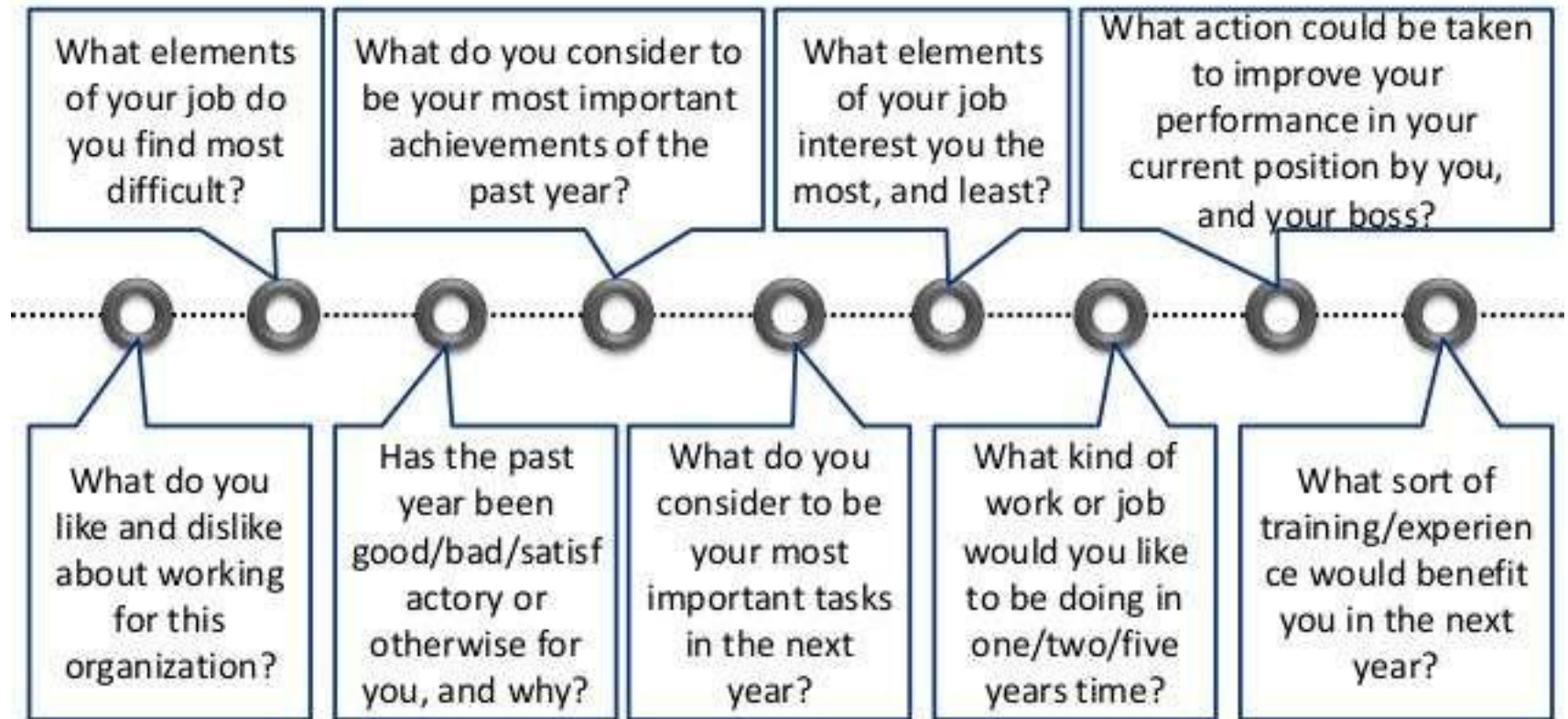
# Effective Use of Feedback

- Interpretation – coaching
- Developing a plan to use feedback productively
- Monitoring for progress (individuals, teams, organizations)
- Evaluating





# Feedback Questions



## Performance Evaluation Ratings

- Performance evaluation ratings reflect the decision by your appraiser's pertaining to the results you produced over the review period.
- Appraiser's will rate each performance expectation/goal and Competency using anchors listed below:



- If the employee is assessed as Does Not Meet Expectations or Needs Improvement for a performance expectation or significant Competency, the supervisor should implement a Work Improvement Plan.
- The Work Improvement Plan is an explicit action plan designed to correct performance deficiencies within a specified time period.
- Let's look at each in detail.

