

# Influence of political and economic action on the organizational culture of public and private companies in Venezuela

## Abstract

This article is a reflective essay on the political and economic influence on the organizational culture of public and private companies in Venezuela. To this end, a document review was conducted in various national and international repositories such as Scielo Venezuela, Redalyc, WoS, Scopus, among others, to select articles related to the topic proposed in this document. The results show that the relationship between government policy and the country's economy is not sustainable over time, leading to a gradual increase in inflation, worsening the quality of life of consumers. It is concluded that it is necessary to readjust the decisions issued by the national executive branch and to reach agreements with public and private sector companies to reach agreements that benefit consumers.

**Keywords:** business, Venezuela, organizational culture

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## Introduction

Business organizations are complex systems composed of structural elements such as formal authority, the chain of command or hierarchy, objectives, strategic plans, organizational policies, administrative procedures, and the technology used in the production processes, goods, and services. These elements determine an organization's culture as a dynamic set of values, ideas, beliefs, habits, and human traditions—that is, an organizational philosophy—that shapes individual behavior in business activities. Managers must represent the epistemological, ontological, methodological, and axiological foundations necessary to promote change in times of uncertainty. This is key to understanding organizational behavior and promoting transformations and changes, coupled with sound human resource management in an environment of respect and social belonging.<sup>1</sup> This manuscript is a reflective analysis of “The influence of political and economic action on the organizational culture of public and private companies in Venezuela.” To this end, the concepts of management and culture in organizations are explored, as well as the behavior of these variables in light of the country's current situation regarding the political and economic actions derived from the National Executive. This premise served as a guide for this essay, in which the researcher contrasts his ideas and perceptions with those of other authors on the subject.

## Methodology

The methodology used for this essay was exhaustive documentary research, which consisted of reviewing bibliographical material on the object of study to conduct an analysis of the selected contents.<sup>2</sup> To this end, a selection of scientific articles indexed in various electronic repositories, graduate theses, and institutional documents was performed, which provided a broad overview of the subject matter.

## Development

The economy represents the foundation that supports an entire nation. It provides the methodological and/or scientific foundations necessary for the design and development of economic systems for social production, for the distribution, marketing, consumption, and provision of goods and services to meet the demands and needs of the

human population.<sup>3</sup> However, the economy is supported by a productive apparatus, which is made up of all the companies or organizations operating in Venezuela. These are well-defined institutions that pursue certain economic or commercial goals based on the activities they promote within a territory, with their own managerial, intellectual, and productive structure. That is, organizations are embodied as tangible (physical) assets of the national economy, hence their importance for the development and economic growth of our nation.<sup>4</sup>

In the Venezuelan context, we find public and private enterprise. A public corporation is defined as a corporation owned or managed by the national, municipal, or state government, either wholly or partially, and governed by more or less flexible bureaucratic mechanisms and with a legal foundation established in the social and constitutional order. Private corporations, on the other hand, possess non-governmental investment through partnerships between several individuals or shareholders (mostly) and, like public corporations, possess a productive field of action for the consumer population.

The types of companies (private and public) develop in a socio-political and economic climate that significantly impacts their activities and assertive decision-making. Extrapolating the conceptualizations of these companies to the Venezuelan political and economic landscape, I believe that both are seriously affected for the following reasons:

- i The production capacity to generate products, goods, and services for consumers has decreased due to the dependence on imported raw materials for their production and/or manufacturing. This has created market instability, especially in distribution and marketing chains, which is evident in the high cost of purchasing products, contributing to rising inflation and diminishing citizens' purchasing power.

A clear example of this problem is Small and Medium-Sized Industries (SMEs). Many of them nationwide have closed their doors, causing unemployment and social instability, especially in the manufacturing sector, regardless of whether their assets are public or private. Therefore, Vera,<sup>5</sup> established several important guidelines with a special emphasis on Venezuelan state-owned enterprises. This document, based on the fact that the National Executive holds

a concentrated position in its hands, makes it necessary to create a flexible government structure adaptable to the country's current situation.

However, the AVE considers it urgent to restore the credibility and transparency of governments, as they have historically been seriously affected by scandals involving corruption and embezzlement of public funds, with the resulting discrediting of the political sector, which in turn has negative effects on public confidence in democratic systems. This premise is key to understanding the behavior of public companies over time; consequently, organizational ethics is becoming increasingly important in the organizational world, as a promoter of trust in the sector.

