



# Strategic tools: SWOT and PESTLE



## What are SWOT and PESTLE about and why are they important?

It is always important to take a good and honest look at your new or existing organisation. This review should be used to improve your organisation's efficiency and ultimately the social impact of your work. Two practical and well known tools for this are the SWOT and PESTLE. These are environmental analysis tools that have become essential for those writing their business plan or developing their strategy. They allow you to take a step back and look at your social enterprise and how it fits into the wider context.

SWOT and PESTLE are very useful in directing your attention to the internal and external factors that can influence your social enterprise in a positive or negative way. For example, you can look at what you are good at, what needs improving, and the other things happening outside of your organisation that are worth keeping in mind.

SWOT is a strategic planning tool used to evaluate and manage internal and external factors that affect your organisation. It stands for Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T).

PESTLE is much more specific and is primarily focused on factors external to your organisation and happening in the wider world. The criteria are Political (P), Economic (E), Social (S), Technical (T), Legal (L) and Environmental (E) factors. The PESTLE tool is often used in conjunction with SWOT to expand its external aspects (Opportunities and Threats) and to get greater understanding of the external environment and the marketplace.

Both tools are extremely useful to get a snapshot of your environment, but remember that the picture will change over time. Your strengths and weaknesses, for instance, will change as your business progresses and the political landscape will constantly evolve. It may be good practice therefore to build the use of these tools into your procedures to make them a regular feature of your project management and business planning strategies.

## How do SWOT and PESTLE work?

Completing a SWOT and PESTLE analysis may appear simple. However, to complete effective SWOT and PESTLE analyses you need to have complied market research and should be aware of the latest developments affecting your market, your industry and the economy. You will be surprised how much you can learn about your own organisation and the wider context in which you work by carrying out this exercise.

Effective use of the SWOT tool requires a multi-stage approach:

1. Define the situation, enterprise or individual that you wish to develop e.g. me a social entrepreneur, or my start-up alcohol and drug treatment social enterprise, or a new service or product we're launching.
2. Draw a two by two grid on a large piece of paper, or use sticky notes on a wall.
3. Think about your strengths, weaknesses, opportunities and threats, preferably with as many stakeholders as possible.

Remember:

- suggestions can be for any aspect of the SWOT
- suggestions are welcomed from all participants
- suggestions should not be criticised or analysed at this stage
- suggestions can and should be restated and reframed

- Once completed, the results of your SWOT analysis can be used as inputs into your business planning process.

For instance:

- opportunities can be used within the need, market and marketing sections of your business plan
- strengths can be used when writing about your track record, experience and senior management team
- weakness can be used to assess your organisational development needs and recruitment strategy
- threats can be useful when looking at how to manage risk

## SWOT

	<b>Positives</b>	<b>Negatives</b>
<b>Internal</b>	<p><b>Strengths:</b></p> <p>Focus: Internal</p> <p>What are your strengths, either as an individual or as an organisation?</p>	<p><b>Weaknesses:</b></p> <p>Focus: Internal</p> <p>Where do your weaknesses lie?</p> <p>Another way to think about this is what areas can you develop to make you stronger?</p>
<b>External</b>	<p><b>Opportunities:</b></p> <p>Focus: External</p> <p>What is happening externally that is an opportunity for you?</p>	<p><b>Threats:</b></p> <p>Focus: External</p> <p>What external conditions could harm or impede your success?</p>

You may wish to either extend your SWOT analysis, or specifically look at your external environment. You should use the PESTLE tool to do this.

To use the PESTLE tool:

- Define the situation, enterprise or individual you wish to develop this tool for (you can use the same definition as you used in the SWOT).
- Draw a two by two grid on a large piece of paper, or use sticky notes on a wall
- Come up with a list, preferably with as many stakeholders as possible, on the positives, negatives and general context of:
  - Political factors
  - Economic factors
  - Social factors
  - Technological factors
  - Environmental factors
  - Legal factors

- Once completed, your PESTLE analysis can be used within your SWOT or as a direct input to your business planning process.

## PESTLE

<p><b>Political</b></p> <p>e.g. A change of local administration might remove local political support for my social enterprise</p> <p>e.g. A new administration might support my social enterprise more than the current one does</p>	<p><b>Economic</b></p> <p>e.g. In a time of economic uncertainty, such as a global recession, statutory bodies are under pressure to decrease their spending</p> <p>e.g. If you can demonstrate you are more cost-effective or offer greater value over the lifetime of a contract you have a competitive advantage over your competitors</p>
<p><b>Social</b></p> <p>e.g. An aging population is an opportunity for provision of social care</p> <p>e.g. Social and binge drinking are having a significant impact on the health service</p>	<p><b>Technological</b></p> <p>e.g. Pervasive and mobile computing could be an enabling technology for personal security, or youth mentoring</p>
<p><b>Legal</b></p> <p>e.g. A change in legislation may pose certain risks to my social enterprise so it is best to ensure we are up-to-date and compliant with these changes early on.</p>	<p><b>Environmental</b></p> <p>e.g. New environmental regulation on waste management could create new markets for my social enterprise.</p>

### Look out for

- Over confidence. As a rule you should have many more weaknesses and threats than strengths and opportunities. This is about viewing your strengths and opportunities as resources that can be used to work towards overcoming your weaknesses and threats, rather than relying on them as enough in themselves.
- Managing weaknesses and threats. Most users of these tools use them to develop areas to explore in their business plan, such as risk and marketing. You can extend its use further by identifying areas for development.

For example, one of your strengths could be that you have one highly skilled and respected care worker. A weakness could be that the rest of your staff is far less skilled. A developmental process, therefore, might be to develop an internal coaching and mentoring programme so that your most skilled worker can help in the development of their co-workers. This will ensure that you have a pool of skilled workers able to do the job at all times.

- The power of this tool increases massively with alternative perspectives. Where possible involve as many stakeholders as practical.

### Further information

Read our guide to market research:

[www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/Marketresearch.aspx](http://www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/Marketresearch.aspx)

Read our guide to risk management:

[www.blondon.com/SocialEnterprise/Operations/Planning/Managingrisks.aspx](http://www.blondon.com/SocialEnterprise/Operations/Planning/Managingrisks.aspx)

Read our guide to compliance and legal requirements:

[www.blondon.com/SocialEnterprise/Operations/Compliance/Complyingwithlegalrequirements.aspx](http://www.blondon.com/SocialEnterprise/Operations/Compliance/Complyingwithlegalrequirements.aspx)