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PESTEL ANALYSIS

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Abstract

The purpose Of the PESTEL analysis is to make you look around and see What is happening in the broader economic and business environment. All businesses are part of a larger system, the economy. Doing a PESTEL analysis helps you to look at all important factors that might affect the success or failure of your business.

PESTEL is an acronym for the following factors (Political, Economic, Social and cultural, Technological, Environment and Legal)

The core elements of the analysis are: 'Political', 'Economic', 'Social' and 'Technology'. To these core elements are added 'Environment' and 'Legal' to make the PESTEL the potential issues to examine could volumes and still only scratch the surface so this discussion Focuses on the approach. The detail Will depend on the corporation, its industrial sector and the countries within which it operates.

The PESTLE analysis enables a manager to identify the key macroeconomic factors that may have an influence on the future development of the business.

Why is it successful? The identification of future macroeconomic variables of interest and the construction of different scenarios allow the manager to better anticipate the strategic decisions needed to ensure the proper development and sustainability of the business.

1. THE ORGANIZATION AND ITS ENVIRONMENT

Characterized by an ever-changing environment, Our Current society differs in many ways from What it was before. Adapting to the changing and competitive environment has now become a necessity for any manager wanting to keep their business afloat and prosper in the coming years. The environment (macroeconomic dimension) has actually proved itself to be a source of both opportunities and threats for any company on the market, regardless of their industry sector. Therefore, a confirmed anticipation of the lambda macroeconomic phenomenon Will soon provides a direct competitive advantage for the executive if this allows them to react efficiently before their competitors. On the other hand, if a manager underestimates a momentous event in the market, they Will quickly find themselves struggling against competitors whose forecasts are more complete, as they Will have to face their competitive and aggressive strategies. For example, companies that did not anticipate the expansion and opportunities offered by the internet in time had a bitter experience at the beginning of the century.

As the ability to predict certain future events seems to be the key to the success, good development and even, in some cases, the survival of a company, there are always people who claim, after a change in the environment, that the indicators were inevitably moving in that direction anyway. Yet anticipating these indicators is far from easy, and not everybody possesses Cassandra's skills in predicting the future

It is in this context of uncertainty that the PESTLE analysis appeared, which aims to identify and analyze the macroeconomic variable relevant to an organization in a specific environment.

2. DEFINITION OF THE PESTLE MODEL

The analysis was given the name PESTLE in reference to the acronym formed by the initials of the six categories of macroeconomic variables included in the model (Political, Economic, Socio-cultural, Technological, Legal and Environmental). Firstly, the model allows managers to identify the macroeconomic variables to take into consideration for the development of the business (opportunities vs. potential risks) for which realization remains relatively uncertain. Then, the model can initiate the conceptualization of different scenarios based on these uncertain variables to better predict the future and make the right decisions today in the interest of the future.

3. PESTLE analysis

Your work in analyzing the five factors affecting your industry may have given you some ideas of the threats and opportunities your organization is currently facing. However, Porter's five forces analysis does not help you to anticipate how the broader environmental influences Will affect your industry — how it may change. You need to look beyond your industry boundaries to the macro-environment.

One way of doing this is through PESTLE analysis. You can use PESTLE analysis to identify forces in the macro-environment that are affecting your business now and are likely to continue to do so in the future. You examine Political. Economic. Socio-cultural, Technological, Legislative and Ecological aspects of the wider environment.

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