



PESTEL ANALYSIS

Preparation & Instructions



Description

A PESTEL analysis is a strategic tool coming from marketing used to identify external forces in the environment that faces an organization. By completing the tool, the team analyses the Political, Economic, Social, Technological, Environmental and Legal forces that make up the external environment. The exercise provides a situational analysis that allows organizations to anticipate threats and opportunities, gain contextual awareness and process external trends. In order to be an active and strategic operative tool, internal assessment needs to be done to translate the insights into actionable strategies for the organization's future opportunities and operation. The insights coming from this analysis are useful towards a SWOT analysis as well as in activities regarding future scenarios and strategic direction.

The tool aims to help teams get aligned on the context of innovation in order to better design solutions that can be effective, feasible and long-term. It helps to visualize and bring to the surface also the tacit knowledge that each member has of the specific challenge area.

How to conduct

Duration: 45 - 100 min

Resources:

- Possible to use other previously conducted context analysis as a base e.g. stakeholder maps, system maps, interviews or others

Material: Pens, post-its

Participants per team: up to 15

Instructions:

1. The first step is to gather together a working group of key actors across the organization to brainstorm ideas and conduct the research.
2. The team should work together to map out the trends in each area of the matrix (political, economic, social, technological, environment/values, legal), starting a reflection and discussion on how these trends frame their current activity and open up possibilities of different future horizons of development.
3. Based on the initial mapping, ethnographic, field and/or action research strategies (e.g. interviews, focus groups, immersive observation, etc.) should be used to gain further insight of each focus area from the perspective of key stakeholders.
4. Next, the group should collect evidence for each insight to then evaluate and score based on 'likelihood' and 'impact': how likely it is to happen and what kind of impact it could have on the organization (similar to impact and feasibility analysis tool, substituting feasibility for likelihood). In the final stage, the group should refine insights and make strategic recommendations on a path forward.



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Template

Based on *Witcher & Chau (2010)* and
Issa & Chang (2010)

P POLITICAL	E ECONOMIC	S SOCIOLOGICAL	T TECHNOLOGICAL	E ENVIRONMENTAL	L LEGAL
<p><i>Government, Legislation and potential changes, global influences</i></p>	<p><i>Economic growth, employment rates, consumption</i></p>	<p><i>Income distribution, demographic influences, lifestyle factors</i></p>	<p><i>Spread of information technology, international influences, uptake</i></p>	<p><i>Regulations and restrictions, consumer attitudes</i></p>	<p><i>Tax policies, employment laws, industry regulations, health regulations</i></p>