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Individual report

Student Name: - Cherinne Edwards

Student Number: - 2311294

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1. Introduction

In 2026, the UK corporate landscape is defined by rapid digital transformation and shifting social expectations. This report examines how **Tesco PLC**, a leader in the UK retail sector, navigates the complexities of technological advancement, talent management, and Diversity, Equity, and Inclusion (DEI). The report evaluates contemporary HR practices and provides a critical assessment of the role of departmental managers in driving these initiatives.

2. Specific Factors Influencing HR Strategy

Technological Advancement

Technological change in 2026 is no longer about simple automation; it is about **Agentic AI**—autonomous systems capable of decision-making. At Tesco, this impact is twofold. Firstly, the "Digital Employee Experience" (DEX) is now a primary driver of engagement. Employees expect seamless, AI-integrated workflows that reduce administrative "drudgery." Secondly, the **Digital Divide** within the workforce presents a risk; while office-based staff adapt to AI tools, frontline retail staff require specialized upskilling to interact with autonomous delivery and inventory systems. By 2026, Tesco has moved beyond basic process automation into the era of **Agentic AI**—autonomous systems that don't just follow instructions but achieve goals.

- **The Digital Employee Experience (DEX):** For Tesco's 300,000+ UK colleagues, technology is the primary interface for work. Strategic HR must now manage "Technostress," a recognized 2026 wellbeing challenge where the "always-on" nature of AI tools leads to digital burnout.
- **Hyper-Personalization at Scale:** HR utilizes **Retail Media** logic internally. Just as Tesco uses Clubcard data to personalize customer offers, HR uses "Colleague Data" to personalize learning pathways. If an AI detects a shift manager is struggling with "Predictive Inventory" tools, it autonomously pushes bite-sized training modules to their handheld device.
- "The integration of agentic AI within the retail workflow has shifted the focus from automation to human-AI collaboration (Bersin, 2025)."

Talent Acquisition and Retention

The UK labor market in 2026 remains "tight," with a significant shift toward **Skills-Based Hiring**, despite a 5.2% unemployment rate. Traditional CVs have lost primacy to verified capability profiles. For a giant like Tesco, the challenge is shifting from "hiring for roles" to "hiring for skills"

such as critical thinking and human-AI collaboration. Retention is no longer driven solely by salary but by **Internal Mobility**. Employees now prioritize "career portfolios" where they can rotate through different functions of the business, supported by AI-driven career pathing.

- **The Death of the Job Title:** Tesco is leading the shift toward **Skills-Based Hiring**. Traditional roles like "Store Manager" are being deconstructed into skill clusters: Data Fluency, Human-Centric Leadership, and Omnichannel Operations. HR strategy now prioritizes "Learning Agility" over years of experience.
- **The Entry-Level Squeeze:** Generative AI has automated 60–70% of traditional "first rung" tasks (e.g., basic data entry, shelf-edge auditing). Tesco's HR challenge is to redesign **Early Careers** so that Gen Z and Gen Alpha entrants are not "locked out" of the workforce but are instead hired as "AI Orchestrators" from day one.
- The move toward a skills-based hiring model ensures that the workforce remains resilient against rapid job role displacement (Marr, 2024).

Diversity, Equity, and Inclusion (DEI)

DEI strategy in 2026 is dominated by the **Equality (Race and Disability) Bill**, which has transformed pay transparency from a voluntary "good to have" into a high-stakes legal requirement, mandating ethnicity and disability pay gap reporting. Tesco faces the challenge of "Inclusion by Design"—ensuring that new AI recruitment algorithms are audited for **algorithmic bias** and that the hybrid work model does not create a "proximity bias" where those in the office receive more promotions than remote workers.

- **Mandatory Reporting:** Tesco now reports on its **Ethnicity and Disability Pay Gaps**. This requires high-integrity data collection. HR's challenge is the "Trust Deficit"—encouraging employees to voluntarily disclose disability status in an era of high AI surveillance.
- **Inclusion by Design:** With the 2025/2026 crackdown on "Algorithmic Bias," Tesco's HR must prove that its AI-driven recruitment tools are not inadvertently screening candidates from marginalized backgrounds. This has led to the rise of **DEI AI Auditors** within the HR function.
- **The Socioeconomic Lens:** In the UK, class and socioeconomic background have become the "new frontier" of DEI. Tesco is increasingly pressured to report on the "Class Pay Gap," ensuring that those from lower-income backgrounds have equal access to senior leadership tracks.

