

macroenvironment

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The macroenvironment consists of variables that are beyond the control of an organization, but which require analysis to realign corporate and marketing strategy to shifting business environments. The major forces in the macroenvironment are viewed to be political, economic, social, technological, legal, ecological, demographical, ethical, and regulatory.

The mnemonics of the macrovariables have given rise to the nomenclature of analytical tools such as PEST, PESTEL, or PESTLE, which include environment and legal elements, STEEPLE, which includes ethics, and STEEPLD, which adds an analysis of demographic factors. An increase in awareness of environmental or ecological issues has encouraged the implementation of another version of the PEST framework – the STEER analytical tool, which incorporates ecological and regulatory factors.

The objective of macroenvironment analysis is to help organizations recognize major developments and future implications. Macroenvironment analysis is conducted in conjunction with SWOT analysis to identify possible threats to the organization's operations and the opportunities for further expansion.

The structure of the analytical tools employed to view the macroenvironment implies that organizations are reactive to their environment. Some organizations may be instrumental in shaping their environment and act as game

changers when they introduce major technological innovations. Other companies are influential in establishing new technological standards, policy making, and legislative processes.

An organization's environmental analysis can be biased in terms of the level of focus given to different factors of the macroenvironment. Strategists may review their business environment by creating cognitive maps, which act as tools to process knowledge. These frameworks are shaped mainly from personal experience. Individual and collective cognitive maps within an industry can be indifferent to significant economic indicators and market signals during a time when an industry is changing rapidly. Cognitive inertia, unless reexamined by regular reviews of incoming information that refresh the strategist's understanding of the business environment, can lead to the decline of an organization.

See also *cognitive map*; *marketing environment*; *micro environment*; *SWOT analysis*

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