

Politics in the Business Environment: Corporate Decision-Making and Coping Strategies

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Abstract. In today's global business environment, the mutual influence between enterprises and political factors has become increasingly significant. The uncertainty caused by partisan opposition and political fluctuation has become essential in corporate decision-making. This article explores the reason for political uncertainty and proposes countermeasures for influencing corporate decision-making. The study finds that political factors directly affect the investment plan, market future planning, and brand image of enterprises. Especially during partisan elections, companies have to pay close attention to political decisions and adapt their strategies to the new political environment. Companies actively participate in political activities and establish good relationships with governments, which will lead the enterprise to minimize risks and challenges at the political level. Finally, this article comparatively discusses the importance of corporate social responsibility, emphasizing the benefits of actively fulfilling social responsibilities to corporate social reputation and public trust. It provides strong support for enterprises' stable operation in the political environment.

1 Introduction

As the global political environment is turbulent, political instability has become a critical challenge facing enterprises' development. In this uncertain political and business context, the decision-making process of enterprises will become more complex and fuller of risks. As one of the leading causes of domestic political conflicts, opposition between political parties usually leads to frequent changes in leaders, policies, and laws, which profoundly impact enterprises' long-term strategic planning and economic activities. Enterprises must pay attention to the political situation in real-time and constantly adjust their decisions to adapt to changes in the political environment to minimize possible risk losses may suffer.

Faced with the challenges posed by political instability and conflict between political parties, whether enterprises can make prudent decisions has become the key to development. Proper political participation will help companies formulate long-term strategies and achieve stable future development. With an in-depth understanding of political trends, companies can better grasp market conditions and business opportunities, laying a solid and reliable political foundation for industry development. However, the influence between politics and business is not one-way. Political instability affects not only the operation and development of enterprises but also political parties and the entire social environment through political participation.

Therefore, this article aims to explore the impact of political instability and party opposition on corporate

decision-making and future development, and propose how companies can change their response strategies. In addition, it also shows the role and influence of enterprises in the political process. In-depth research in this area will give business managers a deeper understanding and advice to help companies succeed in a challenging political environment.

2 The influence of parties on policy

2.1 How does partisanship create political uncertainty

In the global political arena, partisan antagonism is a ubiquitous phenomenon, and its existence is inseparable from the diverse ideological trends in today's society. Since different parties represent different political ideas, ideologies, values and interests, this reflects the broad views of different groups within society on political issues. This diversity has indeed helped to increase the political participation of the general public to a certain extent, and promoted public thinking and debate in the public sphere. However, with the intensification of partisan opposition, conflicts and competition at the political level are emerged. This can be seen as fundamental differences between different parties in terms of power struggle, policy formulation and other aspects. Therefore, the opposition and struggle between parties are almost inevitable.

Once political power changes during elections, it often leads to large-scale policy adjustments, thus bringing uncertainty to society and the economy. This unstable policy environment makes it difficult for companies and investors to predict the domestic economic market's future development direction, which challenges long-term planning and decision-making. Moreover, from the international level, the uncertainty of the country's internal political situation has dramatically reduced the credibility of transactions in the global market and hindered the smooth progress of cooperation and negotiation.

For instance, consider the United States, as the two major political parties in the United States, the Republican Party and the Democratic Party have been deeply opposed to each other in political decision-making due to the apparent differences in ideology. The Republican Party, which represents business interests, is generally more supportive of free-market economics and free enterprise. They support the implementation of policies such as tax cuts and reduced market regulation to promote the free development of enterprises. However, the Democratic Party, which represents the working class, is more inclined to emphasize social equality and is committed to striving for workers to obtain the maximum rights and interests in society, such as raising the minimum wage or implementing more comprehensive labour protection policies.

In the 2016 United States presidential election, climate change, as a high-profile issue, became one of the main focuses of debate between the Republicans and Democrats. Since the Republican Party is pro-business and tends to support corporate interests in its political philosophy, business and industry generally oppose environmental protection policies. Republican presidential candidate Trump has expressed strong negative views on his predecessor's environmental policies, the Obama administration. At a December 7, 2015 rally, Trump publicly expressed his scepticism about climate change and criticized the Obama administration's stance on this issue. He said, "President Obama talks about climate change, and it's a huge hoax in general. I think it's to get our manufacturing to move to other countries, to get our industrial base destroyed." Therefore, after Trump won the presidential election, he quickly took a series of measures to relax environmental regulations. One of the most eye-catching measures was the announcement that the United States would withdraw from the Paris Climate Agreement. The Trump administration sees the political decision as critical to protecting the United States' economic interests and corporate competitiveness.

