

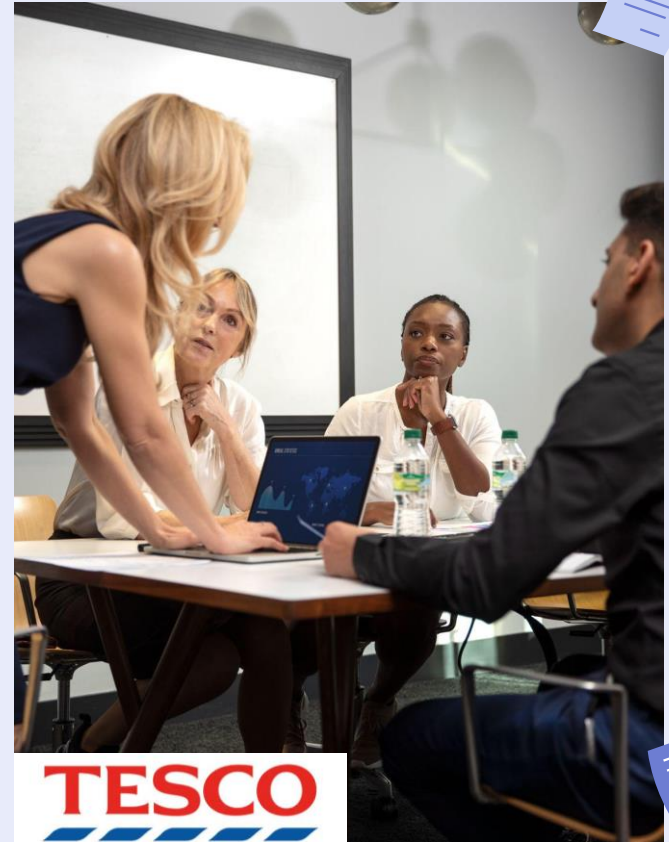
Organisational Structure Design in Tesco: Functional, Divisional and Matrix Approaches

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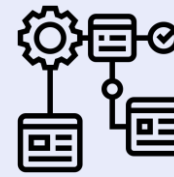


Introduction

- Organisational structure describes the way in which roles, power and communication are structured within the organisation (Bright et al., 2019).
- Tesco needs a clear structure as they function in stores, online retail and support services.
- One of the advantages of establishing a strong structure for managers is that it enables them to coordinate people, tasks and decisions more effectively (Jerab and Mabrouk, 2023).
- The focus of the presentation is functional, divisional and matrix structures.
- The three designs are helpful to understand how to balance control, flexibility and performance within the context of Tesco (Leso et al., 2023).



Functional Structure



A functional structure groups employee by specialist areas such as finance, HR, marketing, operations and IT (Bright et al., 2019).

Tesco uses functional departments at corporate level to provide specialist knowledge and organisational support.

This approach can improve efficiency, accountability and professional expertise within each business function.

However, functional departments may become isolated, creating communication barriers and conflicting priorities.

Tesco therefore needs cross-functional coordination rather than relying on a purely functional structure (Jerab and Mabrouk, 2023).



Divisional Structure

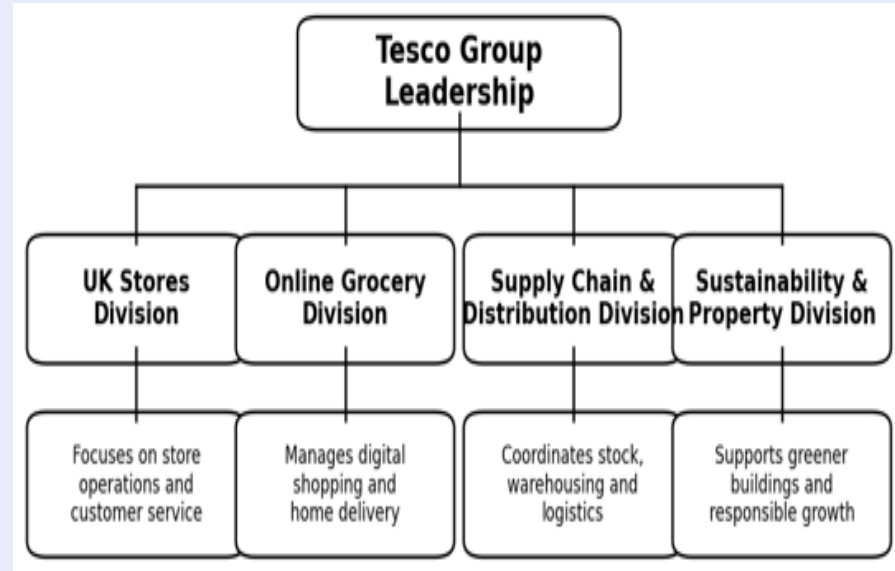
A divisional structure separates an organisation by geographical market, product, service or business unit (Bright et al., 2019).

