

TESCO POTENTIAL EU EXPANSION

By Ibrahim Gazi

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Lecturer: Zainab Atta

Student ID: 2018574

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Introduction

This report aims to identify a suitable country in the EU for the expansion of a major British multinational company. In particular, it will evaluate the cultural suitability, communication hurdles, and recommendations for smooth expansion. Due to the fact that there is a growing globalisation of markets, it becomes essential for British multinational companies to enter new territories to keep and develop their competitiveness in the global market. Therefore, this report examines the possibilities for the chosen organisation in the EU market.

International business expansion is significant for British multinational companies since it can help diversify revenue streams, access new markets, and strengthen global presence. Through the EU market expansion, these businesses can take advantage of the region's economic stability, positive regulatory environment, and access to a multifaceted consumer base. Besides, international expansion helps businesses to diversify risks emanating from market saturation and economic recessions, which leads to long-term sustainability and growth prospects.

The organisational structure of this report includes a thorough evaluation process, beginning with an overview of the selected company, Tesco PLC, followed by the analysis of EU countries, including Germany and Spain. The report focuses on cultural differences, language barriers, and communication issues that might be faced in these countries and suggests ways of overcoming them during the expansion process. Furthermore, the report will include recommendations on overcoming communication barriers and implementing successful communication strategies that will make the expansion project a success.

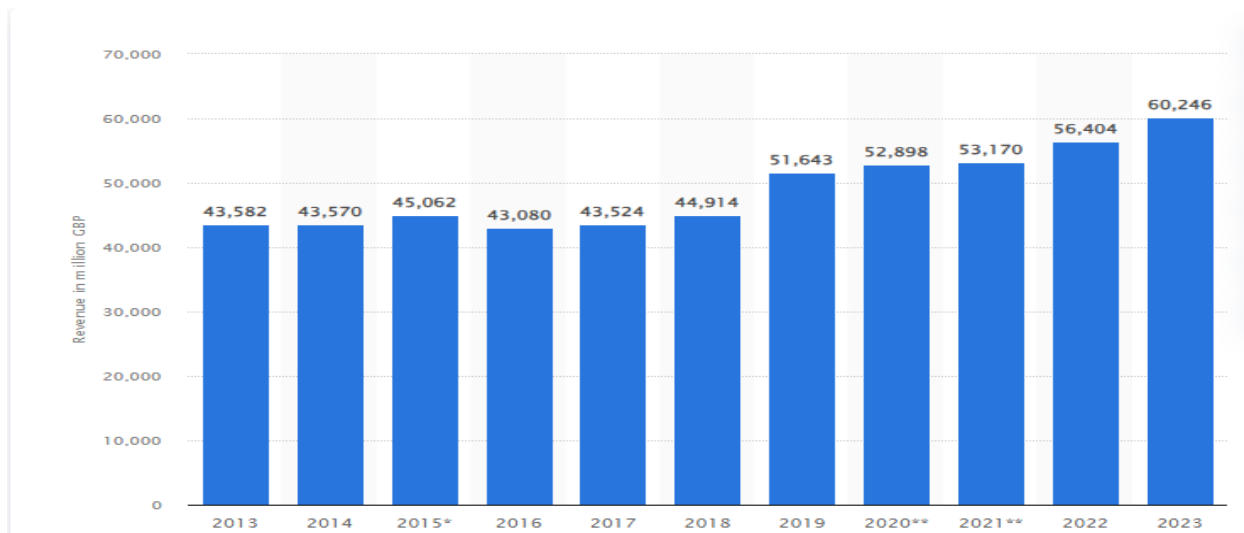
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Introduction to the Selected Organization

Tesco PLC

Tesco PLC, a well-known British multinational food and general merchandise retailer, was founded in 1919 by Jack Cohen as a small market stall in London's East End. Over the years, Tesco has developed into a national supermarket chain, achieving significant milestones in its journey to becoming one of the UK's top retailers. Tesco ensures good governance and control in its activities with its hierarchical organisational structure, which consists of the Board of Directors, Executive Leadership Team, Regional Managers, and Store Managers (Tesco PLC, 2024). Based on Kantar data, Tesco is a major player in the UK grocery retail sector, with a robust market share of 27.3% as of 2024. However, Tesco faces stiff competition from leading competitors such as Sainsbury's, Asda, and Morrisons, with each having 15.9%, 14.7% and 10% of the market share respectively. The supermarket has remained the market leader due to its strategic moves and customer-focused practices.

