



PEST Analysis

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PEST Analysis

Closely linked to the SWOT approach (Strengths, Weaknesses, Opportunities and Threats) this is a simple way of developing a map of the factors and forces in the environment which affect the strategic challenges and opportunities facing an organization. The idea is to consider these elements under four headings:

- Political – changes in legislation, regulation, popular opinion, etc. which might have an effect on the rate and direction of innovation
- Economic – shifts in the economic landscape – for example the rapid growth of emerging markets in the Far East, Latin America and Africa represent opportunities whereas the current slowdown in Europe poses challenges.
- Social – trends and patterns in the underlying social structure and behaviour. For example the ageing population, the rise of social networking and the growing concern for the environment would all be relevant social trends
- Technological – emergence of new technologies, changes in the rate and direction of progress along existing trajectories, competence enhancing and destroying technologies, etc.

PEST analysis is used as part of a wider review of strategy and the main aim is to stimulate discussion and exploration. The results can be simply listed or arranged into a matrix or sometimes represented as a rich picture.