

The Influence of Organisational Culture on Structure, Decision-Making and Performance: A Critical Analysis of Tesco PLC



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Introduction

Organisational culture plays a fundamental role in shaping how organisations operate, make decisions, and respond to internal and external challenges. It encompasses shared values, beliefs, assumptions, and behaviours that influence employees at all levels. In highly competitive industries such as retail, organisational culture is particularly significant as it affects customer service, innovation, and adaptability.

Tesco PLC, one of the largest retailers in the United Kingdom, provides an ideal case study for analysing the impact of organisational culture. With operations across multiple countries and a diverse workforce, Tesco has developed a complex cultural framework that influences its structure and strategic decisions.

This report critically evaluates how Tesco's organisational culture influences its structure and decision-making processes. It applies key theoretical frameworks, including Schein's Model of Organisational Culture, Hofstede's Cultural Dimensions, and Handy's Cultural Types, to identify the nature of Tesco's culture. Furthermore, it analyses how Tesco leverages its culture to respond to external environmental pressures, assesses whether culture acts as an enabler or barrier, and evaluates its impact on organisational performance. Finally, the report provides evidence-based recommendations for improvement.

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Organisational Culture and Its Influence on Structure and Decision-Making

Organisational culture is closely linked to organisational structure and decision-making processes. According to Schein (2010), culture influences “how things are done,” shaping both formal structures and informal practices.

2.1 Influence on Organisational Structure

Tesco’s organisational structure reflects its cultural emphasis on flexibility, collaboration, and efficiency. While traditionally hierarchical due to its size, Tesco has increasingly adopted a **flatter and decentralised structure**. This is consistent with a culture that values employee input and responsiveness to customer needs.

The company’s task-oriented approach aligns with **Handy’s task culture**, where teams are formed to address specific problems or objectives. Employees are often empowered to make decisions within their roles, reducing reliance on rigid hierarchical control.

However, this structure is not entirely flat. Tesco still maintains centralised functions (e.g., strategic decision-making at headquarters), which ensures consistency and control. This hybrid structure reflects a balance between flexibility and coordination.

Critical evaluation:

While decentralisation enhances responsiveness and innovation, it may lead to inconsistencies in service quality across different stores. Additionally, a less hierarchical structure can create ambiguity in roles and responsibilities, potentially affecting efficiency.

2.2 Influence on Decision-Making Processes

Tesco's organisational culture promotes **participative and data-driven decision-making**. Employees are encouraged to contribute ideas, and decisions are often informed by customer data and market analysis.

This aligns with:

- **Low power distance (Hofstede)**: Employees feel comfortable sharing opinions
- **Collaborative culture (Handy's task/support culture)**

Tesco's use of Clubcard data and analytics demonstrates how cultural emphasis on innovation and customer focus translates into strategic decisions.

Critical evaluation:

Participative decision-making enhances employee engagement and innovation. However, it can slow down decision-making processes, particularly in fast-moving retail environments where rapid responses are required. Furthermore, reliance on data-driven decisions may overlook qualitative insights such as employee experience.

Identifying Tesco's Organisational Culture Using Theoretical Frameworks

3.1 Schein's Model of Organisational Culture

Schein (2010) identifies three levels of organisational culture:

Artefacts

These are visible elements of culture, including:

- Store layouts designed for customer convenience
- Uniforms and branding
- Open communication practices

Espoused Values

Tesco promotes values such as:

- Customer focus ("Every little helps")
- Respect for employees
- Commitment to sustainability and community

Underlying Assumptions

These are deeply embedded beliefs, such as:

- Customers are the priority
- Employees contribute to success
- Innovation is necessary for survival

Critical evaluation:

Tesco demonstrates strong alignment between espoused values and observable practices. However, past controversies (e.g., accounting scandals in 2014) suggest that underlying assumptions may not always align with ethical values, indicating potential cultural inconsistencies.

3.2 Handy's Cultural Types

Handy (1993) identifies four types of organisational culture: power, role, task, and person.

Tesco exhibits:

- **Task culture (dominant):**
Focus on teamwork, problem-solving, and achieving targets
- **Role culture (secondary):**
Structured roles and procedures in large-scale operations
- **Support culture elements:**
Emphasis on employee involvement and well-being

Critical evaluation:

The dominance of task culture supports flexibility and innovation. However, the coexistence of role culture can create tension between standardisation and adaptability.