Tesco has a strong financial performance, with annual revenues of £60 billion in 2024 and a profit of £3.2 billion (Statista. 2023). The CAGR forecast of Tesco of 2.5% for 2021-2025 strengthens this financial stability, implying further growth and resistance to market volatility. These solid financial outcomes indicate not only Tesco's operational efficiency and effective management but also its ability to respond to ever-changing consumer tastes and market trends. With Tesco's expansion into new markets, the company's strong foundation, established market position, and sound financial performance are the pillars that strengthen the company's ability to embark on growth projects with confidence and strategy.



(Statista. 2023)

Figure 1: Tesco 2023 Annual Revenue

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Evaluation of EU Countries

Germany:

Demographic and Cultural Analysis

With a population of about 83 million, Germany is one of Europe's largest and most multinational countries (Hofstede Insights, n.d.). The demographic profile of a country includes large numbers of older adults, although it has the advantage of having a considerable youth population as well. The demographic diversity creates a cultural profile of Germany that has a decisive impact on the norms and values of the entire society. Germany shows a low power distance in line with Hofstede's cultural dimensions. It emphasises equality and decision-making processes that involve participation from all over the social sphere and business environment (Hofstede Insight, n.d.). Furthermore, Germany's moderate ranking concerning individualism shows a healthy mix of individual autonomy and a sense of collective harmony. See appendix A (Hofstede Insights, n.d.). Language is a vital element of German culture as it is the official language of business, education, and day-to-day activities. Although most young people can speak English, German is critical for those who want to communicate effectively and would like to be integrated into German society.

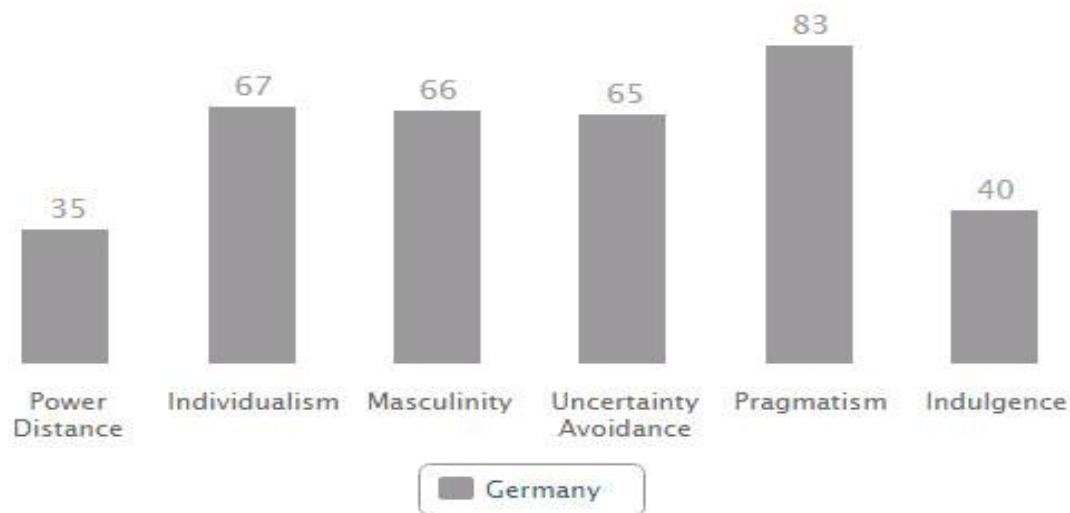


Figure 2: Germany Hofstede's cultural dimensions.