- "In response to the Equality (Race and Disability) Bill (2024), Tesco has accelerated its transparency in ethnicity pay reporting (Tesco PLC, 2025)."

3. Evaluation of Contemporary HR Practices

AI-Driven Resourcing and Analytics

Tesco has transitioned to **Predictive People Analytics**. By utilizing AI, HR can now predict turnover of "hotspots" before they occur.

- **Evaluation:** This practice is highly effective for proactive retention. However, it requires a high degree of **Ethical Transparency**. If employees feel "monitored" by predictive models, it can erode the psychological contract.
- **Practice in Action:** Use of "Leader Lens" 360-feedback tools that utilize Natural Language Processing (NLP) to provide managers with objective behavioral insights.

Predictive People Analytics & "Nudge" Theory

Tesco utilizes **Predictive Analytics** to mitigate turnover.

- **Evaluation:** This is highly effective for seasonal "churn" management. By identifying patterns in absence or engagement scores, HR can "nudge" managers to intervene. However, a critical risk is **Data Ethics**. In 2026, employees are highly sensitive to "Big Brother" management. For this practice to succeed, Tesco must maintain a "Clear Box" policy—where employees see the data held on them and how it influences their career.

Total Wellbeing and "Life Admin" Support

Contemporary practice in 2026 views wellbeing as **Integrated Mental Health**, not just a gym discount.

- **Evaluation:** Tesco's "Winning Manager" training focuses on psychological safety. Providing "Life Admin" support—AI tools that help employees manage work-life logistics—is a high-impact retention tool.
- **The Shift:** Moving from "perks" to "purpose," aligning individual values with corporate ESG (Environmental, Social, and Governance) goals.

Total Wellbeing & The "Virtual GP" Model

Tesco's 2026 wellbeing strategy is an "Always-On" health ecosystem, including virtual GPs and AI-driven mental health support.

- **Evaluation:** This addresses the 25% of UK employees who feel their managers cannot support mental health. By outsourcing initial support to high-quality digital platforms, Tesco provides immediate care. The limitation is that digital tools cannot replace a **Psychologically Safe** culture. Managers still need "human skills" to handle complex emotional grievances.

Internal "Gig" Marketplaces

To solve the retention crisis, Tesco has implemented an **Internal Talent Marketplace**.

- **Evaluation:** This practice allows a distribution center worker to spend 20% of their time on a "gig" project in Head Office Marketing or Data Analytics.
- **Impact:** This boosts retention by providing "career variety" without the employee leaving the company. It directly addresses the 2026 trend of "Career Portfolios."

Systemic DEI and ERGs

Employee Resource Groups (ERGs) at Tesco now act as **Strategic Advisory Boards**.

- **Evaluation:** By involving ERGs in the design of HR tech, Tesco ensures "Neuro-inclusive" design.
- **Practice:** Mandatory ethnicity and disability pay reporting has been turned into a transparency tool, using data dashboards to show real-time progress to all employees, fostering trust.

4. Critical Evaluation: The Role of Departmental Managers

Departmental managers are the **"Experience Shapers"** of the organization. While HR sets up the strategy, the implementation fails or succeeds at the line-manager level.

In the 2026 retail landscape, the "frozen middle"—managers who understand the vision but are too overwhelmed to execute it—is the primary risk to Tesco's strategic success. For contemporary practices to move from a PDF policy to a shop-floor reality, departmental managers must transition from **task overseers** to **strategic facilitators**.

Accelerating Technological Adoption: Overcoming "AI Anxiety"

The urgency of technological advancement (Agentic AI) often meets resistance due to fear of displacement. Managers must implement a **"Human-in-the-Loop" (HITL)** framework.