3.3 Hofstede's Cultural Dimensions

Hofstede (2001) provides a framework for understanding organisational culture across dimensions:

- **Power Distance:** Low to moderate (encourages participation)
- **Individualism vs Collectivism:** Balanced (teamwork with individual accountability)
- **Uncertainty Avoidance:** Moderate to low (willingness to innovate)
- **Long-Term Orientation:** Strong (focus on sustainability and growth)

Critical evaluation:

These dimensions enable Tesco to operate effectively in diverse markets. However, cultural differences in international markets may require adaptation, which can challenge consistency.

3.4 Prevailing Culture

Tesco's prevailing culture can be described as a **hybrid culture**, combining:

- Task-oriented (performance and results)
- Clan culture (employee engagement)
- Market culture (customer focus and competitiveness)

This hybrid nature enables flexibility but may also create internal tensions.

Organisational Culture and Adaptation to External Environment

Tesco operates in a dynamic environment influenced by competition, economic conditions, technological change, and consumer behaviour.

4.1 Customer-Centric Adaptation

Tesco's culture prioritises customer satisfaction, enabling it to adapt to changing consumer preferences. For example, the expansion of online shopping and delivery services reflects responsiveness to digital transformation.

4.2 Innovation and Technology

The company leverages a culture of innovation to implement:

- Data analytics (Clubcard insights)
- Automated supply chains
- Online retail platforms

4.3 Response to Competition

Tesco's culture emphasises efficiency and value, enabling it to compete with:

- Discount retailers (e.g., Aldi, Lidl)
- Premium retailers (e.g., Waitrose)

4.4 Sustainability and Social Responsibility

Tesco's commitment to sustainability reflects external pressures from stakeholders and regulators. Cultural emphasis on responsibility supports initiatives such as reducing carbon emissions and food waste.

Critical evaluation:

Tesco's culture enables effective adaptation, but rapid environmental changes require continuous cultural evolution. Resistance to change among employees or managers may hinder adaptation.

Organisational Culture as an Enabler or Barrier

5.1 Culture as an Enabler

Tesco's organisational culture acts as an enabler by:

- Encouraging innovation and creativity
- Enhancing employee motivation and engagement
- Supporting customer-focused strategies
- Promoting collaboration and teamwork

5.2 Culture as a Barrier

However, culture can also act as a barrier:

- Inconsistencies across stores and regions
- Resistance to change in large organisations
- Pressure to meet performance targets
- Potential ethical issues (e.g., past scandals)

Critical evaluation:

Overall, Tesco's culture is more of an enabler than a barrier. However, its effectiveness depends on strong leadership and consistent implementation.

Impact of Organisational Culture on Performance

Organisational culture significantly influences Tesco's performance:

6.1 Positive Impacts

- Improved customer satisfaction and loyalty
- Increased employee productivity
- Enhanced innovation and competitiveness
- Strong brand reputation

6.2 Negative Impacts

- Risk of cultural misalignment across regions
- Potential ethical lapses
- Operational inefficiencies due to decentralisation

Critical evaluation:

While culture contributes positively to performance, it must be managed carefully to avoid negative consequences.

Recommendations for Improvement

7.1 Strengthen Leadership and Cultural Consistency

Tesco should invest in leadership training to ensure consistent application of cultural values across all stores.

7.2 Balance Flexibility with Control

Introduce clear performance metrics while maintaining employee autonomy.

7.3 Enhance Ethical Culture

Strengthen governance and ethical standards to prevent misconduct.

7.4 Improve Communication

Use digital platforms to ensure consistent communication across the organisation.

7.5 Support Continuous Learning

Encourage employee development to adapt to changing environments.

Conclusion

This report has critically evaluated the influence of organisational culture on Tesco's structure, decision-making, and performance. Using Schein's Model, Handy's Cultural Types, and Hofstede's Cultural Dimensions, it is evident that Tesco operates a hybrid culture characterised by flexibility, collaboration, and customer focus.

Tesco's culture plays a crucial role in enabling innovation, adaptability, and competitiveness. However, challenges such as inconsistency and potential ethical issues highlight the need for continuous improvement. By strengthening leadership, enhancing ethical practices, and balancing flexibility with control, Tesco can further leverage its organisational culture to achieve sustainable success.

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