However, the Democratic Party of the United States emphasizes the development of clean energy, such as solar and wind energy. It believes that climate change has posed a real threat to the United States economy, national security, and citizens' health. So, it is committed to mitigating the negative impact of climate change on the United States society and environment through sustainable energy policies [1]. On his first day in office in 2021, President Biden signed a number of executive orders reversing many of the policies of former President

Trump. This positive action not only confirms Biden's pledge, made publicly before his election, that "on my first day as president, the United States will re-join the Paris Climate Agreement, and I will immediately begin working with the rest of the world to do everything in my power to do so," but also demonstrates the United States commitment to combat the global climate change. Political uncertainty escalates further by making radically different policy changes due to partisan divisions. The turmoil in U.S. climate policy has not only stirred domestic political controversy but also raised doubts about the trust of the United States in taking a leading role in global climate action.

2.2 The impact of political uncertainty on businesses

As an essential tool to shape the external environment of enterprises, economic policy adjustments will inevitably increase the uncertainty enterprises face [2]. The government directly affects the operations and decision-making of enterprises through various economic policies, such as tax policies, regulatory policies, etc. As a result, these policy adjustments often make it more difficult for companies to plan their future growth and investment strategies because they need time to adapt to the new regulations.

In the face of these uncertainties, compared to domestic markets with unstable political environments, foreign investors are more likely to invest in countries with more transparent and stable markets. To avoid the risks may involve possible currency devaluation, regulatory changes, and market access. This trend directly reduces the level of domestic direct investment. Due to the lack of external capital injection, domestic enterprises may be restricted in innovation and expansion, and their competitiveness in the economic market will also be significantly reduced, which will eventually lead to the economy falling into recession.

In recent years, the United States has been involved in trade conflicts with many countries, which is widely regarded as an economic conflict caused by extreme protectionism. In these economic conflicts, countries have taken measures such as raising tariffs to inhibit free trade, forming a series of financial frictions, which have significantly impacted the economic growth of the United States and the world [3]. One of the most prominent is the trade war with China. This trade war has attracted widespread attention internationally and has become an essential focus of the global trade pattern. In 2018, with the intention of protecting American corporate interests from international competitors, President Trump imposed new import tariffs on 818 products from China, involving various fields such as steel and soybeans, totalling up to US\$50 billion. However, this moves triggered trade tensions between China and the United States. Due to the threat of U.S. tariffs, China quickly adopted retaliatory tariffs on imported goods from the United States, which officially kicked off the China-United States trade war.

Before the trade war, China had been one of the main export markets for the United States — agricultural products. However, the outbreak of the trade war has led to stricter restrictions on China's imports of United States agricultural products, which has significantly reduced the scale of United States agricultural exports. This change in international trade policy has caused oversupply in the United States market, and the supply of agricultural products has obviously exceeded market demand. Therefore, the downward trend in agricultural product prices has been difficult to control, and many agricultural enterprises had to face the risk of losses or even bankruptcy. In addition, the political uncertainty brought about by the trade war has also triggered a reduction in investment in the United States market, and investors' wait-and-see attitude towards the market has further increased the challenges the agricultural industry faces. As a result of the increasing tariff policy, enterprises are faced with rising production costs, such as raw materials. Due to the changing trade policy, it is difficult for enterprises to determine future production and operating costs, which makes investors more cautious and conservative in the face of these uncertainties and reduces capital investment in the United States market [4]. This situation has a negative impact both on the strategic planning and long-term development of agricultural enterprises.

3 The influence of political on business

3.1 The impact of elections on corporate decision-making

The argument that business is politically divisive forms the core of pluralism. Many business leaders believe that if a policy benefits certain enterprises, other part industries or enterprises are likely to be harmed due to the diversity of commerce [5]. The core idea of pluralism is fundamental in party elections because the fragmentation of business at the political level will directly affect the policy-making and support base of different parties. Business leaders are more likely to support political parties that propose policies that substantially benefit their companies.

Take the 1936 presidential election in the United States as an example [6]. This election can be regarded as a watershed in American political history. At that time, major players in the business sector found apparent differences in their support for different candidates and policy directions, which had a direct impact on party competition and political decision-making in the election. During elections, corporate leaders can achieve political participation through political donations, lobbying, etc., to support candidates that are beneficial to corporate interests. Business leaders who supported the Democratic Party were more likely to support President Roosevelt because they believed that the economic intervention and welfare measures brought by the New Deal positively affected business development and economic revitalization. Thomas Fergus argued that in 1936, international bankers and capital-intensive

executives were more likely to support the Democratic Party than other types of business [6]. Because government economic intervention may provide capital-intensive enterprises with the financial input they need to operate. In the brewing industry, for example, corporate leaders' donations to the Democratic Party during election campaigns accounted for 46% of donations from directors in the mass consumer industry. In comparison, internal directors' donations accounted for as high as 87%. One of the critical factors that led to this outcome dates back to the Democrats' lifting of prohibition in 1933, which allowed the brewing industry to recover [6]. The increase in donations from brewing companies to the Democratic Party elections reflects their positive response to policy changes. Government decisions directly affect the survival and development of the brewing industry. Therefore, business leaders expressed their gratitude and support for the Democratic Party through donations, as well as their recognition and trust in government decisions.

