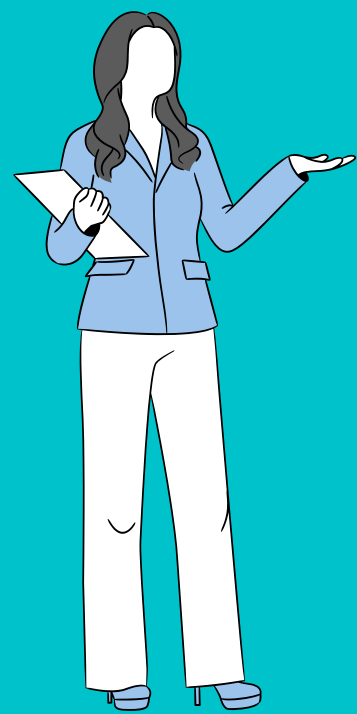




HR MUST KNOWS: PESTLE ANALYSIS

Discover its uses, limitations and current external factors impacting organisations to equip you to assist your organisation.

WHAT?

PESTLE Analysis is a well-established tool used to assess external factors (Taylor and Perkins, 2021). The framework supports flexibility and simplifies complex analysis (Eierle et al, 2022). Simplicity could mean that key factors are omitted from analysis such as demographics, globalisation or international labour markets (Taylor and Perkins, 2021).

WHY?

Awareness of external developments is important for businesses because the external environment is predominantly volatile, uncertain, complex and ambiguous (VUCA) (Koshemani, 2020). Applying this tool supports organisations to gain a complete understanding of external factors that are impacting the organisation (Eierle et al, 2022) and adapt to them (Taylor & Perkins, 2021). External factors are often correlated therefore, organisations should seek to look at the range of external factors rather than an isolated approach (Eierle et al, 2022). The analysis is limited by the extent of the research and information available (Eierle et al, 2022). Whilst this cannot be relied upon to find definite outcomes, it can support organisations to analyse trends (Eierle et al, 2022) and highlight areas of concern (Taylor and Perkins, 2021). Failure to adjust to external factors can have negative consequences including legal repercussions, consumer boycotts and financial cost (Leonidas, 2017).

POLITICAL

The extent which policymakers intervene in the environment (Eierle et al, 2022).

Explore: political stability, state ownership and corruption (Eierle et al, 2022).



A political factor which recently had implications for UK businesses was the turbulence of the UK Government during Liz Truss' short stint in office (Stewart & Allegretti, 2022). This political turbulence led to substantial borrowing and economic downfall without reassuring investors and economists prior to public announcement (Stewart & Allegretti, 2022). A month prior to these developments Cholteeva (2022) discussed how the change in leader may have supported UK businesses. Therefore, it must be noted that external factors cannot always be easily predicted when applying PESTLE Analysis and must be closely monitored (Taylor & Perkins, 2021).

ECONOMICAL

This factor represents the economy (Eierle et al, 2022).

Explore: gross domestic product (GDP), purchasing power, inflation, economic stability, interest rates, exchange rates. (Eierle et al, 2022).



The Trussell Trust (2022)

The Trussell Trust are a third sector organisation and have had to consider external factors when operating their food banks (The Trussell Trust, 2022). They have had to be aware of the pressing economical forecast as inflation continues to soar which is resulting in continual rising costs for the service users, donators and the organisation (The Trussell Trust, 2022). Political developments such as the £20 cut to universal credit have also been factors which they have needed to keep abreast of to be aware of the demand for their services (The Trussell Trust, 2022). The demographics of their service users are changing because of this with more workers needing to use the service (The Trussell Trust, 2022).

It could be argued that if The Trussell Trust did not pay attention to external factors it would not have been able to adapt to the growing demand and decreased donations which it incurred (The Trussell Trust, 2022).



SOCIAL

This explores the socio-cultural attributes and demographics that can be related to attitudes, opinions and behaviours of people (Eierle et al, 2022).

Explore: culture, social norms, health consciousness, criminality, lifestyle, education and protected characteristics (Eierle et al, 2022).



Demographical changes can alter the needs of customers or service users. A NHS Health Board is aware that its service users are on average older than in other health boards, that the population has grown and is predicted to further increase and that there are more people living in the area with mental health and chronic conditions (Hywel Dda University Health Board (HDdUHB), 2020). HDdUHB (2020) notes that the services put in place in 1948 need to adapt to meet the needs of the current service users so they are taking steps to make alterations to ensure patient care is suitable for the needs of their population (HDdUHB, 2020). As a public sector organisation with a clearly defined target audience HDdUHB needs to be aware of the demographics of its service users as it has a duty of care to provide healthcare to them (HDdUHB, 2020).

TECHNOLOGICAL

This factor is becoming increasingly important due to the rapid advancements in technology (Eierle et al, 2022).

Explore: technological infrastructure and trends, innovation incentives and pace (Eierle et al, 2022).

LEGAL

This addresses regulations that organisations must comply with. (Eierle et al, 2022). It can be argued that there is some overlap between legal and political factors (Eierle et al, 2022).

Explore: laws and regulations (Eierle et al, 2022).



A key legal factor which organisations needed to adapt to was the change to GDPR regulations (Castro-Edwards, 2019). Castro-Edwards (2019) highlights that the changes led to time consuming and demanding implications for businesses. There was concern surrounding how smaller businesses would apply adequate resources to comply (BBC, 2021). However, retrospectively it is clear that these changes to the law also impacted larger organisations with businesses such as Google, H&M and British Airways being fined millions of pounds for breaches (BBC, 2021).



ENVIRONMENTAL

This element includes ecological issues (Eierle et al, 2022). Environmental strategies can be an opportunity to build value for small business and the communities they are in (Leonidas, 2017).

Explore: climate change, weather and sustainability (Eierle et al, 2022).



First Bus Group (2022)

There is growing pressure on all organisations from consumers and political figures to ensure they are contributing to a greener and sustainable ethos (Renner & Cook, 2022). The United Nations (2015) created Global Goals to action several issues including climate, sustainability, responsible consumption, protecting species and clean energy.

First Bus Group are a large private sector organisation and are aware of the environmental, political and social factors driving the need for companies like First to adapt to greener fuels. They are continually assessing technological developments with greener energy sources for their buses such as electric power (2022). Whilst being aware of these factors will support First Bus to ensure they are fully aware of external developments which will impact the way they operate (Taylor & Perkins, 2021) it should be noted that despite electric buses being highlighted by First Bus Group (2022) as a key development, the Department for Business, energy and industrial strategy (2021) focus on hydrogen. This exemplifies the fast pace of the VUCA environment (Koshemani, 2020) and the need to be aware of multiple external factors (Taylor & Perkins, 2021) such as the technological advancements and political stance highlighted in this example.



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