Tesco demonstrates divisional characteristics through business areas such as the UK, Republic of Ireland, Central Europe and Booker.

Each division can respond more directly to its own customers, market conditions and operational requirements.

Nevertheless, separate divisions may duplicate resources and develop inconsistent priorities across the wider organisation.

Group leadership is therefore required to coordinate divisions and maintain a consistent organisational strategy (Prabhakar and Gilmour, 2024).



Example of Tesco's divisional structure based on key business areas
Source: Adapted from Bright et al. (2019) and Jerab and Mabrouk (2023).

Matrix Structure

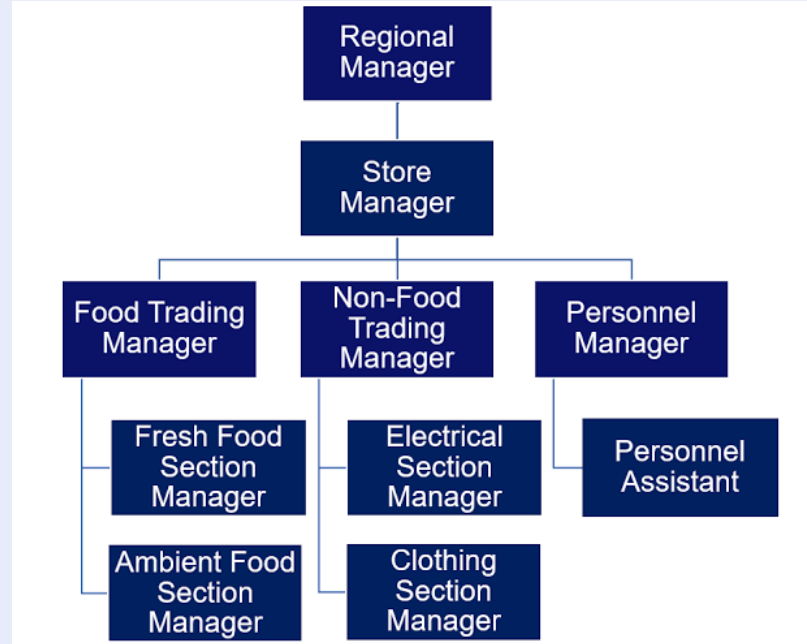
A matrix structure combines functional expertise with project-based or cross-departmental working arrangements (Bright et al., 2019).

Employees may report to a functional manager while also working under a project or programme manager.

Tesco may apply matrix working to digital transformation, sustainability and customer-experience initiatives.

This approach supports collaboration between IT, finance, marketing, operations and supply-chain specialists (Leso et al., 2023).

Its main limitation is possible confusion over authority, responsibility and competing managerial priorities.



Tesco Organisational Structure: Overview, Chart & Advantages
Source: StudySmarter

Conclusion



The structure of Tesco is not to be considered a single and fixed design as large retailers may require a combination of designs (Jerab and Mabrouk, 2023).



Functional structure is for efficiency, divisional for customer focus, and matrix for flexibility.



The optimum design is dependent on the size of Tesco, digitalisation, sustainability goals, and complexity of the operation (Prabhakar and Gilmour, 2024).



Each option has pros and cons with regards to communication, control and duplication.

Overall, a hybrid structure is best for Tesco, as it allows for stable operation while offering support for future changes (Leso et al., 2023).



References

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