On the contrary, the Republican supporters who held the opposing view believed that the excessive intervention of the government would have a negative impact on the production of enterprises and even the national economy. They support Langdon's conservative policies, strongly oppose the New Deal, and emphasize market mechanisms and the free development of private enterprises. Businesses must weigh the impact of these two different economic policies on their businesses during the election. Each policy proposed by a different party may bring opportunities for economic recovery but also has the possibility of causing economic stagnation. As a result, this means that elections profoundly impact corporate strategy, planning, and decision-making.

3.2 Election results and corporate responses

From the above discussion, the election results of parties have a profound impact on the survival of enterprises, and how enterprises respond to the economic strategy of the elected party becomes the core of financial decision-making. If the election results tend to support the party favoured by the enterprise, a series of beneficial changes will often usher in for the enterprise. In such a policy environment, businesses are generally more stable in supporting and responding positively to government decisions — for example, tax breaks, freer market regulation, or policies that encourage innovation and investment. The government may take some measures to promote the prosperity of specific industries, making it more conducive for enterprises to expand and develop in the market.

However, the elected political party is not a party supported by the enterprise. In that case, government policy changes are likely to impact the business strategy that the enterprise currently maintains adversely. Changes in the government may cause market fluctuations for a period, which in turn adds an element of uncertainty. In this political atmosphere, enterprises need time to adapt and adjust the response plan, which is a particular obstacle to the long-term planning of

enterprises. Changes in policies may lead to changes in the competitive environment of enterprises in the market. Therefore, during the uncertain period of government change, enterprises will often give up some development benefits and adopt a more conservative attitude towards investment and recruitment so as to reduce potential business risks and ensure the relative stability of economic operation.

Consider the 2020 US presidential election. The oil and auto industries tend to be more closely associated with the Republican Party because the Republican Party generally tends to favor market-oriented freedom and less government intervention in economic policy, which is highly aligned with the economic interests of the oil and auto industries. For example, Tesla Enterprises, an automotive company dedicated to advancing the development of electric mobility and renewable energy. Musk, the chief executive of Tesla, has expressed his displeasure with Democrats over tax policies and corporate regulation. However, in the 2020 presidential election, Tesla's market value increased rapidly in the event that Republican President Trump lost the election. One of the essential reasons is due to the market's optimistic expectations of supporting realm energy and electric transportation after the election of a Democratic president. Democrats generally have stronger environmental protection regulations, closely related to Tesla's green energy philosophy, which is more consistent with the Democratic Party's policy stance. Against this background, companies like Tesla quickly adjusted their business strategies to respond more flexibly to policy changes brought about by the new government. To sum up, the election results are undoubtedly an important factor that cannot be ignored in corporate strategic planning, affecting the direction of its future development.

4 Corporate political participation

4.1 Corporate strategy and actions

In recent years, with the development of globalization, companies have become increasingly active in the political arena. In order to reduce the threat brought by uncertainty, more companies have begun to invest in political activities, actively try to influence government policy formulation through campaign donations and lobbying and seek to maximize the possibility of maximizing benefits for their own companies [7]. The decision of a company to participate in political activities can be regarded as a strategy after the company weighs the long-term pros and cons in order to balance a good relationship with the government and other stakeholders. In the face of turbulent periods when the political situation is unclear, whether a company can correctly choose an appropriate response strategy will play a key role in future development., which reflects the company's sensitivity to the political environment and its ability to analyze political risks. In such a period, companies need to pay close attention to political

dynamics in order to adjust strategies promptly to minimize the negative impact of political uncertainty.

The corporate political behavior can be divided into two categories which are passive behavior and proactive behavior [8]. Generally, when the government adjusts existing policies, these changes may impact business operations. Certain policy adjustments may align with corporate development concepts; hence, companies will benefit from policy changes. However, this change may also negatively impact the company, thereby affecting its profitability and forcing the company to adjust its strategy to adapt to the new political environment, which is a passive political behavior of the company. Compared with facing the uncertainty and risks of passive actions, companies that take the initiative and actively participate in political activities and social responsibility projects will create more excellent value for the company. Proactive political behavior makes companies more capable of responding to crises and challenges, reducing risks and achieving sustainable development.