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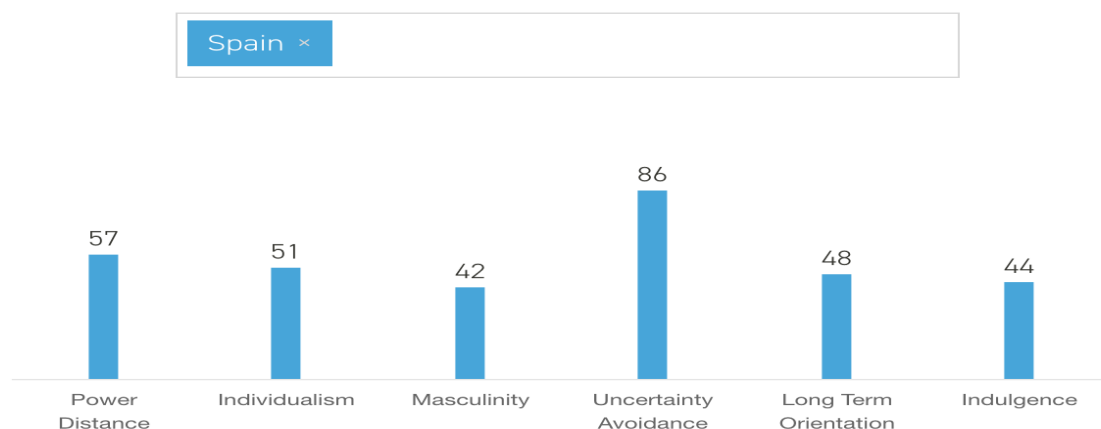
Economic and Labor Outlook

Germany has a diversified and thriving economy with an annual GDP of over €3.7 trillion in 2020 (Internations. 2024). The most critical factors determining the economic boom of the country are sectors like automotive, engineering, and technology. Germany is highly known for its educated and effective workforce and sound training system in the field of vocational and professional training. Germany faces the challenge of a population that is shrinking and ageing. Nevertheless, the unemployment rate in Germany is not so high; the unemployment rate was 3.2% in 2020 (Internations. 2024). The combination of a stable German labour market with its innovation and technology revolution reputation made it one of the preferable destinations for companies seeking new investment opportunities in Europe.

Spain:

Demographic and Cultural Analysis

Spain, with an approximate population of 47 million, is a country that is famous for its culture and diversity (Hofstede Insights. n.d.). The demographic landscape is multicultural and regional, with cultural diversity being the critical element of Spanish cultural diversity. Hofstede's cultural dimension model shows that Spain, on the whole, is a moderate country on dimensions like power distance and individualism, which reflects a balance between hierarchy and individual autonomy (Hofstede Insights, n.d.). Language is one of the most critical factors in building a national culture in Spain. The official language in the country is Spanish, but Catalan and Basque are also recognised as regional languages. Language diversity is the symbol of Spain's long-standing historical and regional diversity, which leads to different ways of communicating and cultural practices.



