

5.48: Managing the International Business with the P-O-L-C Framework

Learning Objectives

1. Know the dimensions of the P-O-L-C framework.
2. Recognize the general inputs into each P-O-L-C dimension.

A manager's primary challenge is to solve problems creatively. In order to help managers respond to the challenge of creative problem solving, principles of management have long been categorized into the four major functions of planning, organizing, leading, and controlling, or the P-O-L-C framework. Mason Carpenter, Talya Bauer, and Berrin Erdogan, *Principles of Management* (Nyack, NY: [Unnamed Publisher](#), 2009), accessed January 5, 2011, www.gone.2012books.lardbucket.org/printed-book/127834. These four functions are actually highly integrated when carried out in the day-to-day realities of running an organization. So, don't get caught up in trying to closely analyze and understand a complete, clear rationale for the categorization of the skills and practices that comprise the P-O-L-C framework.

It's important to note that this framework is not without criticism. Specifically, these criticisms stem from this observation: while P-O-L-C functions might be ideal, they don't accurately depict the day-to-day actions of actual managers. Henry Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973). The typical day in the life of a manager at any level can be fragmented and hectic, with the constant threat of having priorities dictated by the law of the trivial many and important few (i.e., the 80-20 rule). However, the general conclusion seems to be that the P-O-L-C framework of management still provides a very useful way of classifying the activities managers engage in as they attempt to achieve organizational goals. David Lamond, "A Matter of Style: Reconciling Henri and Henry," *Management Decision* 42, no. 2 (2004): 330–56.

Planning

You have already been exposed to the essentials of planning in your introduction to strategy and strategic management. "Planning is the function of management that involves setting objectives and determining a course of action for achieving these objectives." Reference for Business, "Management Functions," *Encyclopedia of Business*, 2nd ed., accessed August 2, 2008, <http://www.referenceforbusiness.com/management/Log-Mar/Management-Functions.html>. In this section, planning reflects the notion of strategizing. To plan well, managers must be aware of the external conditions facing their organizations (recall the O and T in the discussion of SWOT in [Section 10.1](#)). Managers must also be good decision makers to set a course for achieving organizational objectives. In international business, planning is particularly complex given all the countries and variables involved.

There are five steps in the planning process. First, the process begins with SWOT analysis, which means that planners must be aware of the critical factors facing their organization in terms of economic conditions, their competitors, and their customers.

Second, planners establish organizational objectives. Organizational objectives are statements of what needs to be achieved and when. Third, planners identify multiple ways of achieving those objectives, with an eye toward choosing the best path to reach each objective. Fourth, planners must formulate the necessary steps and ensure effective implementation of plans. Finally, planners must constantly monitor the progress of their plans and evaluate the success of those plans, making adjustments as necessary. Let's look at the three primary types of plans and planning—strategic, tactical, and operational.

Strategic Planning

Strategic planning is the most long-range planning, typically looking three years or more into the future. During strategic planning, an organization's top management analyzes competitive opportunities and threats as well as the strengths and weaknesses of the organization, getting input from across the organization. Then the managers set a plan for how best to position the organization to compete effectively in the environment. Strategic planning is generally conducted across the enterprise and includes setting objectives that reflect the organization's mission.

Tactical Planning

Tactical planning, in contrast to strategic planning, has a shorter time horizon, typically one to three years, and specifies fairly concrete ways to implement the strategic plan. Tactical planning is often done by middle-level managers.

Operational Planning

Operational planning takes the organization-wide or subunit goals and specifies concrete action steps to achieve the strategic and tactical plans. Operational planning is short-range planning (less than a year).

Organizing

Organizing is a management function that develops an organizational structure and coordinates human resources within that structure to achieve organizational objectives. Typically, organizational structure is represented by an organizational chart that graphs the lines of who reports to whom and shows a hierarchical chain of command. In recent years, however, social network analysis has become increasingly popular as a means of identifying who in the organization people consider to be “expert” and turn to when they need help. Olivier Serrat, “Social Network Analysis,” *Knowledge Solutions* 28 (February 2009), accessed January 3, 2011, www.adb.org/Documents/Information/Knowledge-Solutions/Social-Network-Analysis.pdf. The advantage of mapping this type of informal network is that it shows who is a valuable, well-connected expert, even if that person is not a de facto “boss.” Decisions made about the structure of an organization are generally referred to as **organizational design** decisions.

