

Management Approaches to Tesco

Fiona Bowskill 1601312

Contemporary Management Approaches (BMSP4002)

Anthony Burns & Davina Evans

29th November 2017

Contents

Introduction.....	3
Approaches to organisation and management.....	3
Work motivation and.....	4
Perception and communication	5
How the organisational environment is organised.....	6
Conclusion	8
References.....	10

Introduction

For this paper I have decided to research and examine Tesco PLC. Tesco is a vast grocery and merchandise supermarket with stores around the world, they have stores in Ireland, China, Poland and Hungary for example. In this paper I shall be looking into the organisational functions of Tesco and the approaches that is taken to manage this vast supermarket. I shall look into the way in which it approaches its organisation and management, the way it motivates its staff and the staff satisfaction, how Tesco communicates and the organisational context in which it runs the company.

Approaches to organisation and management

There are many approaches to management. The Classical Approach which aims to increase workers productivity by providing the equipment in which they would need, and time keeping the workers during working hours. The Classical approach also uses an increase in pay as an incentive to work harder. The Bureaucracy approach which is a system where one follows the rules and regulations that are put into place by the company in which you work. In the 1920's Professor Elton Mayo developed Human Relations approach. This approach uses encouragement by making their employees feel valued and that the work that the employees do has significance, which in turn increases their productivity. System approach is the theory in which organisation's have different department called "System's" that work separately, but when brought together make a whole. Contingency theory believes that there is no single right way to lead but rather the situation at the time influences the best method in which to use.

It can be argued that Tesco uses many different approaches to management but when brought together work as a whole, and thus uses the Systems approach to their Management Approaches. "this approach focuses on systems that, when put together, make a whole unit, kind of like a jigsaw puzzle." (Wengrzn,). The Human Relations approach "people desire to be part of

a supportive team that facilitates development and growth.” (Perry, 2017) can be seen as being used in Tesco’s Code of Business Conduct “We want all our colleagues to be proud of what they achieve and feel supported”. The other approach that can be seen being used is the Systems Approach. Tesco has many different departments “Systems” from Checkout Operatives, Housekeeping to Human Resources. Then lastly Tesco has a Bureaucracy approach “a system based on standardized procedures and a clear chain of command.” (Terry, 2017), to its organization and management; Tesco’s has many rules and regulations in which the staff are obliged to follow. Dave Lewis, Group CEO states that “it is important that each of us understands the rules that we must follow and the conduct that is expected of us in order to do a great job” Code of Business Conduct.

Tesco’s follows a hierarchy structure, “Tesco follows a hierarchical organizational structure” (Meng, 2017). It can be argued that there is one main hierarchy consisting of many layers, the top level with the CEO and Board of Directors, then there is the level with the vice presidents and marketing, another level of the regional managers, and lastly the Store managers. Inside this main layer there are many more managers and so there are many hierarchies within an organisation “in store level, there are as many as four layers of management” (Dudovskiy, 2016). With this approach, the chain of command begins at the apex and is channeled down the chain until it reaches the individuals required. Thus allowing no chaos or discord, as all roles are clear and defined. The Business Organisational Structure paper states that “The advantages of a hierarchical structure are: authority and responsibility are clear and well defined”

Work motivation and Satisfaction

It could be argued that Tesco uses a Herzberg’s two factor theory “Concept that employee satisfaction is related to factors which motivate, and factors which cause dissatisfaction (hygiene factors)” (Business Dictionary), as Tesco encourages their employees

to develop their knowledge, “to help colleagues understand our compliance policies, grow their knowledge and develop their skills.” (Tesco Code of Conduct), the Code also states that “It really matters that we give them the greatest possible support to do their work and develop as individuals.” Tesco are also increasing their minimum wage to offer security to their colleagues in the ever increasing economy. “£8.02 an hour in November, then £8.18 next July and finally £8.42 an hour in November 2018.” (Hiscott, 2018). Matt Davies Tesco CEO states in the same paper that “We also want to do all we can to help working parents and that’s why we are proud to offer a much improved maternity package to our colleagues.” This shows that Tesco is also trying to help not only struggling parents but also each of their staff members, offering this security and support Tesco is motivating their staff to work harder and to a better standard. “Our Code of Business Conduct is designed to help and protect us”

Perception and communication

Tesco’s communicates mainly through advertising. Matt Davies Tesco’s CEO states that “Over the past two years we’ve been doing everything we can to serve shoppers better – from offering simpler, lower, more stable prices to working in partnership with our suppliers to protect customers from inflation.” (Rodionova, 2017) , by stating this Matt Davies is encouraging consumers that their store is reducing their prices and keeping them low, showing stability, which in turn customers are perceiving that Tesco is a better, more stable store. Tesco has recently had a fuel discounts promotion, when shoppers spend over a certain amount of money they have money off their fuel, by doing this they are invite customers to go and buy their fuel from the Tesco’s Garages which in turn is increasing their sales. This discounted offer could be perceived as being a good discount on consumers shopping which entices many consumers to spend over their weekly budget to get money off of their fuel. Research done by Aman Sharma states that “In perceptual process we select a particular stimulus with our attention and interpret it”. Tesco is using a Perceptive approach to this.