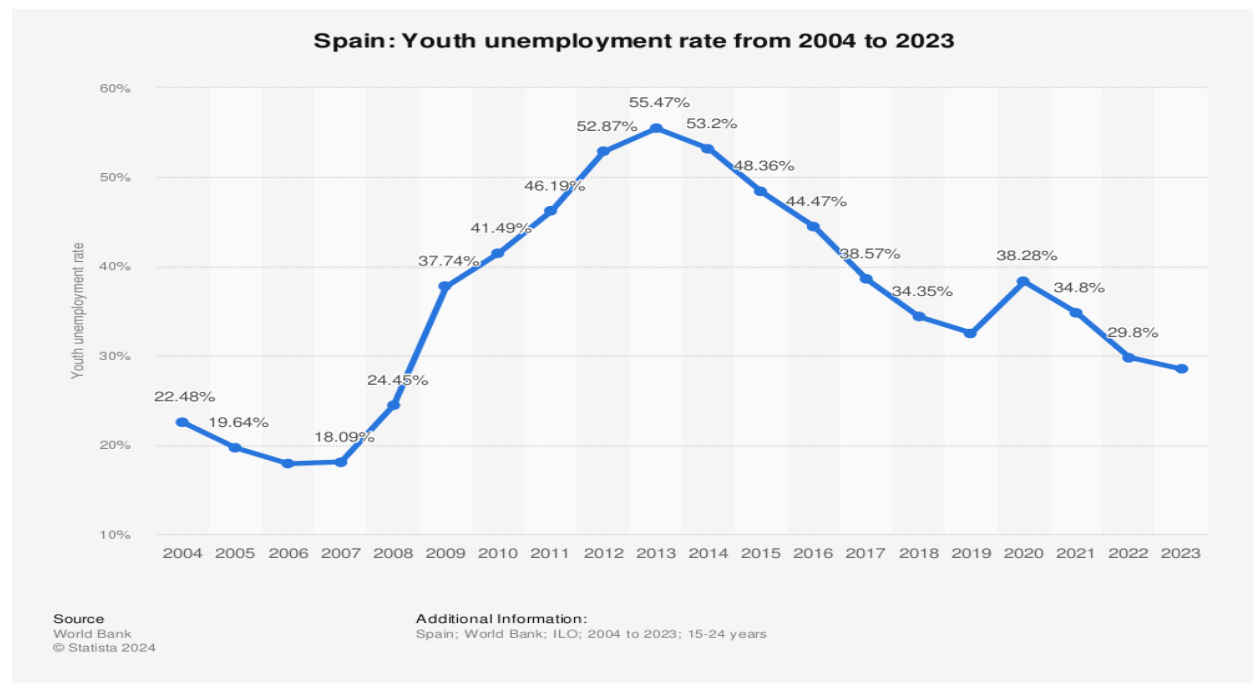
(Hofstede Insights, n.d)

Figure 3: Spain Hofstede's cultural dimensions

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Economic and Labor Outlook

Spain's economy is distinguished by its wealthy sectors: tourism, agriculture, manufacturing, and services. In 2020, Spain's GDP was over €1.1 trillion, placing it amongst the largest economies in Europe, according to data sourced from Dean (2024). Nevertheless, the sector possesses difficulties, including elevated unemployment levels, predominantly among young people and specific areas. Spanish youth unemployment was close to 30% in 2023, and from this, it is critical to craft policies that can be targeted to resolve disparities in the labour market (Statista. 2024). Though Spain has been experiencing these difficulties, it stands strong with a quickly growing digital focus and innovations. Investments in technology and research and development (R&D) are responsible for shifting the country and economy towards knowledge-based and offering entrepreneurs the opportunity to gain new industries and workforce talent.



(Statista. 2024)

Figure 4: Spain youth unemployment rate from 2004 to 2023

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Hofstede Cultural Dimensions Comparison

Power Distance:

Power distance refers to the extent to which a society accepts hierarchical structures and respects authority. In the context of the UK, Germany, and Spain, power distance measures various characteristics. The UK usually has a low level of power distance. The organisation structure is more flexible, and open communication is encouraged (Hofstede Insights, n.d.). For example, organisations such as Google and Apple promote a culture of openness and employee empowerment, which allows even lower-level employees to offer their opinions without being respectful to their superiors.

On the other hand, Germany displays moderate power distance, whereby obedience to authority and following the hierarchy are essential in organisational matters (Hofstede Insights, n.d.). Similarly, German organisations, including BMW or Siemens, rarely keep flat structures but prefer to maintain a clear hierarchy, with decision-making strictly done by top management. In the same way, Spanish culture has a higher power distance than Great Britain, with a tendency to accept hierarchical relationships and respect for leaders (Hofstede Insights, n.d.). For example, Spanish organisations such as Banco Santander and Telefónica might have greater formalisation where the executives hold most of the decision-making power.

Individualism:

Individualism represents people's personal choices and independence while accepting collectivism and team harmony. In the UK, individualism lies at the core of its social life, prioritising personal liberty and self-expression (Hofstede Insights, n.d.). For example, companies like Virgin Atlantic and Dyson develop individual initiative and creativity, where employees show a lot of innovation and entrepreneurship. On the other hand, Germany displays a more collectivist approach, emphasising group-oriented and pursuing consensus (Hofstede Insights, n.d.). German organisations such as Adidas and Bosch make teamwork and collaboration their priority, considering the group's success more crucial than that of an individual. In Spain, there is a sort of conciliation between individualism and collectivism, a cultural achievement meant to preserve social harmony in the presence of boundaries for individual rights (Hofstede Insights, n.d.). Some Spanish companies like Zara and BBVA Banco Bilbao Vizcaya Argentaria (BBVA) trigger a sense of belonging and companionship among employees and also appreciate people who perform their best in rewarding individual achievements.

