

Organisational Culture:

Research Report

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Assignment Title: Organisational Culture

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Executive Summary

This report looks at how Tesco's organisational culture affects the way the company is managed and performs. It explains how culture influences Tesco's structure, decision-making, ability to respond to changes, and overall business performance. The report is based on the ideas of Mullins and Christy (2016), who explain that organisational culture has a strong effect on how a business operates.

The report first examines the external environment using a PESTEL analysis. It then uses Schein's Model to explain Tesco's organisational culture and Handy's Cultural Types to identify its main culture. The report also discusses how Tesco's culture affects its organisational structure, management decisions, and ability to deal with changes in the business environment.

The findings show that Tesco's customer-focused culture helps improve teamwork, innovation, and business performance. However, the report also explains that too much central control can reduce employee independence and slow decision-making. Finally, the report suggests ways Tesco can improve by giving employees more responsibility, developing leadership skills, and increasing digital innovation. Overall, Tesco's culture is an important strength that supports its long-term success when it is managed effectively.

1. Introduction

Organisational culture is an important part of every business because it affects how employees work, make decisions, and achieve company goals. According to Mullins and Christy (2016), organisational culture influences leadership, communication, teamwork, motivation, and decision-making. A strong culture can help a business succeed, while a weak culture can create problems.

Tesco plc is one of the largest supermarket companies in the world. It serves millions of customers and operates in a business environment that is always changing. Factors such as new technology, changing customer needs, economic conditions, and sustainability require Tesco to adapt quickly to remain competitive.

This report analyses Tesco's organisational culture using Schein's Three Levels of Culture and Handy's Cultural Types. It explains how culture influences Tesco's organisational structure, decision-making, and ability to respond to external changes. The report also evaluates whether Tesco's culture supports or limits business success and provides recommendations to improve organisational performance.

2. Tesco and the External Environment

PESTEL Analysis of Tesco

Factor	Impact on Tesco
Political	Government policies, taxes, and employment laws affect business operations.
Economic	Inflation, interest rates, and changes in consumer spending influence sales and costs.
Social	Customers prefer healthy, affordable, and sustainable products.
Technological	Digital shopping, self-checkouts, and online delivery improve customer service.
Environmental	Tesco works to reduce carbon emissions, food waste, and plastic packaging.
Legal	The company must follow food safety, employment, and consumer protection laws.

1: PESTEL analysis of factors affecting Tesco.

Tesco operates in a fast-changing business environment. External factors affect how the company plans its strategies and manages its employees. A PESTEL analysis helps explain these external influences.

Political factors include government policies, taxation, and employment laws. Tesco must follow these rules in every country where it operates. Changes in government policies can increase business costs or require the company to change its operations.

Economic conditions also have a major impact on Tesco. Rising inflation and the increasing cost of living have changed customer spending habits. Many customers now look for lower prices and better value for money. Tesco responds by offering discounts, loyalty rewards, and own-brand products to remain competitive.

Social factors influence customer preferences. People are becoming more interested in healthy food, convenience, and environmentally friendly products. Tesco has expanded its range of healthier foods and sustainable products to meet these changing customer needs.

Technology has changed the retail industry. Tesco has invested in online shopping, mobile apps, self-service checkouts, and home delivery services. These technologies improve customer experience and make business operations more efficient.

Environmental issues have become more important in recent years. Tesco has introduced programmes to reduce food waste, lower carbon emissions, and reduce plastic packaging. These actions support the company's sustainability goals and improve its public image.

Legal factors also affect Tesco's operations. The company must follow laws relating to food safety, employee rights, data protection, and consumer protection. Failure to follow these laws could damage Tesco's reputation and lead to financial penalties.

Overall, the external environment creates both opportunities and challenges for Tesco. A strong organisational culture helps the company respond to these changes, remain competitive, and continue meeting customer expectations.

3. Tesco's Organisational Culture

Schein's Three Levels of Organisational Culture

Level	Tesco example
Artefacts	Tesco stores, uniforms, Clubcard, self-service checkouts, company logo, customer service standards
Artefacts	Tesco stores, uniforms, Clubcard, self-service checkouts, company logo, customer service standards
Espoused Values	Customer focus, teamwork, respect, inclusion, sustainability, innovation
Basic Assumptions	Customers come first, employees work together, continuous improvement leads to business success

Schein's Three Levels of Organisational Culture applied to Tesco.