There are also significant differences in political engagement depending on the type of product a firm produces. Enterprises that create a single product or service type operate in a specific market field [8]. The limited industry field makes its business focus mainly on product research and development, production and sales, which involve relatively few political issues. Enterprises with a single product will pay more attention to safeguarding their own interests. Compared with directly participating in political activities to influence policy formulation, enterprises are more inclined to put forward their expectations through industry associations or trade organizations to ensure the support and protection of their business. Nevertheless, multi-product companies cover a more comprehensive range of industries and markets and need to actively participate at the political level to respond to political and legal changes in different fields and try to establish friendly relationships with key decision-makers in related fields [8]. Therefore, companies with multiple products often establish specialized departments responsible for communicating and cooperating with government decision-makers. Through contacts with government officials, companies can learn about market dynamics and trends in a timely manner, providing an important reference for corporate strategic planning. In the process of government policy formulation, companies can put forward better suggestions for their interests and industry development.

4.2 Corporate social responsibility

Enterprises not only need to fulfil the most basic economic responsibility of creating long-term benefits for shareholders but also assume corresponding social responsibilities when facing broader environmental and public interest issues, actively participate in social development and make positive contributions to society. Corporate social responsibility is one of the forms of corporate political participation, and donations are an essential way to fulfil this social responsibility.

American Express is a typical case of combining charitable activities with self-marketing. In 1981, American Express implemented a strategic initiative to support the restoration of the Statue of Liberty by pledging to donate a certain amount for every swipe of a credit card transaction made by every credit card user. According to statistics, until 1983, the cumulative total amount donated by American Express had reached \$1.7 million. In addition, this measure has also brought positive economic benefits to the enterprise. Compared to 1982, the use of American Express cards has increased by 28 per cent, and the number of applications has increased by 45 per cent [9]. This initiative not only made an important contribution to the maintenance of the Statue of Liberty, but more importantly, it enhanced the goodwill and trust of American citizens for the company, established a good social reputation, and laid a solid foundation for the long-term development of the company.

Now, there is a case where a company brought different results before and after it fulfilled its social responsibilities. In 1991, as one of the world's largest beverage companies, Coca-Cola was attracted by India's abundant rivers, lakes and groundwater, free and large amounts of raw materials and huge market potential to attract Coca-Cola enterprises to enter successfully. This should have brought a large number of job opportunities and market competitive advantages to India. However, the fact is that Coca-Cola has been accused of excessive extraction of local water resources, causing some residents to face problems such as water depletion and water pollution, and due to uncontrolled factory sewage discharge, pollution damage to Indian land and ecosystem. In 1999, the factory built by Coca-Cola in Kala Dera caused 40 surrounding villages to lose agricultural water in just one year, and groundwater resources were rapidly depleted [10]. The pollution caused by the Coca-Cola factory has been severe enough to affect the expected life of local villagers. A large number of residents began to protest and tried to demand the closure of the Coca-Cola factory and drive it out of India through demonstrations and other methods. In the face of ongoing protests, corporate social responsibility has become a necessary reflection and action. Businesses should pursue economic profits and consider social and environmental impacts. In response to this problem, Coca-Cola has installed rainwater collection systems in many factories across India to overcome the water shortage crisis actively. In addition, the company actively participates in charitable social projects organized by organizations around the world, reshaping consumers' perceptions of the company through fulfilling corporate social responsibilities in order to gain recognition from the government and the public.

As an essential form of political participation, corporate social responsibility is a crucial component of sustainable corporate development. By actively fulfilling social responsibilities, enterprises can not only enhance their own reputation and value but also achieve a win-win situation between economic growth and social development. Corporate political participation can also promote the formulation and implementation of public

policies and promote social change and progress., contributing to building a more just, inclusive and sustainable society.

5 Conclusion

This article examines the relationship between business and politics from different perspectives of enterprises and political parties. The study found that from the perspective of political parties, entrepreneurs' political participation and winning their financial support are essential means to achieve political goals and promote policy agendas. Political parties establish cooperative relationships with enterprises and use the resources and influence of enterprises to obtain support in elections, thereby enhancing their position in political competition. In the modern political system, the influence of enterprises on politics has become increasingly prominent. Political parties may often establish close ties with specific industries and stabilize their political positions through legal commitments or the issuance of relevant policies beneficial to enterprises. Therefore, for political parties, the interaction between business and politics is an important way to realize political rights.

On the other hand, from a corporate perspective, corporate political participation can be considered a strategic move. Enterprises pay close attention to policy changes and political dynamics on the political stage, which are often an important basis for enterprises to formulate future development strategies. These political factors frequently have a direct impact on the enterprise's operating environment and market expectations. By actively participating in the political process, companies can have a clearer understanding of the current political situation and have the opportunity to propose strategies beneficial to their interests and development during the policy formulation process. Connections with political leaders can help companies more easily access government-supported resources. In addition, companies also need to consider their social responsibilities, actively express their positions in political disputes or policy changes, and maintain corporate reputation and social status. Therefore, for enterprises, the interaction between business and politics is an important consideration in corporate strategy formulation and risk management.

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