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Masculinity:

Masculinity reflects the degree to which a society values assertiveness, competitiveness, and achievement over nurturance, quality of life, and care for others. In the UK, masculinity is moderately highlighted, emphasising achievement and success in personal and professional areas (Hofstede Insights, n.d.). Companies such as Barclays and Rolls-Royce rate performance and results. Therefore, they reward individuals who are not afraid to demonstrate their drive and ambition. In addition, Germany shows a middle level of masculinity, characterised by efficiency, productivity, and goal-oriented behaviour (Hofstede Insights, n.d.). German organisations such as Volkswagen and Daimler consider hard work and dedication as their core values. They believe in fostering a culture of excellence and achievement. In Spain, masculinity is more balanced by cultural stress on both assertiveness and quality of life (Osland and Bird, 2000). Spanish companies such as Banco Santander and Repsol highlight the significance of work-life balance, which is the recognition that employees need to balance personal well-being with professional success.

Uncertainty Avoidance:

Uncertainty avoidance is a term used to show society's tolerance to ambiguity, risk, and uncertainty. In the United Kingdom, there is a moderate level of uncertainty avoidance, with certain acceptance of the change and experimenting (Hofstede Insights, n.d.). Firms like Unilever and BP embody innovation and flexibility; this allows for risky but calculated decisions and exploration of new issues. On the other side, Germany displays the trait of high uncertainty avoidance by leaning towards the concept of structures, rules, and certainty (Hofstede Insights, n.d.). German organisations such as BMW and Siemens lean towards stability and predictability. Therefore, they try minimising uncertainty through meticulous planning and risk mitigation. In Spain, a moderate level of uncertainty avoidance leans towards risk-taking, balanced by a desire for predictability in the country.

Long-Term Orientation:

Long-term orientation represents the level to which a society is concerned with future preparedness, bravery, and saving in contrast to adherence to traditions, stability, and short-term orientation. In the UK, the public's attention is usually on short-term goals and immediate outcomes, which shows they tend to care less about long-term development (Hofstede Insights, n.d.). Firms such as Tesco and Marks & Spencer strive towards being flexible and adaptive, respectively, instantly adapting to changing market characteristics and consumer trends. Unlike Germany, the country has a remarkable characteristic of long-term planning orientation, investing

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more in the future and long-term stability (Hofstede Insights, n.d.). German companies such as Deutsche Bank and Bayer engage in research and development, utilising a strategic approach to innovation and business development. In like manner, Spain can represent a moderate long-term orientation factor as the society consciously balances the need for stability with innovation and future planning (Zhou and Shi, 2011). Spanish enterprises such as Banco Santander and Inditex have successful long-term strategies that help them compete and gain an advantage in the global market environment.

Dimension	UK	Germany	Spain
Power Distance	35%	35%	57%
Individualism	89%	67%	51%
Masculinity	66%	66%	42%
Uncertainty Avoidance	35%	65%	86%
Long-Term Orientation	25%	83%	48%

Table 1: Hofstede Cultural Dimensions Comparison for UK, Germany & Spain

Communication Barriers in Germany and Spain

The communication barriers in Germany and Spain are caused by diverse factors that are typical of each country's cultural and organisational context. In Germany, the language skill is a key factor for international businesses, as German is the most used language in business environment (Triguero et al., 2011). In addition, cultural differences in communication styles and etiquette including directness and formality may cause miscommunications and conflicts. Furthermore, hierarchical structures in German organisations create barriers in communication, as decision making process often involves multiple layers of approval and formalities (Steers et al., 2010). On the other hand, in Spain, the language proficiency is the most common challenge for foreign companies where Spanish is the primary language in business interactions (Badia et al., 2020). Moreover, the loose work ethics and informal communication patterns typical of the Spanish culture may affect the communication and decision-making processes negatively (González-Rodríguez et al., 2020). Overcoming these communication barriers necessitates the knowledge of cultural subtleties and the construction of a communication strategy that helps the collaboration and mutual understanding in multinational business environments.