No one risks monetary or human capital in a business where there is no basis for trust. Therefore, the establishment of principles of good corporate governance, not only for centralized public companies that carry out commercial activities, but also for the national or local private sector, will undoubtedly result in greater stability for democratic governments that seek consensual, non-authoritarian common ground.

- ii Another relevant point is the expropriation of private companies to transform them into Social Production Enterprises (EPS), which, in the opinion of the author, represents a form of political authoritarianism that has not yielded results in our economy. Private enterprise plays a fundamental role in economic growth and the quality of life of its employees. Consequently, when they are expropriated, social demand will shift to public enterprises, which lack the capacity to sustain the social demand for goods and services. They turn to imports as a solution to the problem, resulting in higher inflation, increased foreign debt, and the exploitation of other natural resources such as gold, diamond, and other precious stone mining as a means of paying off such debts or for the exchange of products between the interested countries.

Among the EPSs, we find: Local Supply and Social Production Committees (CLAPS), dairy and dairy products companies, manufacturing companies, transportation companies, among others, which have emerged with the rise of a political system "centered on the needs of the people." However, a secondary question remains: Do they truly create the necessary resources for this purpose? Empirically, no. We can point to the food, pharmaceutical, and transportation sectors as examples of inadequate management, lacking solid foundations and decontextualized from the country's current reality. Therefore, it is urgent to create synergistic management strategies for a reactivated economy that promotes decent jobs and avoid decisions that worsen the current situation.

- iii Wage incentives that do not compensate for economic reality. Inflation is the tip of the iceberg in the Venezuelan economy, as the current minimum wage does not justify the basic expenses for a decent living (food, clothing, and transportation). Therefore, the abandonment of public and private jobs has been increasing, as employees seek better job opportunities, whether inside or outside Venezuela. This creates instability in the labor market, as these are unattractive to the population, significantly impacting the sustainability of companies over time.
- iv High inflation: The biggest problem the national government has faced is inflation, understood as the economic imbalance characterized by rising prices and an increase in monetary circulation. The high cost of the basic food basket (calculated in February 2018 at the equivalent of 18 minimum wages),

coupled with the dependence on imports due to insufficient domestic raw material production, has caused the value of products, goods, and services offered by companies, especially private ones, to rise exponentially. The full salary of workers (1,300,000.00 Bs) to cover their basic needs is short-lived, since the capital contribution of these companies depends exclusively on their members and not on the state, as is the case with public companies.<sup>5</sup>

- v Economic centralism: All political, economic, and fiscal decisions are made from Venezuela's capital city through economic strategies implemented by the State to generate foreign currency, through taxes paid by producers, merchants, and business owners on the resources they exploit and market, viewing companies as static entities. Each company has its own limitations and competitive advantages, and not all decisions benefit 100% of companies, especially SMEs and family businesses, which are heavily impacted by inflation, salary increases decreed by the national executive, and the importation of raw materials.

This situation has led to an imbalance in the supply/demand relationship, as consumers lack sufficient funds to purchase the products companies offer. This has resulted in a substantial loss of income to pay workers and suppliers. In the worst-case scenario, this results in the closure of the company, as has happened in many companies nationwide.

In the case of Venezuela, due to the political and socioeconomic situation the country is going through (high inflation, unemployment, poverty, abuse of power, among others), managers must have a holistic view of the micro-environment (physical and social environment and personal attitudes) and macro-business environment (society in which the organization operates), which allows them to make assertive, useful, comprehensive, and timely decisions, characterized by participatory and collaborative leadership that allows them to draw from the pool of opinions and skills of human talent those attitudes that promote the transformation of the organization. assertive, useful, comprehensive, and timely decisions, characterized by participatory and collaborative leadership that allows them to draw from the pool of opinions and skills of human talent, those attitudes that promote the transformation of weaknesses into strengths and propel the company's economy toward new horizons, in search of the need to establish solid managerial foundations with the application of different methodologies Considering the trans disciplinary nature of the environment.

