

WHAT IS PEST ANALYSIS?

- There are a variety of factors external to your organization that can affect the organization's results
- The purpose of PEST analysis is to:
 - Determine the current external factors affecting your organization
 - Since the list can be almost limitless, your organization must prioritize those external factors that are most relevant to your organization
 - Identify the relevant external factors that may change in the future
 - Take advantage of the changes (opportunities) or defend against them (threats) better than your rivals do.
- Performing a PEST analysis examines the entire external environment from the standpoint of the organization; it does not consider the internal environment of the organization
- Developed over several decades from an analysis written by Francis Aguilar in 1967 in which he names "ETPS" as the 4 sectors to consider; later re-organized as "STEP", then as "PEST" in the 1980s.

WHAT IS PEST ANALYSIS?

- **Political:** This factor analyzes how such influences as current and future legal issues, regulations, laws, government policies and national/international issues affect the probability of your organization's success
- **Economic:** This factor analyzes how current and pending economic issues affect the probability of your organization's success. Examples are inflation, local/national/international economies, taxation, market cycles, interest and exchange rates, economic indicators and distribution trends.
- **Social:** This factor analyzes how cultural and demographic factors and trends play a role in your organization's success. Examples are consumer needs, lifestyle trends, consumer attitudes, purchasing patterns, advertising trends, education, media views and ethical issues.
- **Technological:** This factor analyzes the technology-related issues that affect your organization's probability of success. Examples are technological advances, life cycle of available technology & replacement solutions, innovation, R&D and global communications including the effects of the internet and social media.

WHAT IS PEST ANALYSIS?

- Often performed in a matrix similar to SWOT:

PEST Analysis Worksheet

Political Factors:	Economic Factors:
Social Factors:	Technological Factors:

HOW DO WE PERFORM A PEST ANALYSIS?

1. Understand PEST factors – To perform a complete PEST, your organization must understand each of the 4 factors and their scope.
2. Gather relevant data – It is vital to collect as much relevant data about the external environment in which your organization operates. Internet and/or independent research on these factors can be performed.
3. Identify Opportunities and Threats – Evaluate your data and identify any opportunities and threats from the external environment. See also SWOT.
4. Take Action – Include opportunities you have identified in your strategic plan. If there are significant risks, identify mitigation strategies in your plan.

THE RELATIONSHIP BETWEEN PEST AND SWOT

- There is some overlap, and some factors appear in both
- PEST analysis tends to be broader, while SWOT analysis tends to be much narrower and more focused
- PEST and SWOT offer 2 different perspectives:
 - PEST assesses the external environment from your organization's perspective
 - SWOT is an internal look; it assesses a specific product or service, or proposed product/service within your organization
 - Due to these differing perspectives, a complete view can be obtained by using both of these tools
- PEST is useful before SWOT because PEST helps to identify SWOT factors: many PEST factors can be identified as representing opportunities and threats in SWOT analysis
- Both are used as decision-making tools

NEXT STEPS AFTER PEST AND SWOT ANALYSIS

- Include the opportunities identified by the analysis in your strategic plan and the steps you will take to exploit them
- Also include the threats and the steps you will take to eliminate, mitigate or manage them
- Take action – include this information in your business plan