



Role of Political Environment in Business

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DESCRIPTION

The political environment of global marketing is the set of governmental institutions, political parties and organizations that are manifestations of the people of the nations of the world. In particular, anyone involved in global marketing should have a comprehensive understanding of the importance of sovereignty to national governments. The political environment varies from country to country and it is important to assess political risk. It is important to understand a particular government's actions with respect to taxation and property seizure. Historically, these have been done in the form of expropriation, confiscation, and nationalization [1].

- The political environment plays an important role in business regulations.
- The political environment mainly affects the way a business operates. But more than once it became an obstacle in the operation of the business.
- The political environment is related to the business environment including all the rules and regulations, laws and the role of government in the day-to-day operations of organizations.

The business political environment refers to the political or governmental actions that affect business operations. Political factors often go hand-in-hand with legal factors and are often seen as non-market forces affecting business operations. Political decisions ultimately affect the entire economic, social and cultural environment.

The political environment can be studied in terms of central government, a country's citizens, rules and regulations or international relations. Examples of political factors associated with a country's central government are the level of bureaucracy, corruption, and government stability [2]. A culture of corruption in a country stifles business by creating an uneven playing field where corrupt individuals are better able to achieve their business goals than those who are not corrupt. A highly unstable government cannot provide entrepreneurs with the security they need to transact peacefully, resulting in a volatile business

environment. Examples of political factors related to international relations are trade tariff policies, import and export policies of goods and services, and international trade agreements.

The political environment can be of paramount importance to a company. How a government develops its policies and the type of economic measures it adopts can determine the success or failure of a company. Promoting a particular type of business can lead to increased income for industries and players in that sector, but can result in losses for others. The government also takes into account all these risks and effects, as sudden or prolonged changes in the political environment can impact GDP and the economy as a whole [3].

Many external environmental factors can affect your business. Often managers have to carefully consider each of these factors. The goal is always to make better decisions for the growth of the business. Some of the common factors are political, economic, social and technological (known as PEST analysis). Companies also consider environmental, legal, ethical, and demographic factors.

Political Stability

- The political scenario of a country has a huge impact on the operation of a business.
- If political stability is lacking, there are always interruptions and unequal work patterns to be observed.
- The government continues to impose restrictions in various sectors, thus affecting large-scale business.

Taxation

The tax system is very important when it comes to the political environment. If a government balances taxes and budgets, businesses have an incentive to produce more and grow.

Foreign Trade Regulations

Expansive business management policies enable businesses to operate on a global scale, where the government plays a role. The government sets various rules and regulations (EXIM policy, Forex policy, etc.), to enable the company to operate in the

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Received: 07-Mar-2022, Manuscript No. RPAM-22-16237; **Editor assigned:** 10-Mar-2022, PreQC No. RPAM-22-16237 (PQ); **Reviewed:** 24-Mar-2022, QC No. RPAM-22-16237; **Revised:** 31-Mar-2022, Manuscript No. RPAM-22-16237 (R); **Published:** 07-Apr-2022, DOI: 10.35248/2315-7844.22.10.334

Citation: Maiello F (2022) Role of Political Environment in Business. Review Pub Administration Manag. 10:334

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international market and maintain its competitiveness in the global market.

The political situation of a country affects its economic framework. The economic environment affects business performance. For example, there are major differences between Democratic and Republican politics in the United States [4]. This affects factors such as taxes and government spending, which ultimately affects the economy. Higher levels of government spending generally stimulate the economy.

Governments should adjust their regulations and guidelines. This should in flip have an impact on a business. After the accounting scandals of the early twenty first century, America SEC have become greater attentive on company compliance. The authorities brought the Sarbanes-Oxley compliance guidelines of 2002. This became a response to the social surroundings. The social surroundings advised a extrude to make public corporations greater liable.

Lack of political stability in a country affects business. This is especially true for companies that operate internationally. For example, a drastic takeover could topple the government. This

can lead to riots, looting and general disorder in the environment. These disrupt business operations. Sri Lanka was in a similar state during a civil war. Egypt and Syria faced disturbances too [5].

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