

PEST ANALYSIS

Political/ legal Monopolies legislation; Environmental protection laws; Taxation policy; Foreign trade regulations; Employment law; Government stability	Economic Business cycles; GNP trends; Interest rates; Money supply; Inflation ; Unemployment; Disposable income; Energy availability and cost
Socio-cultural Population demographics ; Income distribution; Social mobility; Lifestyle changes; Attitudes to work and leisure ; Consumerism; Levels of education	Technological Government spending on research; government and industry focus on technological effort; New discoveries/development ; Speed of technology transfer; Rates of obsolescence

The above table gives an example of a PEST (political, economic, socio-cultural, technological) analysis. The technique provides us with a summary to help us audit the environment of our client. There are four main ways in which this technique can assist us in strategic analysis:

- The headings in the table can be used as a *checklist* when considering and analyzing the different influences. Although a great deal of information can be generated in this way is of limited value if it simply remains a listing of influences.
- It is, however, possible to identify the *key environmental influences* from this checklist. To successfully manage business risk the strategy of the organization should be aligned with the exigencies created by these key concepts.
- PEST analysis also assists in identifying long term *drivers of change* e.g. the forces behind increasing globalization of markets. It is important to remember that Ireland is a small open economy and the factors outlined above also impact directly or indirectly on the domestic market.
- Finally PEST also examines the *differential impact* of external influences on organizations either historically or in terms of likely future impact and their effect on different organizations (particularly competitors).
- The strategies that the client adopts must be aligned with all the key environmental influences. Managers must be aware of the changing environment, external as well as internal, to both the organization and the industry as a whole and adapt to it as is appropriate.