Copyright - ManagementStudyGuide.com

# Positives of the 360 Degree Feedback

- Well-rounded feedback
- Makes team members more accountable to each other
- Understand personal and organizational needs for development
- Information about how to enhance career
- Improvement in customer service
- Information about organizational training needs



## More Positives . . .

- Empirical research has suggested that employees prefer to be evaluated by raters from several rating sources
- Different rating sources often observe different aspects of work performance resulting in a larger portion of the work performance arena being measured
- Rating inaccuracies, errors, and inaccurate employee perceptions contained in performance appraisals supplied by a single source, such as a supervisor, can be offset by collecting performance evaluations from additional rating sources
- Feedback can be used as a springboard for management development
- Those individuals who are development-focused find the feedback most useful

# More Benefits . . .

The 360-degree feedback . . . Enables leaders to

- Take advantage of under-utilized personnel strengths to increase productivity
- Avoid the trap of counting on skills that may be weak in the organization
- Apply human assets data to the valuation of the organization
- Make succession planning more accurate
- Design more efficient coaching and training initiatives
- Support the organization in marketing the skills of its members

--Wikipedia

# Negatives of the 360 Degree Feedback



- High expectations
- Problems with design
- Lack of connection with strategic goals
- Lack of information for interpreting
- Focus on “weaknesses”
- Raters’ inexperience
- Time for multi-rating

# Uses of 360 degree feedback

## 360° Feedback. Fair. Balanced. Robust.

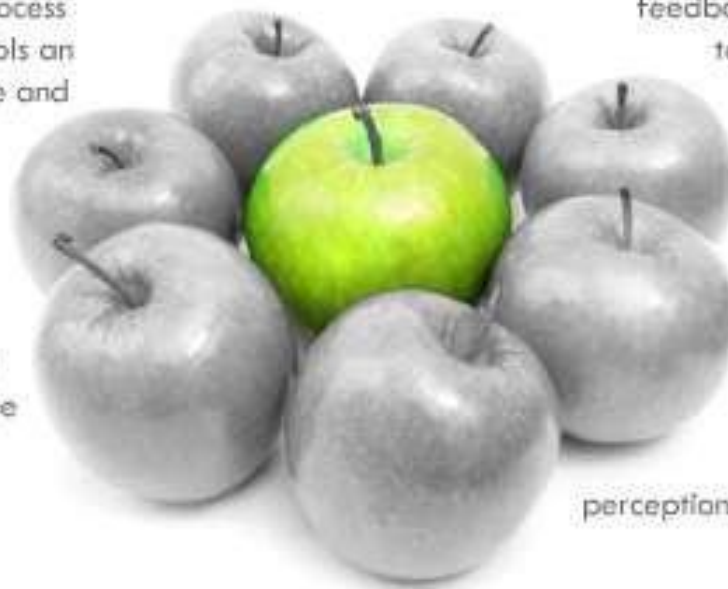
A well designed 360° feedback process can be one of the most powerful tools an organization has for cultural change and employee growth.

The process of giving and receiving feedback is of fundamental importance to employees across all industries, income levels and job types.

Evaluate and develop leadership competencies to nurture and shape your next generation of leaders.