Recommendations and Strategies

To enter the German market, Tesco should focus on compatibility with its organisational culture and core business objectives. The emphasis on quality, efficiency, and hierarchy, as practised by Germany, is in line with Tesco's commitment to excellence and strategic growth (Hofstede Insights, n.d.). In addition, Germany's stable economy and wealthy consumer population offer excellent opportunities for Tesco to penetrate the market and make profits. Through choosing Germany as the chosen market for expansion, Tesco will be able to exploit its current resources and capacities by capitalising upon Germany's conducive business environment as well as the demand of the consumers.

To deal with the communication issues in Germany, Tesco should use a language and cultural training program for the employees. The programs should enhance German language proficiency and cultural awareness to ensure effective communication and relationship-building with the local stakeholders (Gelfand et al., 2007). Moreover, Tesco should adjust its communication types to settle with the German preference for straightness, precision, and professionalism that is characterised in business dealings (OECD, 2021). Tesco can build stronger relationships with the German market's customers, suppliers, and employees by maintaining a balance between directness and diplomacy.

Furthermore, organisational flexibility is critical for Tesco to thrive in the adaptive terrain of the German business sector. This involves modifying leadership styles to accept participative decision-making approaches, staff empowerment, and teamwork (Kray, 2019). When employees feel empowered to share their ideas, Tesco is able to establish an environment of innovation and constant improvement that will lead to long-term success in the German market (MarketLine, 2021). Tesco should also focus on diversity management within its company, enhancing inclusiveness, cross-cultural awareness, and respect for alternative points of view and backgrounds. Such a strategy will help Tesco create a single and united team that can move through the intricate German market with determination and qualification.

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Conclusion

The analysis of cultural restraints, communication difficulties and market assessment reveal main points for Tesco PLC's entering the EU market. Through the understanding of the cultural differences between UK, Germany, and Spain, Tesco can customise its communication strategies and organisational practices to successfully operate in varied business environments. Strategic imperatives for success include language and cultural training programs prioritisation, communication style adaptation, and organisational adaptation through inclusive leadership and cultural diversity integration. In conclusion, cultural sensitivity, effective communication, and organisational adaptation are the key factors that will guarantee Tesco's successful entrance into the EU market, and the company's ability to grow and generate profit in the dynamic and interdependent global economy.

