

The Innovation of the PEST Analysis Model in Public Sector Strategy Formulation

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Abstract: Given that current informatization has gradually penetrated all aspects of, the factors that the public sector needs to consider in the process of strategy formulation are increasingly complex and changeable. In particular, when major and long-term strategies need to be formulated, the PEST analysis, as a path model to provide effective analysis for strategy formulation, needs to keep pace with the times, improve its analysis system, and guarantee better strategy formulation. The purpose of this study, is to improve the PEST analysis model for the public sector. Before a strategy is formulated, a pre-action evaluation is carried out, and using the evaluation results, the PEST analysis model is used to analyze the environment of the strategy. After the results of the strategy formulation are released, an after-event assessment is conducted to correct the biases between the strategy's aims and the actual result, which will help the public sector to be more rigorous in devising major and long-term strategies.

Keywords: PEST analysis model; Public sector strategy development; Strategic management.

1. Introduction

As a new management or thinking method, strategic management of the public sector has attracted increasing attention from public sector managers. Strategic management today is a product of globalization, informatization, and the era of knowledge economy, and therefore plays an increasingly important role in the public sector, especially in the context of the contemporary government reform movement. However, factors affecting strategic management are becoming increasingly complex.

In the process of strategy formulation, the PEST analysis model is a commonly used method, and yet the existing PEST analysis models are found to be mostly designed for the strategic formulation of enterprises. Furthermore, the analysis of relevant factors is relatively macro and lacks review and evaluation mechanisms. Therefore, based on previous research results, this paper proposes that the strategy formulation of the PEST analysis model should be evaluated in advance of the task and afterwards to improve the effectiveness of the PEST analysis model in strategy formulation.

2. Research Purpose

The formulation of strategies is not a finite process. Many strategies change according to the environment they are designed within. Moreover, the public sector's strategy formulation needs to be extremely cautious, especially in their long-term and lasting processes, and more attention should be paid to environmental analysis.

The PEST analysis model is produced under macro conditions to help enterprises formulate feasible strategies and analyze the environments of politics, economy, society, and technology. However, within public sector strategy formulation, we can also learn from PEST model analysis methods but must keep in mind that the public sector faces a more macro and complex strategic objective. This study aims to improve the PEST analysis model from a macro

perspective, which can help the public sector formulate a more scientific and reasonable strategy.

3. Research Methods

Literature research method: This study collected the PEST analysis model of public sector strategic management along with related literature to provide a theoretical explanation of how the PEST analysis model can be used within public sector strategic management.

Descriptive research method: The descriptive research method is simple. Its main function is to raise questions, identify drawbacks, describe certain phenomena, and provide opinions and suggestions. This study finds that the PEST analysis model is relatively macro and when it is used to formulate strategies, a large amount of data needs to be collected. In some major and long-term strategic formulation processes, if the PEST analysis model is used, it must be guaranteed by a seamless evaluation system. The PEST analysis model is added to the pre- and post-evaluation to improve its functioning so that it can play a better role in the process of public sector strategic management.

4. Article Structure and Innovation

This paper is structured to first introduce the relevant concepts of public sector strategic management, as well as the analysis framework and basic outline of the PEST analysis model, and then analyze the advantages and disadvantages of the PEST analysis model in the formulation of public sector strategies. Using the PEST analysis model will then allow us to introduce the necessity of pre- and post-evaluation in the strategy formulation.

The paper is innovative as it combines a PEST analysis with public sector strategy formulation and adds both an ex ante and ex post evaluation on the basis of the PEST analysis model to provide a more guaranteed formulation process for major and long-term strategies for the public sector.

5. Concept Definitions

5.1. Public Sector Strategic Management

The strategic management of the public sector is the product of development in the era of globalization, informatization, and knowledge economy, especially in the social environment, where the new round of government reform is being increasingly realized. Strategic management of the public sector is an important manifestation of the transition from the traditional public administration paradigm to the new public management paradigm. As a new management method or mode of thinking, public sector managers should pay more attention to the strategic management of the public sector. Because public institutions often face changes in organization, such as mergers and restructuring, and there is sometimes a competitive relationship with the private sector in public services, any public sector needs to make a reasonable and appropriate analysis of the environmental changes faced by the organization when formulating new strategies.