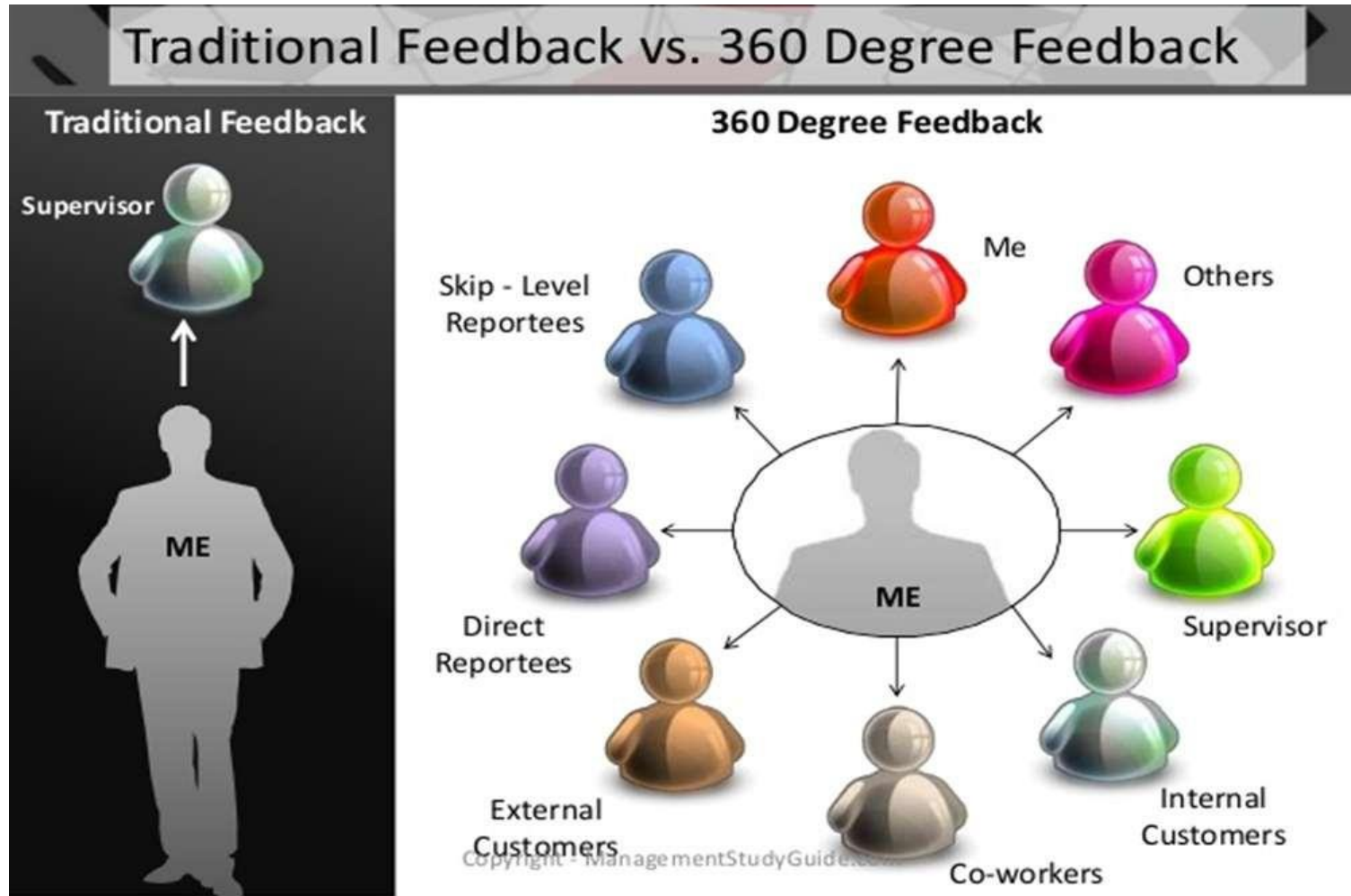
360 feedback highlights the gap between the employee's own perception of his or her work, and perceptions of those working in the same area.

Multi-rater feedback can be used to explore how each employee contributes to the success of the organization.





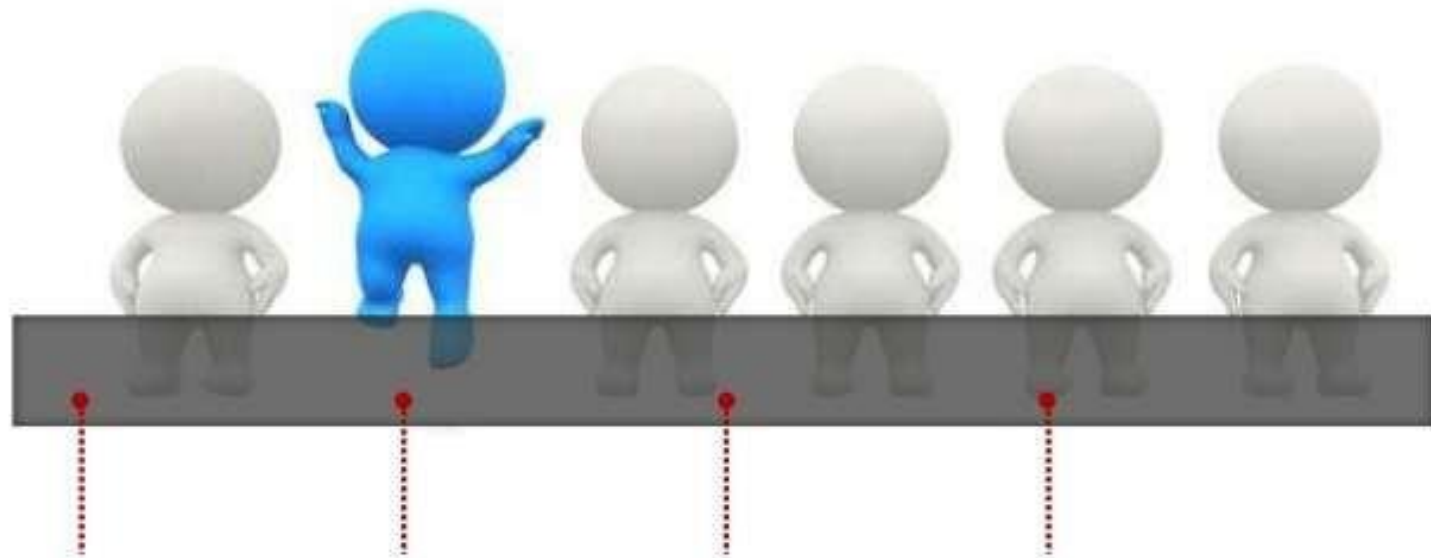
# Difference between Traditional and 360 degree Feedback





# Advantages for Employee

The following are the advantages of using 360 degree feedback system from the employee's perspective:



It serves as a method of collecting information from as many sources in an employee's environment.