Organisational culture refers to the shared values, beliefs, and behaviours that guide how employees work within a company. Schein (2010) explains that organisational culture has three levels: artefacts, espoused values, and basic assumptions. These levels help explain how culture can be seen and how it influences employees' behaviour.

The first level is **artefacts**, which are the visible parts of an organisation. At Tesco, artefacts include the company logo, staff uniforms, modern stores, self-service checkouts, Clubcard loyalty programme, and online shopping services. These features show Tesco's focus on customer service, efficiency, and innovation. Although artefacts are easy to observe, they do not fully explain why employees behave in certain ways.

The second level is **espoused values**. These are the beliefs and principles that guide the organisation. Tesco promotes values such as putting customers first, working as a team, respecting people, acting responsibly, and supporting sustainability. These values influence how employees interact with customers and each other. For example, employees are encouraged to provide good customer service and work together to solve problems. These values also support Tesco's business goals and help build trust with customers.

The third level is **basic assumptions**, which are the deeply held beliefs that employees often accept without questioning. At Tesco, employees generally believe that customer satisfaction is essential for business success. There is also a shared belief that teamwork, continuous improvement, and adapting to change are important for achieving company goals. These assumptions influence everyday decisions and help create a consistent way of working across the organisation.

Schein's model shows that Tesco's culture is more than its visible features. The company's values and shared beliefs encourage employees to focus on customers, improve performance, and work together. This strong culture supports Tesco's ability to respond to changes in the retail market while maintaining consistent service across its stores.

However, maintaining the same culture across a large international organisation can be challenging. Different countries and workplaces may have different employee expectations and cultural backgrounds. Tesco must therefore continue developing its culture through effective leadership, communication, and employee training to ensure its values are understood and followed throughout the business.

4. Tesco's Prevailing Culture

Handy's Cultural Types

Culture Type	Description	Tesco
Power Culture	Decisions are controlled by a few senior leaders.	Limited
Role Culture	Employees have clear roles, rules, and responsibilities.	Main culture
Task Culture	Teams work together to solve problems and improve performance	Partly present
Person Culture	Individual goals are more important than organisational goals.	Not common

Handy's Cultural Types applied to Tesco,

Handy (1993) identified four main types of organisational culture: power, role, task, and person culture. Based on Tesco's way of working, the company mainly has a **role culture**, although it also shows some features of a **task culture**.

A role culture is based on clear rules, defined job roles, and formal procedures. Employees know their responsibilities, and decisions are made according to company policies. This type of culture is common in large organisations because it helps maintain consistency and efficiency. At Tesco, each employee has a specific role, from store assistants to department managers and senior leaders. Standard procedures help ensure customers receive the same quality of service across all stores.

Tesco also shows some characteristics of a **task culture**. Employees often work in teams to improve customer service, solve problems, and introduce new ideas. For example, staff work together to manage stock, improve online shopping services, and respond to customer feedback. Teamwork allows Tesco to adapt more quickly to changes in the retail market.

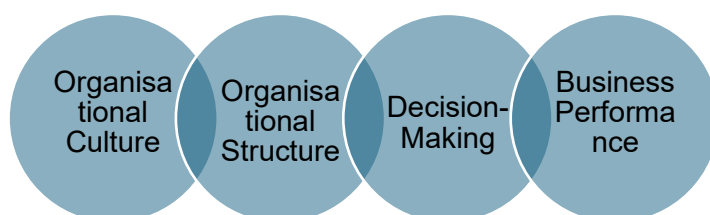
Although Tesco has elements of task culture, its role culture remains the strongest because the company depends on clear structures, policies, and performance standards. This approach supports efficient operations across thousands of stores and helps maintain consistent service quality.

However, relying too much on role culture may reduce flexibility and slow decision-making. Employees may have fewer opportunities to make independent decisions if they must always follow strict procedures. Tesco can overcome this challenge by encouraging greater employee involvement while maintaining clear organisational guidelines.

Overall, Handy's model shows that Tesco's role culture supports operational efficiency and consistency, while elements of task culture encourage teamwork and innovation. Together, these cultural characteristics help Tesco achieve its business objectives and remain competitive in the retail industry.

5. Culture, Structure and Decision-Making

Relationship Between Culture, Structure and Decision-Making



How organisational culture influences structure and decision-making at Tesco.