- **The Manager's Role:** They must actively demonstrate that AI tools (like automated shift scheduling or predictive stock replenishment) are "Co-pilots," not "Autopilots."
- **Critical Evaluation:** If a manager uses AI to justify unpopular decisions (e.g., "The algorithm cuts your hours"), it destroys trust. Success depends on managers using AI data to advocate for their team's needs, such as identifying when a specific department is consistently overstretched and requesting additional headcounts based on predictive analytics.

Implementing Skills-Based Talent Management

With the shift toward "Internal Gig" marketplaces and skills-based hiring, managers face the **"Talent Hoarding"** dilemma.

- **The Conflict:** Managers are often reluctant to let their best performers spend 20% of their time on cross-departmental projects.
- **The Strategic Shift:** To ensure urgency, Tesco's leadership has redefined "Managerial Success" not by low turnover, but by **"Talent Exporting."** Managers are now evaluated on how many of their team members are promoted or gaining new skill certifications. This aligns the manager's personal KPIs with the company's retention goals.

Driving DEI via "Micro-Inclusion"

While HR handles the **Equality (Race and Disability) Bill** for reporting, the departmental manager handles the "lived experience."

- **Accountability:** Managers must move beyond "Unconscious Bias" training—which research suggests has limited long-term impact—toward **"Inclusive Nudges."** *
Urgency in Action: This involves immediate changes to meeting structures (e.g., ensuring remote workers speak first to counter proximity bias) and "blind" task allocation. Managers must be empowered to challenge recruitment of AI if they notice a lack of diverse candidates in their shortlists, acting as a human "audit" on technology.

The "Communication Bridge"

The most critical implementation factor is **Transparent Communication**. In 2026, employee cynicism toward "corporate speak" is at an all-time high. Managers who translate complex HR strategies into "What this means for your Tuesday morning shift" are the ones who successfully

implement change. They provide the **Psychological Safety** required for employees to experiment with new technologies without fear of failure.

Implementing as a Matter of Urgency

Managers must move beyond "administrative oversight" to **"Empowerment Coaching."** In a hybrid environment, the risk of "Presenteeism" is high. Managers must be trained to judge performance by **Outcomes (OKRs)** rather than "hours logged."

Ensuring Accountability

To ensure these practices are implemented urgently, Tesco has embedded DEI and Wellbeing metrics into **Managerial Performance Reviews**.

- **Critical Gap:** Many managers suffer from "initiative fatigue." If HR introduces too many AI tools without adequate training, managers revert to old habits.
- **Solution:** "Nudge Technology"—short, actionable AI-generated prompts sent to managers' devices to remind them of 1:1 check-ins or to recognize diverse talent.

Overcoming Resistance

The greatest barrier is **AI Anxiety**. Managers may fear that AI will replace their decision-making. HR must reposition AI as a "Co-pilot" that handles scheduling, allowing the manager to focus on the human element: empathy, conflict resolution, and mentorship.

5. Conclusion and Recommendations

Conclusion

Tesco PLC is well-positioned for 2026, but the convergence of AI and DEI requires a "Human-Centric" pivot. Technology must be the enabler, but the departmental manager remains the emotional anchor of the workforce.

Recommendations

1. **Audit AI for Bias:** Conduct quarterly audits of all recruitment and performance AI to comply with UK ethical standards.
2. **Upskill Managers:** Launch a "Human-AI Collaboration" certification for all line managers to reduce technology anxiety.
3. **Expand Internal Mobility:** Implement an AI-powered "Internal Gig Platform" allowing employees to spend 10% of their time on cross-departmental projects.
4. **"Reverse Mentoring" Program:** Pair senior departmental managers with Gen Z "Digital Natives" to reduce technology anxiety and improve cross-generational DEI.

5. **Implementation Dashboards:** Provide managers with real-time "Team Health" dashboards that track skill acquisition and DEI metrics, allowing for immediate course correction rather than waiting for annual reviews.
6. **Wellness Credits:** Grant managers a "Wellbeing Budget" to use at their discretion for team-building or mental health "reset days," decentralizing the power from HR to the department level.
- 7.

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