

Magnify the lens of your business on the PEST environment

 By [Tralone Khoza](#)

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The day-to-day management of a business seems to flow like a breeze until something unexpected happens in the macro environment. Albert Einstein once said the measure of intelligence is the ability to change. Change is inevitable, but the trick is knowing how to adapt when change comes.

In business, both sales and marketing managers need to continuously research the shifting macro environment and actually become excited about the idea of implementing alternative strategies should the business environment be affected by external factors. If this is not managed or done at all, we see most businesses fail or go under in most circumstances.

A PEST (Political, Economic, Social and Technological) analysis is a process for identifying the political, economic, social and technological factors that affect supply chains - both locally and globally.

Let's define each element in the PEST analysis:

- **Political** - This includes government regulations and legal factors that are assessed in terms of their ability to affect the business environment and trade markets. The main issues addressed in this section include political stability, tax guidelines, trade regulations, safety regulations, and employment laws.
- **Economic** - Through this factor, businesses examine the economic issues that are bound to have an impact on the company. This would include factors like inflation, interest rates, economic growth, the unemployment rate and policies, and the business cycle followed in the country. If you are a global manufacturing industry, how do cheap imports affect your business? In SA, most business are feeling the pinch due to the weaker rand and high inflation rates.
- **Social** - With the social factor, a business can analyse the socio-economic environment of its market via elements like customer demographics, cultural limitations, lifestyle attitude, and education. With these, a business can understand how consumer needs are shaped and what brings them to the market for a purchase. For example, the impact of social media (technology) on your business in reaching your target market.
- **Technological** - How technology can either positively or negatively impact the introduction of a product or service into a marketplace is assessed here. These factors include technological advancements, lifecycle of technologies, the role of the internet, and the spending on technology research by the government. Using the PEST analysis tool will give a company a better understanding of the environment and the industry it operates in, and the external factors (now and in the future) that may impact on the production of its goods or services. The PEST analysis can be used in hand with the SWOT analysis of the business to identify opportunities and to employ mechanisms for change.

Adapting to change

In South Africa, we saw in 2014 businesses that had to change their business strategy in order to adapt to the changing socio- political and economic environment.

The South African Post Office (SAPO) strike, which lasted over a crippling five months, affected many businesses, which depended on the service provider as part of its broader supply chain. A group of affected specialist magazine publishers had to go to the drawing board following the strike and look for alternative solutions to the problem at hand, and have since issued a tender for alternative distribution arrangements for their magazines that were previously undertaken by the SAPO. According to the *Sunday Times*, more than 15 million letters and parcels were piled up on a single day in depots around the country.

The platinum strike was another headline-maker last year. The dispute regarding wages and conditions of service between the Association of Mineworkers and Construction Union (AMCU) and the main platinum producers lasted five months, with an agreement eventually reached on 24 June 2014 from 23 January 2014.

Major financial loss

The strike by the National Union of Metalworkers of SA (Numsa), which has more than 220,000 members in a sector accounting for 15% of the economy - three times the size of mining, brought the sector to a standstill. The strike has hit platinum production in the world's top exporting country, with companies reporting a combined loss of R23.8bn (£1.3bn, \$2.2bn) in earnings. This obviously had a significant impact on the businesses. This resulted in many of the mining operations shutting down some of their operations, resulting in job losses for many as means for mine operators adapt to the change and to survive the turbulent times. For the country as a whole the lesson would be to move away from dependency on the mining sector and diversifying on the other sectors, in order to get more GDP growth, and of course earlier negotiations and building better relations between labour and businesses (mining operators) would have produced a different outcome.

As the government gears up to spend R4tr on infrastructure in the next 15 years, there are lessons from Eskom's new Medupi and Kusile power plants learned, as large, highly complex construction projects, have been plagued by the usual technical and contractual delays, but also by labour unrest.

Whatever business industry your business operates in, it should be common practice to continuously remain the "uncontrollable" macro environment, monitoring closely the company's Strengths, Weaknesses, Opportunities and Threats.

ABOUT TRALONE KHOZA

Tralone is a writer, marketer, loves anything, marketing, brands and PR related. She has a BA communication degree and holds a post graduate diploma in Marketing (IMM). Twitter: @TraloneK

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