“advertising is a paid, nonpersonal message from an identifiable source delivered through a mass-mediated channel that is designed to persuade” (Sheehan, 2014). In regards to this Perception method Tesco’s use’s Perception for many of their sales. They use it throughout the supermarket bollards, media and newspapers. Many other stores offer similar discounts to draw consumers in, for example Morrisons was offering a similar deal as Tesco’s “For Black Friday last year, Morrisons was also offering 10p off per litre of fuel when customers spent £50 or more in store.” (Rodionova, 2017).

How the organisational environment is organised

It can be argued that many businesses claim to be sustainable for this to happen they need to take into account three main factors that cover a broad area. These factors are Economy, Society and Environment “sustainability as being constructed from social, environmental and economic elements” (Molthan-Hill, 2014). These three factors can also can effect company’s day to day running. For example should inflation go up then it could be argued that prices would go up also. This then would affect consumers and their spending habits. These are some of the customer comments, “They will make me happy if they stop making products smaller and still putting prices up!” Dawn, “I sometimes find Tesco a little expensive in relation to some other supermarkets” _Anonymous. “My favorite purchase every time is the chicken. Chorizo and prawn paella, recently went up in price.” Susan Harrison. Tesco’s are aware of these factors and put strategies into place to help keep consumers happy. In 2016 Dave Lewis the then Tesco CEO was quoted saying “The customer is our number one priority,” (Vizard 2016). During a talk in Turkey at the Global Summit of the Consumer Goods Forum Tesco’s chief executive Philip Clarke stated that “We’re in a new era of retailing – the era of mass personalisation.” (Emily, 2016). It can be argued that Philip Clark

is talking about the difficulties of how the organizational environment is constantly changing and growing, but in order to grow must constantly change and keep up with the changes. It has been referenced that “those that are able to use innovation to improve their processes or to differentiate their products and services – outperform their competitors” (Tidd, Bessant & Pavitt 2005).

Many Political factors effect Tesco with the developing market fluctuations. Economy factors are taken into account with the ever-changing prices on suppliers and taxation. The social factors are constantly altering as we, as consumers are changing the way that we shop, more and more consumers are moving toward bulk buying and ‘click and collect’ instead of going into the supermarkets, due to lifestyles and time limits. Also as consumers we are wanting to purchase all our goods in one place, such as groceries, household items, clothing and electronics together. In 1995 Tesco launched the ‘clubcard’ for consumers, this then enabled them to watch customer spending behaviours “watching customer behaviour” (Winterman, 2013). By doing this it enabled Tesco to see what consumers were buying and so were able to start selling these items in their stores. Technological factors are also ever changing as technology grows. Not only are we as consumer have less time to shop and so use click and collect, in 2014 a Daily Mail Reporter started that this is “aimed at customers who do not want to carry out their weekly shop themselves, but who also do not have time to wait at home for an internet delivery”. Many of us are also using the self-scan in supermarkets, which in turn is reducing the need for checkout staff. In regards to Environmental factors there have been an increase of pressure on companies to reduce their carbon footprint with the Paris Agreement which is in place to reduce global warming, “The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C” (Climate Action). Tesco is in Partnership with a number of organisation to help reduce their carbon footprint one of them is

Waste & Resources Action Programme WRAP “We work with WRAP (Waste & Resources Action Programme) in its work to help businesses to reduce waste, develop sustainable products and use resources in an efficient way” (Tesco Plc). This program aims to educate people across the board on how we can use material more effectively with less waste, not just with food, but other material such as Electrical, Clothing and Textiles. Government policies and legislations are ever changing, such as a rise on the minimum wage. In 2014 The Department of Health brought new legislations to take effect in 2015 on displaying cigarettes and tobacco “Newsagents, pubs, clubs and shops will stop displaying tobacco products from April 2015 as part of the government’s strategy to reduce the number of smokers.” (Health, 2014)

Tesco has in place a Protector Line that enables staff members and suppliers to report and raise concerns regarding other staff member and suppliers. This practice allows the employees to feel protected in knowing that they have a way of being heard without the worry of being penalised. Tesco takes its employees’ health very seriously, where it be a physical issue or a mental wellbeing issue Tesco takes reasonability for their staff. Judith Nelson, the company's UK and Republic of Ireland personnel director stated in The Guardian that “When a colleague does need to be away from work for health or other reasons, we have an established policy [including a bespoke support plan] which helps to support them back to work.” (Nelson, 2013). With these practices in place it reduces the chances of conflict and stress in the work place by allowing situations to be righted before they escalate.

