

Political environment essay sample

[Politics](#), [Democracy](#)



The political environment in a country affects business organizations and could introduce a risk factor that could cause them to suffer a loss. The political environment could change as a result of the actions and policies of governments at all levels, from the local level to the federal level. Businesses need to be prepared to deal with the fallout's of government politics locally and internationally. Let's first define Political environment, there are several factors that creates an Inter-linkages occurring in many ways, for example:

- Political decisions inevitably affect the economic environment.
- Political decisions also influence the social and cultural environment of a country.
- Politicians can influence the pace at which new technologies appear and are adopted.

The political environment is one of the less predictable elements in an organization's business environment. The fact that democratic governments have to seek re-election every few years has contributed towards a cyclical political environment. The political environment in its widest sense includes the effects of pressure groups who seek to change government policies. One important factor to consider in the political environment before considering the impacts is their Political Systems.

There are different possible political systems. An open system of government is democratically elected by the population of a country. Totalitarian systems of government occur where power derives from a select group (e. g., communism) or based on the interests of sectional groups (often military-based). The idea that autocratic regimes have an advantage in economic development was once quite fashionable. The plausibility of such a notion lies in the advantages such regimes were said to have in forcing through development in the long term. An alternative view is that democracy is likely

to foster economic development. Corruption remains a barrier to economic development in many countries. Some companies may survive and prosper by bribing government officials, but the success and growth of such companies is not necessarily based on the value they create for consumers. The importance of monitoring the political environment

It is important for organizations to monitor their political environment, because change in this environment can impact on business strategy and operations in a number of ways:

- The stability of the political system affects the attractiveness of a particular national market.
- Governments pass legislation that directly affects the relationship between the firm and its customers, its suppliers and other firms.
- Governments see business organizations as an important vehicle for social reform.
- The government is additionally responsible for protecting the public interest at large.
- The economic environment is influenced by the actions of government.

Government is itself a major consumer of goods and services. Let's check some of those factors more closely:

Impact on the Economy

The political environment in a country affects its economic environment. The economic environment, in turn, affects the performance of a business organization. In the United States, for instance, there are significant differences in Democratic and Republican policies. This has implications for factors such as taxes and government spending, which in turn affect the country's economy. A higher level of government spending tends to stimulate the economy, for instance. Changes in Regulation

Governments could change their rules and regulations, and this could have an effect on a business. For instance, after the accounting scandals of the early twenty-first century, the United States Securities and Exchange Commission became more focused on corporate compliance and the government introduced the Sarbanes-Oxley compliance regulations of 2002. This was a response to the social environment that called for such change to make public companies more accountable. Political Stability

Particularly for businesses that operate internationally, a lack of political stability in any country has an effect on its operations. A hostile takeover could overthrow a government, for instance. This could lead to rioting and looting and general disorder in the environment. All this disrupts the operations of a business. Such disruptions have occurred in Sri Lanka, which went through a protracted civil war, and in Egypt and Syria, which have been subject to disturbances as people agitate for certain rights, this includes the most recent in Crimea & Ukraine, where separatist looks to get back to Russia, in Venezuela, Chile and Argentina were Students are protesting for their rights Mitigation of Risk

One way to manage political risk is to buy political risk insurance. Organizations that have international operations use this type of insurance to mitigate their risk exposure as a result of political instability. There are indices that provide an idea of the risk exposure an organization has in certain countries. For instance, an index of economic freedom ranks countries based on how political interference impacts business decisions in each country. Role of the media, including Social Media

The media - press, radio and television and increasingly the Internet - not only spreads awareness of political issues but also influences policy and decision-making by setting the political agenda and influencing public opinion. Some sample on social media was the one for