Strategic management in the public sector has become an important part of the paradigm of the "new public management movement," which has the following characteristics: first, it focuses on the long term; second, it combines the long-term goals with the short-term goals to form a unified overall goal; third, it recognizes that strategic management and planning cannot be implemented alone; fourth, it takes an external perspective and emphasizes that it does not react to changes in the environment, but rather predicts these changes and shapes the organization accordingly.

5.2. Strategy Development

Strategy formulation refers to the execution of enterprise tasks, external opportunities and threats, internal strengths and weaknesses, long-term goals, alternative strategies, and a selection of specific implementation strategies. Strategy formulation is an integral part of enterprises' basic management. It is the second stage of strategic management which uses the information provided by strategic analysis to formulate company-level, business-level, and functional level strategies, alongside other related strategies. The opportunities and threats brought about by technical factors must be considered in the strategy-formulation process. Technological progress will greatly affect a company's products, services, markets, suppliers, competitors, and competitive positions.

Strategy formulation is the main priority of strategic management and includes identifying the company's external opportunities and threats, determining the company's internal strengths and weaknesses, determining the company's tasks and long-term goals, formulating alternative strategies, and selecting specific implementation strategies.

5.3. Introduction to the PEST Analysis Model

PEST analysis refers to macro-environmental analysis. Different departments need to analyze the specific focus areas according to the actual situation, but this generally includes four major factors: politics, economy, society, and technology.

The political environment includes, among other items, the social system of a country or region, the nature of political parties, and government policies. Different countries have different social attributes. Even in the same country with an unchanged social system, the government's policy orientation,

attitude, and influence on organizational activities are constantly changing as time progresses.

The economic environment includes both macroeconomic and microeconomic levels. The macroeconomic environment mainly includes changes in national economic income, gross national product, and other numerical values of a country or region, as well as changes comprehensively reflected in the level of national economic development and the rate of national economic growth. The microeconomic environment mainly refers to consumer income, consumer preferences, savings, employment level, and other factors related to the consumer. Overall, at both the macroeconomic and microeconomic level, these elements will impact on the strategy formulations of the public sector, thus bringing about changes in the strategic direction.

The socio-cultural environment includes factors such as population mortality, social security plans, per capita income, lifestyle, average disposable income, population changes in urban and rural areas, trust in the government, concern for morality, saving habits, average education status, pollution control, energy conservation, social past-times, attitudes towards occupation, and religious beliefs.

In addition to the development of technology directly related to the activities of the company, the technical environment also includes national investment and support for scientific and technological development, the costs of technology development and R&D in this field, the speed of technology transfer and technology commercialization, and patents and their protection.

6. The Use of the PEST Analysis Model in Public Sector Strategy Formulation

Through the above introduction, it is not difficult to determine that PEST plays a key role in the environmental analysis of the strategy formulation process. However, in the process of public sector strategic decision-making, pre-evaluation and post-evaluation should be added, so that the PEST analysis model can play a more significant role in the process of public sector strategic decision-making.

The pre-assessment is mainly aimed at an overall assessment of the politics, economy, society, science, and technology of the public sector before the strategy is formulated. The main reasons for this are as follows:

Firstly, assessment of the political environment is based on the macro environment. The formulation of public sector strategies cannot be separated from state support. Different countries and regions have different political environments. Even if the same strategy is implemented in different political environments, the results will differ. To maximize the final effect of strategy formulation, the political environment of the public sector at the time of strategy formulation must be carefully evaluated.

Secondly, when assessing the economic environment, some of the key economic variables to monitor are GDP and its growth rate, national disposable income, consumer spending (savings), interest rate, inflation rate, economies of scale, government budget deficit, consumption patterns, unemployment trends, labor productivity levels, exchange rates, securities market conditions.

The economic base determines the superstructure. The formulation of any strategy is inseparable from protection of the economic base. The more important significance of the

evaluation of the economic environment is not only that a strong economic environment can provide a stable basis for the formulation of the strategy but also that the public sector will have formulated a strategy to better promote economic development. It is worth noting that the key aim of the economic and environmental assessments is that their relationship with the formulation of public sector strategy provides complementary, two-way support.

