

WELFARE

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Module 5: Social business model

“Pestel Analysis”



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1. Theory

Pestle Analysis is a useful diagnostic tool that examines the external factors that may affect an organization and can impact its business decisions and strategies.

Pestel analysis is a macro- environmental analysis tool that can be used to assess the external factors that may affect a company's ability to launch a new product or service successfully (Professional Academy, 2021).

By conducting a pestle analysis, a business can better understand the competition and its own position in the market and minimize the risk of failure by creating different intervention strategies to respond to different challenges (Perera, 2017, pp. 4-5).

However, just like with any market analysis tool, it is important to update the PESTEL analysis at regular intervals to ensure that the business has the most current and relevant information. As external factors can change rapidly (Perera, 2017, pp. 22).

The acronym PESTEL stands for Political, Economic, Social, Technological, Legal, and Environmental factors (CIPD, 2021).

- ✓ *Political factors* encompass policy and stability which can have implications for a company's operation, along with taxes, labor laws and trade restrictions.
- ✓ *Economic factors* may include economic growth or decline, inflation, taxation, cost of living and labor costs.
- ✓ *Social factors*, also known as socio- cultures, refer to shared beliefs and attitudes of the population, including cultural norms, demographics (age, gender, race and family size), health career attitudes and living standards.
- ✓ *Technological factors* refer to fast changes in technology, social media, access to technological innovation and international communication.
- ✓ *Legal factors* refer to the legislative framework regarding business and labor sectors, as well as legislation affecting the target group that a social business aims to support. It is essential for social business to stay informed of all legislative changes.
- ✓ *Environmental factors* include climate change, environmental policies, weather, and natural disasters.



2. Instructions

In this section you will find the appropriate instructions and questions that will enable you to complete the Pestel Analysis tool. Please follow the instructions below:

1. Read Table 1- Pestel Analysis Example carefully.
2. Brainstorm on the political, economic, social, technological, environmental, and legal factors that might affect your business, by reflecting on the questions of Table 1- Pestel Analysis Example.
3. Complete Table 2- Pestel Analysis Template with the factors that might affect your business decisions and strategies.

Table 1. *Pestel Analysis Example:*

PESTEL	P	<p>Political:</p> <p>Political Environment,</p> <p>Local, National,</p> <p>European and International level</p>	<ul style="list-style-type: none"> ✓ How may the business legislation affect your business? ✓ How does government approach social business policy? ✓ Might pending legislation or tax changes have a favorable or negative impact on your company?
	E	<p>Economic:</p> <p>Economic life, Crisis, Labor market Globalization</p>	<ul style="list-style-type: none"> ✓ How stable is the current economy? ✓ Is the taxation policy friendly for social business or not?



	S	<p>Social:</p> <p>Social</p> <p>Lifestyle, Perceptions,</p> <p>Media,Attitudes Religion,</p> <p>Gender, Ethnicity</p>	<ul style="list-style-type: none"> ✓ What socio-cultural factors may have a negative or positive impact on your business? ✓ What kinds of attitudes may affect your business? ✓ Can you identify the various ways people are employed, current job market trends, and their perspectives on work? Also, do these observations differ among various age groups?
	T	<p>Technological</p> <p>Access</p> <p>to technology, Internet, social media, International Communications, Innovation</p>	<ul style="list-style-type: none"> ✓ How your social business responds to the technological innovation? ✓ Does your business have access to innovative technological programs? ✓ What impact will technology have on your daily operations? ✓ Are there any recently developed technologies that you could make use of?
	E	<p>Environmental:</p> <p>Environmental restrictions, Transportation Procurement Supply</p>	<ul style="list-style-type: none"> ✓ What kind of environmental restrictions have your governments imposed? Could these restrictions affect your business?



		chain management Future pandemics	<ul style="list-style-type: none"> ✓ How can a future pandemic or a natural disaster influence your daily operations? ✓ Is it possible for your business to utilize sustainable resources?
	L	Legal: Employment law, Labor law, taxation	<ul style="list-style-type: none"> ✓ Are there any employment-related legal limitations or restrictions in your country? ✓ How do these affect your business? ✓ Are you able to keep track of the latest changes and updates in the legal system of your country?



3. Tool

Table 2. *Pestel Analysis Template*

PESTEL	P	Political	<ul style="list-style-type: none"> • • •
	E	Economic	<ul style="list-style-type: none"> • • •
	S	Social	<ul style="list-style-type: none"> • • •
	T	Technological	<ul style="list-style-type: none"> • • •
	E	Environmental	<ul style="list-style-type: none"> •






			<ul style="list-style-type: none">••
	L	Legal	<ul style="list-style-type: none">•••





4. References

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Books:

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