I believe that Venezuelan companies are immersed in a permanent dynamism, typical of 21st-century postmodernism and the economic crisis, characterized by social changes resulting from the emergence of more complex and profound systems of thought, which displace their predecessors, becoming "emerging paradigms," where chaos and uncertainty form the ideal scenario for the combustible agent called "conflict and crisis" to ignite the spark of change in the epistemological, axiological, and methodological order at the organizational level, creating new ways of obtaining new knowledge that is useful, complete, and timely for the needs of the new society and the internal reorganization of the corporation.

This leads to a new spectrum that involves the interaction of the social order with business for a scientific and integrative consideration of reality, in a world dominated by economic globalization and new information and communication technologies, characteristic of the post-industrial or informational society of the 21st century, where companies generate new knowledge on an ongoing basis to provide feedback for production processes and market competitiveness.<sup>6</sup>

A thesis focused on the interpersonal relationships inherent in business activity, which is based on organizational thinking from the perspective of complexity, in direct connection with the postmodernity characteristic of the 21st century, towards innovative concepts, effective production processes, customer satisfaction, improved labor relations, managerial flexibility, corporate values, and the dynamic creation of organizational knowledge.

Following the same line of thought, we can ask ourselves the following question: Could we define, according to our Venezuelan economic model, that the policies undertaken by managers to introduce an organizational or business culture are inherited from previous policies or are innovative and adaptable to realities in constant and effective change?

Regarding this question, I believe that the strategies to be followed to implement a new organizational culture must be based on the reality we experience in the current economic system in Venezuela. Because it is a highly fluctuating economy, the institutional climate must be flexible, innovative, and adaptable over time in order to survive in times of crisis and uncertainty and not depend on previous policies, since the context is variable and always in continuous feedback, even if the results are not as expected.

Therefore, management with the knowledge to seek ideas that revolutionize the market in order to dance with the disturbances of the environment is essential.

It is from that moment on that human intellect is put to the test in the search for feasible solutions, favoring the creation of a culture of knowledge that allows organizations to transform themselves into intelligent, learning companies, where the uncertainty and questions embedded in our minds form the spark that ignites the cognitive engine in the search for answers that satisfy the prevailing need for knowledge in human beings.<sup>7</sup>

For this reason, the management of scientific and organizational knowledge has been studied by various researchers from three perspectives, among which the following stand out: Crossan, Lane, and White with their theory of organizational learning, Nonaka and Takeuchi with their postulate on organizational knowledge, and Senge with his theory of the learning organization.

Organizational learning is defined as a company's capacity for feedback to discard obsolete ideas and create new knowledge, which can be shared (transferred) and developed to get the most out of it. Organizational knowledge, on the other hand, is a dynamic process where knowledge is created, stored, and distributed, which is the classic definition of corporate knowledge management. Meanwhile, organizational knowledge, according to scholars, is defined as the ability of the human intellect working in a company to create and use knowledge in favor of business goals and objectives, allowing the company to adapt to changes in the macro-environment and micro-environment of the organization.<sup>8</sup>

The above allows us to elucidate that these three currents have a common horizon, "scientific and organizational knowledge," since it is the fundamental basis for generating new objective perspectives on the reality we live in. Companies are the main protagonists in the development of the ideal conditions to encourage curiosity and the production of human talent capable of changing traditional paradigms in production and marketing processes, through new technological and social approaches, becoming a powerful instrument for the generation of new emerging paradigms in line with the environment and the needs of the company at a time when knowledge is one of the main sources of human liberation.<sup>9</sup>

Considering the above and as a final point in this essay, it is worth asking: How should managers behave and what should organizational culture be like in Venezuela today? In this sense, management is considered by several authors to be the art of organizing, planning, directing, supervising, and executing activities or carrying out goals, in conjunction with the staff working in an organization, based on the objectives proposed therein to satisfy consumer needs and provide efficient service to its customers.<sup>10</sup> The manager is the head of the strategic apex that supports the backbone of the institution, based on a specific managerial behavior that influences the entire organizational structure of the institution. However, it takes more than a manager to carry out internal processes (production, storage, distribution, among others) and properly manage macro-environmental factors (inflation, supply/demand, technology, among others) that influence the micro-environment (organizational culture). The manager must be a true leader capable of providing feedback to the system and making coherent decisions in harmony with his or her staff in order to promote business development.