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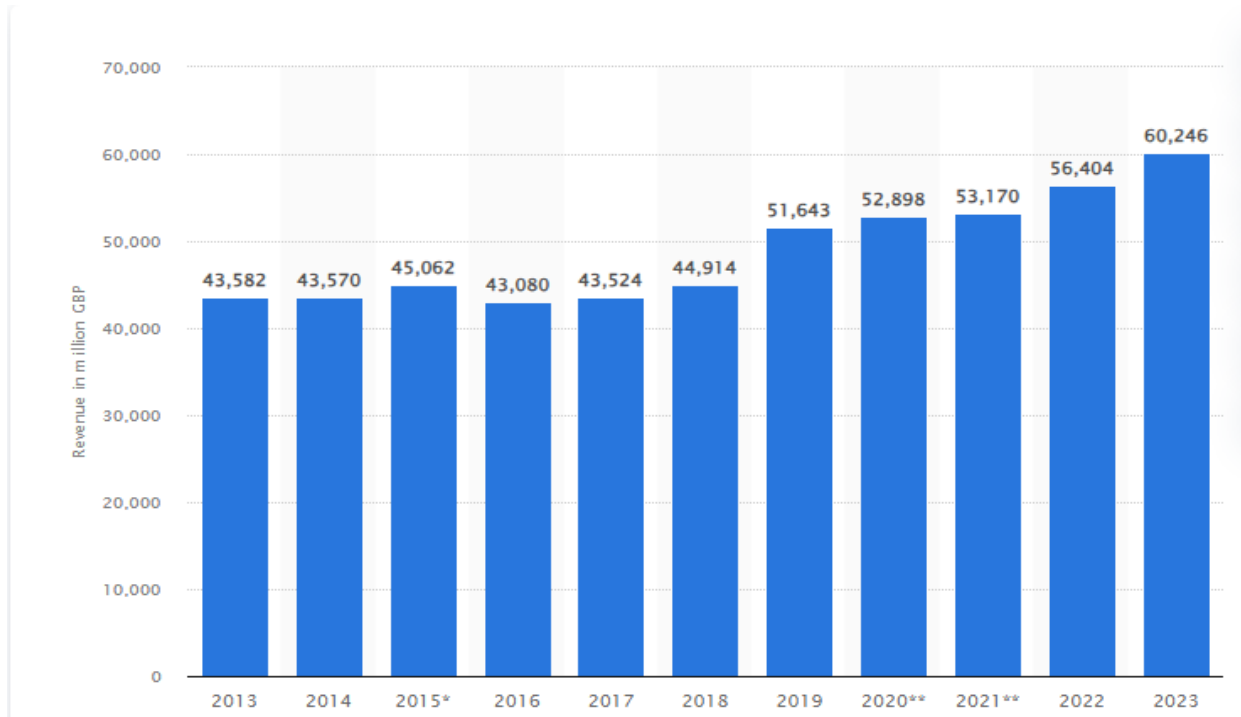
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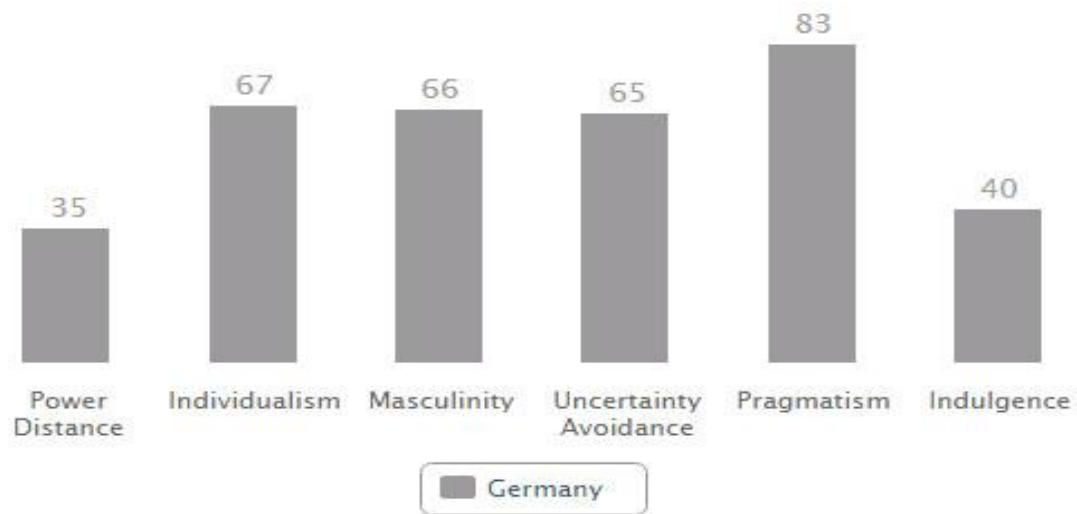
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Appendix

