**Chapter 3: Opportunities, risk, legal and ethical considerations**

**Identifying the risk: PEST analysis**

**Starter activity:**

|  |  |
| --- | --- |
| **Key terms** | **definition** |
| political |  |
| economic |  |
| social |  |
| technological |  |

**Worksheet 3.1 Understanding PEST analysis**

PEST is one of the methods that can be used to help identify risks.

Read the following scenario:

Hannah has an idea to open a shop selling chocolate and sweets which she is going to buy from different countries around the world.

As part of her planning, she has identified a number of possible issues.

|  |  |
| --- | --- |
| **Political** | **Economic** |
|  |  |
| **Social** | **Technology** |
|  |  |

* Listed below are four PEST factors. Match each factor with the correct section.

**a** Research shows that people are eating more chocolate than sweets for the first time.

**b** Growth of the internet is making it easier for people to buy products from home.

**c** The government plans to introduce laws about food quality and standards.

**d** Interest rates are expected to rise over the next few months.

* For each of the factors, outline **one** possible effect on Hannah’s enterprise.

**a** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**b** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**c** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**Extension activity**

Identify, and outline, other possible PEST factors that might affect Hannah’s enterprise.

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**Support notes:**

**PESTLE Analysis**

An effective way to analyse key features of the external environment is to use PESTLE analysis.

The acronym PESTLE stands for:



**Examples for each element of the PESTLE framework include:**

**POLITICAL**

Competition policy

Industry regulation

Govt. spending & tax policies

Business policy & incentives

**ECONOMIC**

Interest rates

Consumer spending & income

Exchange rates

Economic growth (GDP)

**SOCIAL**

Demographic change

Impact of pressure groups

Consumer tastes & fashions

Changing lifestyles

**TECHNOLOGICAL**

Disruptive technologies

Adoption of mobile technology

New production processes

Big data and dynamic pricing

**LEGAL**

Employment Law

Minimum / Living Wage

Health & Safety Laws

Environmental legislation

**ETHICAL / ENVIRONMENTAL**

Sustainability

Tax practices

Ethical sourcing (supply chain)

Pollution & carbon emissions

**Homework:**



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