At the business level, leadership plays a predominant role, as it shapes the management style, institutional philosophy, and market competitiveness. According to Reyes and Orejuela,<sup>11</sup> a leader must be an optimistic person (think positively) and not give up easily in the face of environmental problems in order to take action for the benefit of the group through teamwork. In addition, their communication and relationship with others is assertive, conveying confidence to their followers, and those who know them are aware of their work and track record.

However, leaders are made, that is, they emerge within a society or group as pragmatic individuals capable of driving the proposals or solutions of a union and/or corporation. In addition to fostering an assertive, proactive, and participatory organizational climate for all human resources, they create successful tools to maintain products, goods, and services optimally in the market and fluctuate with the vicissitudes of the commercial environment.

In the Venezuelan case, new trends in business leadership point toward a collaborative, participatory, and adaptive leader, as this allows for the concerns and suggestions of human resources to be taken into account and, based on this, innovative strategies to be created to adapt to changes in the macro-environment and micro-environment of the organization, where the manager represents a team and not an isolated individual. However, it is common to observe autocratic and uncreative leadership in many of the companies studied. Salcedo,<sup>12</sup> agree that leadership is needed that directly influences the motivation of subordinates and thus satisfies their individual needs, without altering the course for which the organization is determined.

This represents a critical point in the leader's interaction with the rest of the group. It is important to listen to the team's concerns and study various formulas for rewarding and incentivizing the work of employees, thereby balancing individual needs with the corporate mission and vision. This is called "collective well-being" and contributes to substantially improving interpersonal relationships and creating bonds of effective respect in relation to the workers' vision of their leader.<sup>13</sup> In addition, it promotes better work quality and organizational culture, as staff "are listened to and feel heard by their leader."

Chenet, Lalaleo and Hurtado<sup>14</sup> explains that human resources' perception of the leader is key to understanding the behavior of the work team in institutions. This author starts from the premise that human behavior is the source of transformations and changes within the company, since the individual's opinion of the work environment



is decisive in the creation of vices that hinder the development of strategic operations. Therefore, the socialization of guidelines and good human resource management will be the key to success in creating an environment of respect and social belonging.

In this sense, the various theories of human behavior by Abraham Maslow and Elton Mayo play a fundamental role, as they explain human reactions to their environment and how emotions can be managed and channeled toward the purpose established by the organization.<sup>9</sup> In most groups, there are very heterogeneous behaviors, and the leader must be able to guide these actions and avoid the entropy of organizational development, which, according to Salcedo,<sup>12</sup> comprises a complex and dynamic system of human values, ideas, beliefs, habits, and traditions. An organizational philosophy that shapes the behavior of the individual in business activities.

However, organizational development involves the management of organizational knowledge. Méndez, Bolaños and Méndez,<sup>15</sup> define it as the ability of the human intellect working in a company to create and use knowledge in favor of business goals and objectives, allowing the company to evolve over time to adapt to social and technological changes, at a time when knowledge is one of the main sources of human liberation.

Staff efforts must be directed towards achieving institutional objectives through timely decisions. Therefore, it is essential to encourage a culture of knowledge that actively involves all institutional elements, and only a paradigm shift will make the necessary changes at the managerial level possible, that is, “the culture of knowledge embedded in corporate development,” which involves the heterogeneity of the members of the corporation to formulate strategies within a framework of sustainability over time, leaving behind the rigid schemes of traditional management to move towards a dynamic and joint organizational construct.

## Conclusion

According to the proposals made in this document, the Venezuelan economy must be based on a flexible financial system appropriate to the country's current situation. This system seeks and guarantees mechanisms that allow for timely decision-making based on the needs of public and private companies, with the goal of meeting the demands of the national market with goods and services that meet quality standards.

Public and private companies have suffered the negative impacts of the country's current situation, especially private SMEs, due to their limited capital, less technological capacity to respond to economic fluctuations, expropriations, and employee layoffs in response to the search for decent wages. All of this entails abrupt changes in organizational culture in very short periods of time; therefore, many companies fail to adopt appropriate corporate strategies to survive in a fluctuating and unstable market.

In the Venezuelan case, due to the current political and socioeconomic situation, government management must possess a pluralistic vision of the organization to integrate the diverse skills of the team it leads, seeking intelligent and creative solutions through a cultural ethic and the creation of useful, comprehensive, and timely knowledge that maintains the organization's enthalpy and collective well-being.

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## Conflicts of interest

The author declares that there is no conflicts of interest.

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