Conclusion

Tesco is one of Europe’s largest Retail Store employing 492,714 people, it is a privet sector that “Exists to make a profit and is owned by its shareholders” (Leatherbarrow & Fletcher, 2015). Tesco is an ever growing and expanding grocery and merchandising company. It can be argued from this paper that although Tesco has three main approaches to

management, systems, human relations and bureaucratic, they work well together as a whole. The systems approach works well with the vast amount of departments, the human relations approach works for the staff and suppliers and the bureaucratic approach works well for the hierarchy of the staff members throughout the whole company. By using Herzberg's theory Tesco is keeping their staff motivated and satisfied by offering advancement's in their careers (for those who wish it) and good pay. Tesco is also balancing this by looking after their staff by providing a work/life balance which many employees look for in a job, and a security in that they know they have a way of expressing any concerns or complaints in a safe and secure way with Protector Line. Tesco keeps on top of the ever changing environmental impacts around the world by keeping informed and up to date on any changes and conflicts that may be going on in the world at the time. For example with the pressure of Global Warming they have tried to reduce their carbon footprint and have joined many environmental groups to help this. They are also trying to keep up with the change in social and technological changes of consumers with the click and collect and diversifying into electronics and clothes ware.

References

Code of Business Conduct.

https://www.tescopl.com/media/1239/code_of_business_conduct_2015.pdf

The Business organisational structure <https://www.nibusinessinfo.co.uk/content/flat-and-hierarchical-organisational-structures>

Climate Action https://ec.europa.eu/clima/policies/international/negotiations/paris_en#tab-0-0

Reporter, Daily Mail, 24 August 2010 <http://www.dailymail.co.uk/news/article-1305168/Tesco-open-UKs-drive-store.html>

Dawn “They will make me happy if they stop making products smaller and still putting prices up!”,

“I sometimes find Tesco a little expensive in relation to some other supermarkets”

Anonymous. “My favourite purchase every time is the chicken. Chorizo and prawn paella, recently went up in price always purchase a 2 4 option but never disappointed in this product.

Tasty and definitely value for money.” Susan Harrison. <https://www.reviews.co.uk/company-reviews/store/tesco>

Dudovskiy, John May 18, 2016 Tesco Organizational Structure <https://research-methodology.net/tesco-organizational-structure/>

Emily, June 26, 2012 TotalCustomer.Org <http://www.totalcustomer.org/2012/06/26/tesco-big-data-customers-loyal/>

Business Dictionary <http://www.businessdictionary.com/definition/Herzberg-s-two-factor-theory.html>

Tidd Joe, John Bessant, Keith Pavitt MANAGING INNOVATION, *Integrating Technological, Market and Organizational Change* Third Edition 2005

Sheehan, Kim Bartel *Controversies in Contemporary Advertising* Second Addition 2014

Leatherbarrow and Fletcher, *Introduction to Human Resource Management* 3rd Edition 2015

Lewis, Dave, Group CEO

Molthan-Hill, 2014. *The Business students guide to sustainable management*

Nelson, Judith, The Guardian 2013 <https://www.theguardian.com/careers/employee-wellbeing-schemes-healthy-workforce>

Org Chart <http://www.orgcharting.com/tesco-company-organisational-structure-chart-example/>

Sharam, Aman, *Perception: Meaning, Definition, Principles and Factors Affecting in Perception*, Article. <http://www.psychologydiscussion.net/perception/perception-meaning-definition-principles-and-factors-affecting-in-perception/634>

Perry, Gail L. Business.com October 3, 2017 <http://www.business.com/articles/human-relations-managment-theory-basics/>

Terry, Lea February 22, 2017, Business.com, The Management Theory of Max Weber <http://www.business.com/articles/managment-theory-of-max-weber/>

Health, Department of 2014 <https://www.gov.uk/government/news/the-end-of-open-tobacco-displays-5-months-to-go>

Hiscott, Graham , Head of Business, The Mirror 23 JUN 2017 <http://www.mirror.co.uk/money/tesco-announced-105-pay-rise-10677440>

Rodionova , Zlata, Digital Consumer Reporter, The Sun 16th October 2017, 3:02 pm

PLC Tesco, <https://www.tescoplac.com/tesco-and-society/our-approach/partnerships/>

Wengrzyn ,Rob Study.com <http://study.com/academy/lesson/modern-theory-of-management.html>

Winterman, Denise BBC News Magazine 9 September 2013 <http://www.bbc.co.uk/news/magazine-239887>

Vizard, Sarah 2016 Marketing Week. <https://www.marketingweek.com/2016/04/18/how-the-tesco-brand-bounced-back-from-crisis/>

Meng, May 2017, *TESCO COMPANY ORGANISATIONAL STRUCTURE CHART EXAMPLE*

[HTTP://WWW.ORGCHARTING.COM/TESCO-COMPANY-ORGANISATIONAL-STRUCTURE-CHART-EXAMPLE/](http://www.orgcharting.com/tesco-company-organisational-structure-chart-example/)