Appendix A: Tesco 2023 Annual Revenue

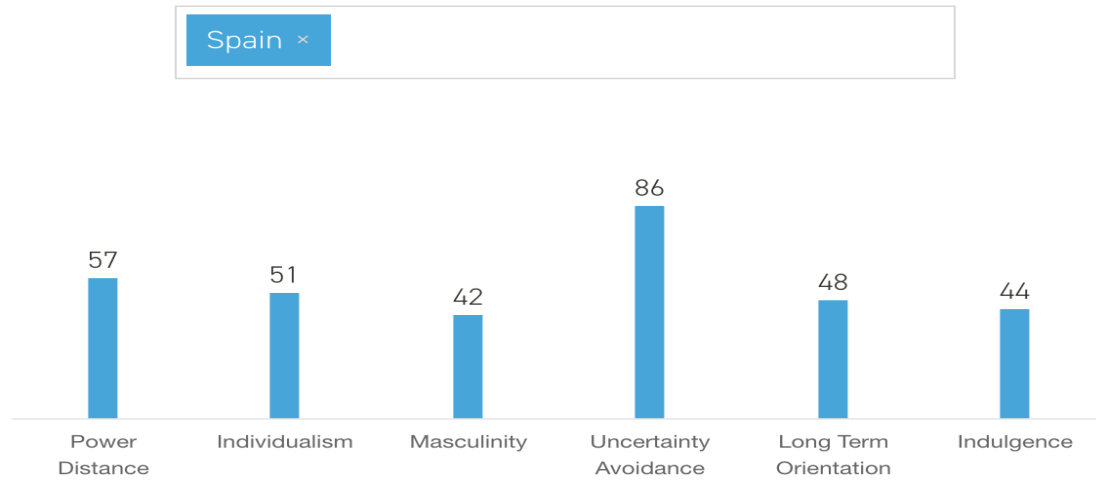


Appendix B: Germany Hofstede's cultural dimensions.

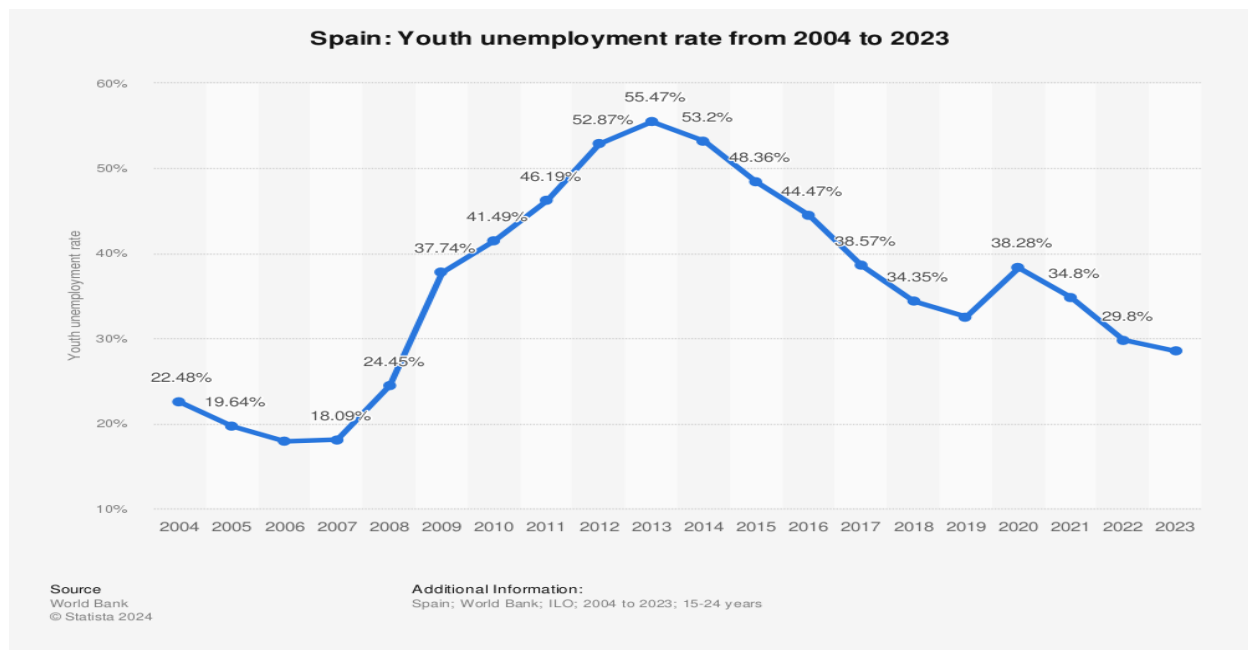


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Appendix C: Spain Hofstede's cultural dimensions.



Appendix D: Spain youth unemployment rate from 2004 to 2023



Appendix E: Hofstede Cultural Dimensions Comparison for UK, Germany & Spain

Dimension	UK	Germany	Spain
Power Distance	35%	35%	57%
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