



PESTEL Analysis

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Outline

- What is a PESTEL Analysis?
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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.

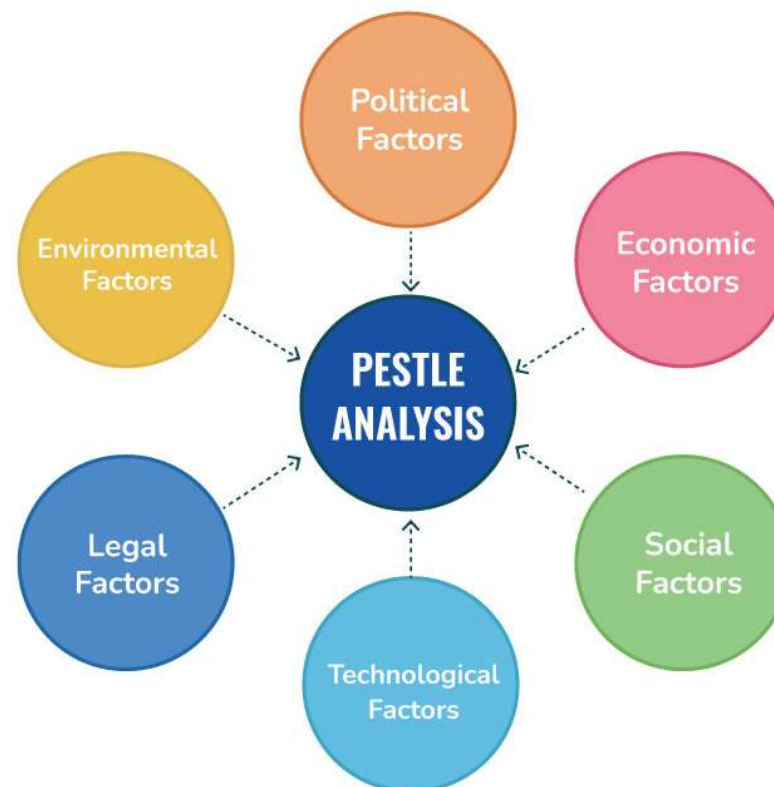
PESTEL analysis examines the Political, Economic, Social, Technological, Environmental, and Legal factors in the external environment that can affect an organization ([KARA, 2018 and Kolter, P and Armstrong, G 2018](#)).

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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