Thirdly, this study believes that the social environment is the main object of the implementation of a strategy, which also means that the assessment of the social environment is of great significance in the process of strategy formulation. Strategies can be formulated to analyze the social environment, but these need to adapt to changes in the social environment, which must be gauged from a pre-assessment. This includes not only the relevant factors listed above but also cultural factors related to a country or region. Culture is the most valuable heritage of a country or region which is built through long-term historical evolution. The level of culture affects the level of residents' needs, which consequently affects the strategic decision-making of the public sector. Therefore, it is of great significance to re-evaluate the social environment before formulating a strategy. If the public sector neglects the assessment of social factors in the strategy formulation process, even a strategy of great efficacy might not be readily accepted by society.

Finally, the technological environment must also be evaluated. The formulation of the strategy needs to keep pace with the times. The public sector is no exception to this. With continuous improvements in science and technology, the continuous enhancement of informatization, and the modernization of governance in the public sector, the evaluation of technology before the formulation of the strategy is particularly important to aid its smooth implementation. A good technological environment can not only provide a secure basis for the formulation of the strategy but is also relevant throughout the strategic process as it provides reliable support for the orderly promotion of the strategic system.

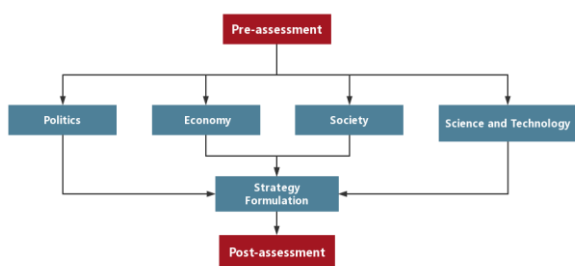


Figure 1. Evaluation Flow Chart

The formulation of a public sector strategy is not a finite process. When the public sector formulates major and long-term strategies, environmental factors will often change in many cases. Therefore, after implementing a strategy and observing the results, it is necessary to conduct a post-evaluation to try and correct the bias between the strategy's aims and the actual results of it.

The main purpose of the post evaluation is to help the public sector's strategy makers review whether the public sector has successfully analyzed the organization's environment, whether it has used scientific analysis to devise the strategy, whether it has collected enough data in the process of designing the strategy, and whether the data informing the strategy is relevant, comprehensive and

systematic. The post-strategy evaluation will also help the strategy makers to decide whether to integrate the analysis of politics, economic, social, and technical data into the results to rationalize the strategy formulation. In addition, it will also contribute to a review of the strategy formulation to ascertain the degree to which social culture was integrated in the process and establish a scientific link between social culture and strategy formulation.

In the process of pre- and post-assessment, the main executive department can be the assessment department supported by the public sector itself, and external or third-party assessment agencies can also be invited. This can ensure a wide range of sources of assessment information to improve the reliability of the PEST analysis model for environmental analysis and the rationality of public sector strategy formulation.

7. Research Enlightenment and Research Deficiency

Public sector strategy making is a diversified process. The PEST analysis model can provide good help in conducting environmental analysis for public sector strategic decision making. The significance of adding pre- and post-evaluations to the PEST analysis model of strategy formulation in this study is to help public sector strategy makers improve the formulation process. In doing this, the PEST analysis model can provide a more reliable review of the four macro environments, stimulate the enthusiasm of strategy makers, promote the precision of relevant staff in strategy formulation, comprehensively consider multiple factors, and promote the public sector to formulate long-term and practical major strategies.

Although this study adds two evaluation processes—pre and post—to the public sector's strategy formulation under the PEST analysis framework, and thereby improves the strategy formulation process, there are still some shortcomings. For example, the ideas provided in this paper are limited to the public sector's use in formulating important and long-term strategies, and cannot play a role in other urgent and important strategy formulations within enterprises

In addition, the main workflow and operation mechanism of the pre- and post-evaluation must be further tested and improved in practice. Therefore, the innovation of the PEST analysis model in the formulation of public sector strategy in this study needs to be further refined.

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