It is an honest assessment as viewed by a variety of constituents.

It provides confidential input from many people of how an employee fares in his job.

It helps employees in seeing themselves as others see them.

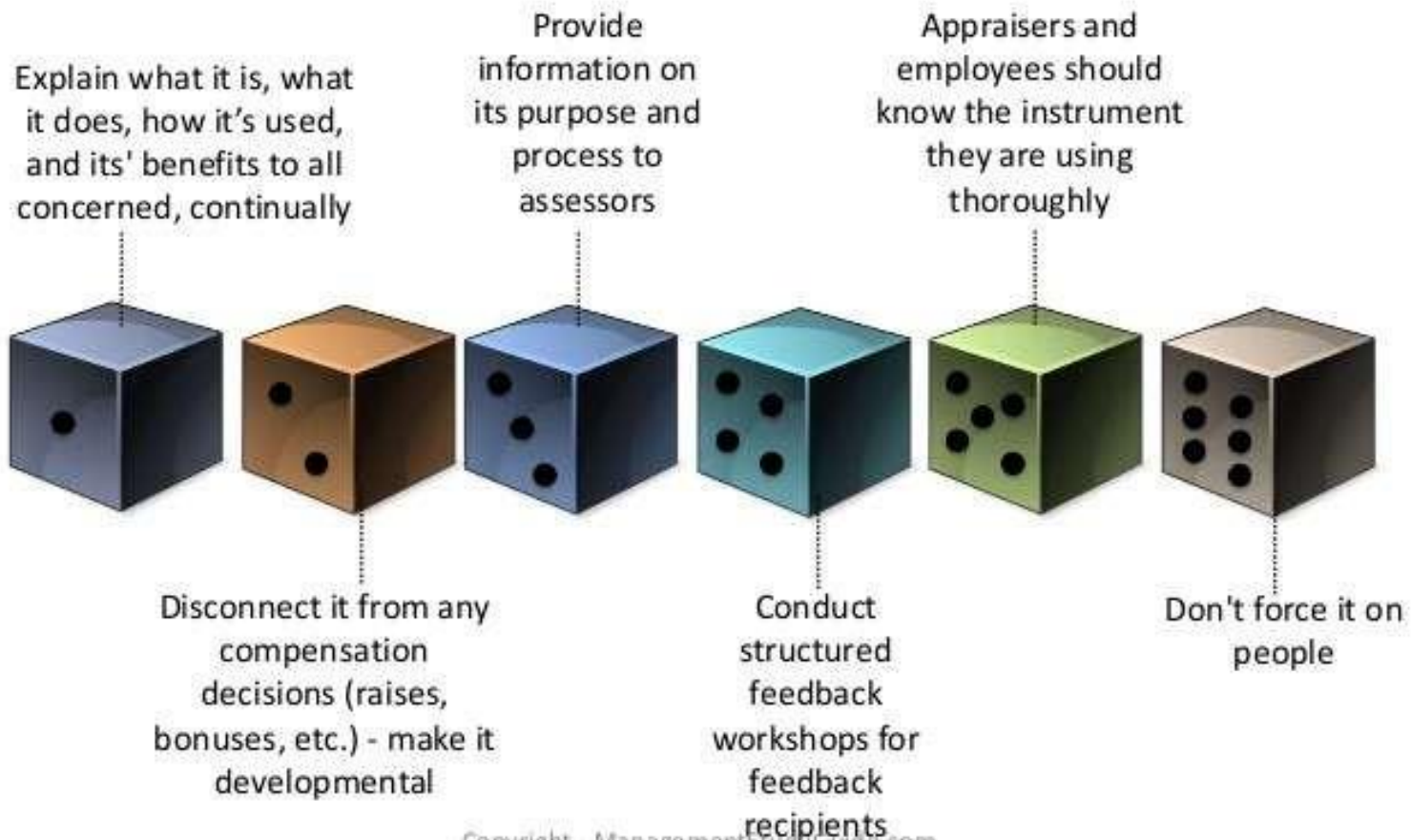
It provides information which neither employee nor his/her superior may be aware of.

# Advantages for Organization

The following are the advantages of using 360 degree feedback system from the organization's perspective:



# Strategies for Success in 360 Degree Feedback



# Appraisal/Feedback Interview

There are a few key points that a manager or appraiser should keep in mind for conducting an appraisal Interview, such as:





## Information/Results Obtained

There are several areas about which information is gathered from using the 360 degree feedback system for appraising an employee. Some such areas are as shown in the image given below.



*Now check the feedback you have received  
from your peers and seniors and analyse  
the areas of improvement and go forward  
in your life*