Organizing takes place at both the level of the organization and at the level of the job. Organizing at the level of the enterprise or organization involves deciding how best to divide or cluster jobs into departments to effectively allocate and coordinate effort. There are many different ways to departmentalize, such as organizing by a job function, by products, by geographical regions, or by type of customer. Larger organizations often use several methods of departmentalization. When the business crosses borders, the organization must choose a structure that complements its strategy. This often relates to whether there is a separate international division or if each country operates autonomously (and to what degree).

Organizing at the job level means designing individual jobs within the organization. Decisions must be made about the duties and responsibilities associated with each job, as well as the manner in which the duties should be carried out. Decisions made about the nature of jobs within the organization are generally called **job design** decisions.

Job design involves organizing jobs so that each position makes productive use of an individual’s talents. In the past, job design meant narrowing a job’s tasks so that the individual could be more proficient at those tasks. But further research showed that too narrow a job function leads to boredom and concomitant job dissatisfaction.

As a result, organizations now try to balance specialization (and the efficiency it brings) with variety and opportunity for autonomy. Human resource specialists use principles such as empowerment, job enrichment, and teamwork when designing jobs. For instance, HUI Manufacturing, a custom sheet-metal fabricator, has done away with traditional departments in order to focus outward on customers rather than internally on departments. As a result, HUI listens and responds to customers. Using small-team “huddles” and company-wide meetings, HUI employees work together to understand their customers and how HUI might service them best. “Your Teams: Overview,” HUI Manufacturing, accessed November 9, 2010, www.huimfg.com/abouthui-yourteams.aspx. While some employees remain specialists, employees are paid more to develop multiple skill sets—thus a metalworker may also be proficient in design and accounting. As a result, HUI’s workforce is highly diverse in terms of individual capabilities.

Leading

Leading involves influencing and inspiring others to take action. Managers who lead well inspire their employees to be enthusiastic about working to achieve organizational goals and objectives.

Managers can become effective leaders by understanding their employees’ individual values, personalities, and attitudes. For example, studies of motivation and motivational theory help managers understand how workers can be energized to put forth productive effort. Studies of communication, likewise, provide direction as to how managers can effectively and persuasively communicate. Finally, studies of leadership and leadership style provide information on topics such as how a manager can be a good leader and what leadership styles are most appropriate and effective in certain situations. When an organization’s operations cross borders, managers have to make additional choices related to the employment of local workers versus relocating workers from the home country, as well as the degree and frequency with which employees rotate through positions and countries.

Controlling

The controlling function requires monitoring performance so that it meets the performance standards established by the organization. Controlling consists of three steps—setting performance standards based on the company’s objectives, measuring and comparing actual performance against standards, and taking corrective action when necessary. For example, a performance standard can be that a technical support staffer will resolve three customer problems per hour. If staffers are consistently only able

to resolve three problems per hour, it may mean that the standard was set too high. Setting performance standards is a delicate balance: managers want the task to be attainable but not too easy. If the standard is set at five problem resolutions per hour and half of the staffers achieve that goal, then they can be recognized for their achievement, while the staffers unable to meet that performance level can be coached, or other measures can be taken to minimize the low performance.

Performance standards can be measured in various ways, such as through financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals. Managers at all levels engage in the function of controlling to some degree.

Don't let the term *control* confuse you into thinking that it means manipulation. Rather, the controlling function is intended to ensure that work is proceeding according to plan. Indeed, effective control requires having plans and objectives and establishing which position will be responsible for correcting deviations that occur.

Effective controls provide valuable feedback mechanisms. For international companies, such feedback includes the methods for transferring knowledge and advantages out of home or foreign countries into the business operations of other countries. Such learning, while a key advantage of global firms, is easier said than done. Even the best firms have found cross-border learning difficult. For example, when Toyota vehicles in the United Kingdom experienced problems with their braking and acceleration systems, these design issues were not communicated to the company's US operations until the same difficulties had reached crisis proportions in the United States.

In summary, the P-O-L-C functions of planning, organizing, leading, and controlling are widely considered to be the best means of describing the manager's job. Managers perform these essential functions despite tremendous changes in their environment and the tools they use to perform their roles.

KEY TAKEAWAYS

- The principles of management can be distilled down to four critical functions. These functions are planning, organizing, leading, and controlling.
- Strategy is a starting point in the P-O-L-C framework, but it also incorporates many additional activities that allow the strategy to be executed well. This framework provides useful guidance into what the ideal job of a manager should look like in both domestic and international business contexts.

EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. What are the management functions in the P-O-L-C framework?
2. Are there any criticisms of this framework?
3. What function does planning serve?
4. What function does organizing serve?
5. What function does leading serve?
6. What function does controlling serve?

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