Organisational culture plays an important role in shaping Tesco's organisational structure and decision-making. According to Mullins and Christy (2016), culture influences how employees work together, communicate, and make decisions. A strong culture helps organisations achieve their goals by providing clear values and expectations.

Tesco has a hierarchical organisational structure with clear levels of responsibility. Employees understand their job roles and report to supervisors and managers. This structure matches Tesco's role culture because it provides clear rules, standard procedures, and consistent ways of working across all stores. Having a clear structure helps Tesco manage a large workforce and provide the same level of service to customers.

Tesco's customer-focused culture also influences decision-making. Managers often make decisions based on customer needs, business performance, and company values. For example, customer feedback, sales information, and market trends help managers decide which products to sell, improve services, or introduce new technology. This allows Tesco to respond to changing customer expectations while supporting its business objectives.

Although many important decisions are made by senior managers, Tesco also encourages employees to share ideas and suggest improvements. Team meetings, employee feedback, and customer comments help managers understand problems and make better decisions. This shows that Tesco combines central management with employee involvement.

However, a large organisation with many management levels can sometimes slow down decision-making. Employees may need approval from senior managers before making important decisions, which can delay responses to problems. In a fast-changing retail market, slow decision-making may reduce Tesco's ability to react quickly to customer needs or competitors' actions.

Overall, Tesco's organisational culture supports its structure and decision-making by providing clear roles, shared values, and common business goals. At the same time, the company needs to balance central control with greater employee empowerment. Giving frontline employees more authority to make everyday decisions could improve customer service, increase employee motivation, and help Tesco respond more quickly to changes in the external environment.

6. Culture and Environmental Adaptation

Tesco operates in a business environment that is constantly changing. Factors such as new technology, changing customer needs, economic conditions, and environmental concerns require the company to adapt quickly. Organisational culture plays an important role in helping Tesco respond to these external changes.

Tesco's customer-focused culture helps the company understand and respond to customer expectations. For example, more customers now prefer online shopping, home delivery, and healthier products. Tesco has adapted by improving its online services, expanding its delivery options, and offering a wider range of healthy and sustainable products. These changes show that the company uses its culture to meet customer needs and remain competitive.

Technology has also changed the retail industry. Tesco has invested in digital technologies such as self-service checkouts, mobile apps, and online shopping platforms. Employees are encouraged to learn new skills and use technology to improve customer service and increase efficiency. This shows that Tesco's culture supports innovation and continuous improvement.

Environmental sustainability is another important challenge. Tesco has introduced programmes to reduce food waste, plastic packaging, and carbon emissions. These initiatives reflect the company's values of acting responsibly and supporting sustainable business practices. By encouraging employees to take part in these activities, Tesco strengthens its organisational culture while meeting environmental expectations.

However, adapting to external changes is not always easy. Large organisations like Tesco may face delays when introducing new ideas because decisions often pass through several levels of management. To remain competitive, Tesco should continue encouraging innovation and give employees more opportunities to suggest improvements.

Overall, Tesco's organisational culture helps the company respond to changes in the external environment. Its focus on customers, innovation, teamwork, and sustainability enables the business to adapt successfully and maintain its competitive position in the retail market.

7. Culture as an Enabler or Barrier to Effective Organisational Functioning

Organisational culture can either help or limit an organisation's success. According to Mullins and Christy (2016), culture influences how employees work, communicate, and make decisions. In Tesco, organisational culture mainly acts as an ****enabler**** because it supports teamwork, customer service, and continuous improvement. However, some aspects of the culture can also create challenges.

Tesco's customer-focused culture encourages employees to provide good service and meet customer needs. The company's values promote teamwork, respect, and responsibility, helping employees work together to achieve common goals. A positive culture also increases employee motivation and supports better communication between managers and staff. These factors improve productivity and help Tesco maintain a strong reputation in the retail market.

Another strength of Tesco's culture is its focus on learning and improvement. Employees receive training and are encouraged to develop new skills. The company also invests in digital technology and innovation to improve efficiency and respond to changes in customer

behaviour. This culture helps Tesco remain competitive in a rapidly changing business environment.

Despite these strengths, Tesco's culture can also create barriers. As a large organisation, many decisions are made by senior managers, which can reduce employee involvement in decision-making. Employees may have limited freedom to make decisions, especially in areas where strict company procedures must be followed. This can slow down responses to customer needs and reduce creativity.

