



# PESTEL Analysis

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# Outline

- What is a PESTEL Analysis?
- PESTEL analysis
- Political Factors
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- Technological Factors
- Environmental Factors
- Legal Factors
- References





## What is a PESTEL Analysis?

A **PESTEL analysis** is a tool that helps businesses understand the outside environment that may affect their success. It looks at things happening around the company, not inside it, and helps managers make better decisions.

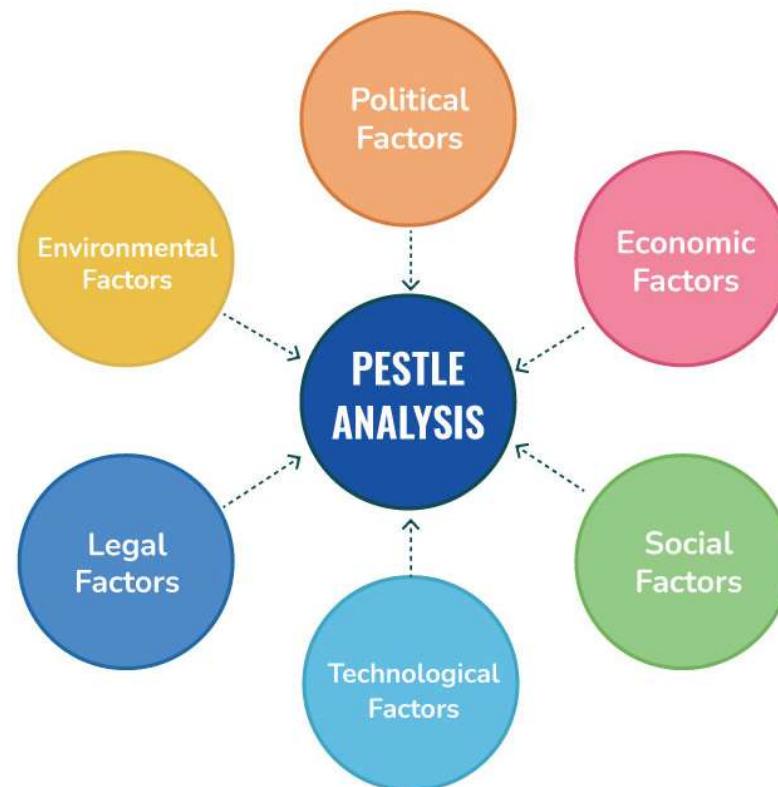
**PESTEL analysis** examines the Political, Economic, Social, Technological, Environmental, and Legal factors in the external environment that can affect an organization ([KARA, 2018](#) and [Kolter, P and Armstrong, G 2018](#)).

# PESTEL Analysis

**A PESTEL analysis is stand for:**

- **P** Political Factors
- **E** Economic Factors
- **S** Social Factors
- **T** Technological Factors
- **E** Environmental Factors
- **L** Legal Factors

## PESTLE ANALYSIS MODEL FRAMEWORK





# 1- Political Factors

These are government actions and policies that can affect a business.

## **What it includes:**

- Government stability
- Tax rules
- Trade policies
- Support or restrictions for certain industries

**Simple explanation:** If the government changes rules or policies, businesses must follow them, and this can help or hurt the business.

**Examples:** If the Iraqi/KRG government gives incentives for solar energy, more solar farms will open.



## 2- Economic Factors

Factors related to the economy that impact consumer behavior and business costs

### What it includes:

- Inflation
- Interest rates
- Employment levels
- Currency exchange rates

**Simple explanation:** When the economy is strong, people and businesses spend more. When it's weak, spending decreases.

**Examples:** When the USD exchange rate increases, imported equipment (like construction material) becomes more expensive.



## 3- Social Factors

These are the attitudes, behaviors, and cultural trends of people in society.

### What it includes:

- Population size and age
- Education level
- Lifestyle and consumer preferences
- Public awareness and values

**Simple explanation:** People's habits, culture, and preferences influence what businesses should offer.

**Examples:** - Growing awareness of climate change means more people want clean energy , which is good for solar companies.

- A young and growing population (like in Iraq) means more demand for technology, jobs, and modern services.



## 4- Technological Factors

Technological factors focuses on the rate of technological innovation and development that may affect a market or industry.

### **What it includes:**

- Developments in Artificial Intelligence (AI)
- Automation
- Communication systems
- Research & Development and innovation

**Simple explanation:** New technologies and innovations

**Examples:** A bookstore can attract more customers with an e-commerce website and mobile app.



## 5- Environmental Factors

These include natural conditions and ecological concerns.

### **What it includes:**

- Climate and weather
- Natural resources
- Environmental protection rules
- Waste management

**Simple explanation:** Nature and environmental rules affect what businesses can do and how they operate.

**Examples:**

- Erbil has strong solar radiation, which makes it suitable for solar farms.
- Companies must reduce pollution, factories cannot dump waste in rivers.
- Drought and water shortage affect agriculture businesses.



## 6- Legal Factors

These are laws businesses must follow.

### What it includes:

- Labor laws
- Environmental laws
- Import/export regulations
- Business registration and licensing rules

**Simple explanation:** Businesses must obey the law; otherwise, they face fines or shutdown.

**Examples:** Labor laws require companies to provide safety equipment and fair salaries.

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