Overall, Tesco's organisational culture is more of an enabler than a barrier. Its strong focus on customers, teamwork, and continuous improvement supports effective organisational performance. However, Tesco could improve further by giving employees more responsibility and encouraging greater participation in decision-making. This would increase flexibility, improve innovation, and strengthen organisational effectiveness.

8. Culture and Organisational Performance

Organisational culture can have a strong effect on business performance because it influences employee behaviour, motivation, teamwork, and customer service. Mullins and Christy (2016) explain that culture affects important organisational processes and can influence how effectively an organisation achieves its goals.

At Tesco, a customer-focused culture can support organisational performance by encouraging employees to understand and respond to customer needs. Good customer service can help Tesco maintain customer satisfaction and loyalty. Teamwork is also important because employees need to cooperate to manage stores, serve customers, control stock, and complete daily activities effectively.

Tesco's focus on continuous improvement can also support performance. The company uses technology and new ways of working to improve efficiency and customer experience. For example, online shopping and self-service technology can make shopping more convenient while helping Tesco manage its operations more effectively.

However, culture does not automatically lead to better performance. A strong culture can become a problem if employees are expected to follow rules too strictly. In a large organisation such as Tesco, too much control may reduce employee creativity and make it more difficult to respond quickly to customer problems. Therefore, Tesco needs to maintain clear standards while also allowing employees to make appropriate decisions.

Overall, Tesco's culture has a mainly positive effect on organisational performance. Its focus on customers, teamwork, improvement, and responsible business practices can support efficiency and customer satisfaction. However, giving employees greater responsibility could make the culture even more effective and help Tesco improve its performance in a competitive retail market.

9. Recommendations.

Based on the analysis, Tesco should continue using its strong organisational culture as a source of business success while making some improvements. The following recommendations are based on the issues discussed in this report.

1. Give frontline employees more decision-making responsibility.

Tesco should give employees more freedom to make everyday decisions when dealing with customers. For example, employees could be allowed to solve simple customer problems without always asking a manager for approval. This could make customer service faster and improve employee confidence. It would also create a better balance between central control and employee autonomy.

2. Improve employee training and development.

Tesco should continue investing in employee training, particularly in digital skills, leadership, customer service, and problem-solving. As technology becomes more important in retail, employees need the skills to use new systems effectively. Training can also help employees understand Tesco's values and apply them in their daily work.

3. Encourage employee ideas and feedback

Tesco should create more opportunities for employees to share ideas about improving stores and customer service. Frontline employees interact directly with customers and may have useful knowledge about problems and possible solutions. Regular feedback sessions, team discussions, and simple suggestion systems could help managers identify these ideas.

4. Maintain a balance between control and flexibility

Tesco should maintain clear rules and procedures because these are important in a large organisation. However, managers should avoid unnecessary levels of control. Employees should have enough flexibility to respond to local customer needs and changing situations. This balance could make Tesco more responsive while maintaining consistency.

Overall, these recommendations would help Tesco strengthen its existing culture. They would maintain the benefits of clear roles and organisational control while increasing employee involvement, innovation, and flexibility. This supports the main argument of the report that Tesco's culture is mainly an enabler of organisational effectiveness, but its benefits depend on maintaining an appropriate balance between control and employee autonomy.

10. Conclusion

This report has examined how organisational culture influences Tesco's structure, decision-making, ability to adapt, and overall organisational performance. The analysis shows that culture is an important part of how Tesco operates and how employees understand their roles and responsibilities.

Schein's model shows that Tesco's culture can be seen through its visible practices, values, and shared beliefs. Tesco's focus on customers, teamwork, responsibility, and continuous improvement influences employee behaviour and supports its business objectives. Handy's model also suggests that Tesco mainly demonstrates a role culture because employees have clear responsibilities, procedures, and levels of authority. However, elements of task culture can also be seen through teamwork and problem-solving.

The report found that Tesco's culture is mainly an ****enabler**** of organisational effectiveness. It supports customer service, teamwork, innovation, and the company's ability to respond to changes in the external environment. However, strong procedures and central control may sometimes reduce employee freedom and slow decision-making.

Therefore, Tesco should maintain its clear organisational structure while giving employees more responsibility in suitable areas. Improving employee training, encouraging feedback, and increasing frontline decision-making could make the culture more flexible and effective.

Overall, Tesco's culture provides an important foundation for organisational performance, but its continued success depends on balancing organisational control with employee empowerment.

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