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Organisation Structures and Cultures of Two Leading Supermarket Chains in The Uk

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Abstract

This report revolves around the organisational structure, culture, and their contribution to the organisational performance. Initially, Tesco's structure and culture are discussed as well as those of Sainsbury's. A comparison between these two organisation's structures and culture is shown. Then, their respective leadership styles are explored and what they do to empower the employees. Lastly, both Tesco's and Sainsbury's' respective organisation culture, structure, and leadership styles' contributions in helping them reach their goals are demonstrated.

Introduction

Organisational structure determines a number of factors, ranging from how the tasks and responsibilities are assigned to employees in the organisation to how these tasks and responsibilities are supervised. It also goes on to outline the flow of communication at different hierarchical levels by which employees share information and report to their supervisors. Organisational objectives and goals play a key role in the choosing of the structure of an organisation. On the other end, organisation culture is defined as the particular values and norms shared by employees within an organisation that dictates the way these employees communicate with each other and people outside the organisation (Deal T. E. and Kennedy, 2000). Tesco and Sainsbury's have been chosen as they are absolute rivals and compete for the top spot head-to-neck in the industry.

1. Compare and contrast different organizational structure and culture.

Organisational Structure

Organisational structure falls under two dimensions: horizontal, and vertical. Horizontal structures have a wider span of control and are cost-effective as they need fewer managers to control the workforce. On the other hand, vertical ones come with a narrower span of control and enjoy an easier communications flow, and are good for managers with a moderate skillset.

From the decision-making perspective, centralized structures have the power of decision-making accumulated in the hands of people with higher authority. On the contrary, decentralized structures empower the employees as the decision-making power gets passed onto them. They happen to increase work productivity as well as bring job satisfaction for employees.

Tesco Organisational Structure

Tesco has a highly hierarchical structure, like a traditional one. In this system, the people in the upper level have the highest authority and maximum responsibilities. Tasks and roles are divided into parts so that the employees can get the work done at ease. At the top level of the hierarchy sits the executive board consisting of the chairman, CEO, and other members. This committee is responsible for formulating strategies and developing new ways of doing business.

At the store level, the regional manager is the top manager, followed by the store manager. Store managers oversee two more layers of managers who are directly involved in day-to-day business operations. These four layers of management sometimes disrupt the flow of work. The environment becomes more of a bureaucratic mess. It disturbs the information sharing between the managers and employees. To ease up the process, extra layers of management should be removed.

To speed up operational activities, the top management should consider changing the store-level management hierarchy. Wider spans of control can be a viable option in this regard. This way, Tesco would not be needing more managers. It can make do with the ones that it already has.

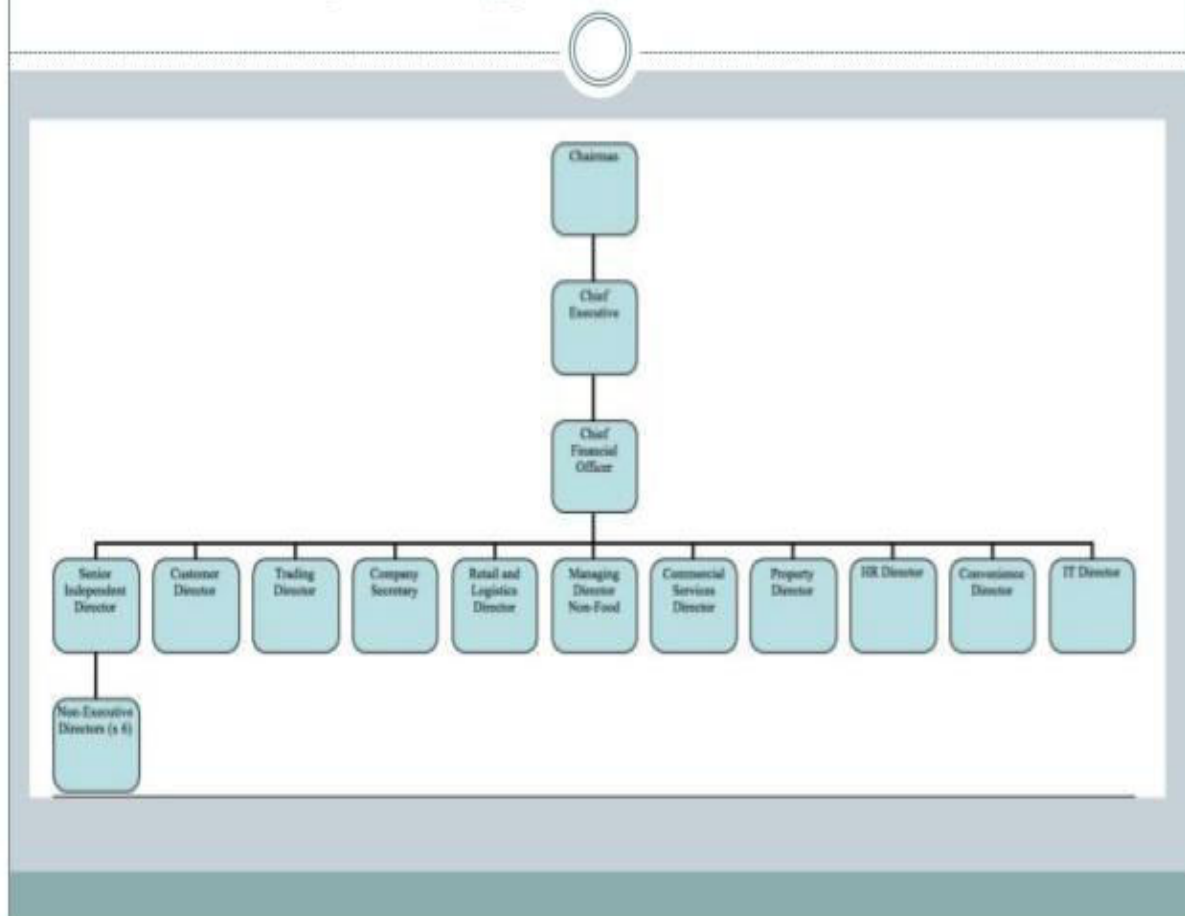


Source: Tesco Website (2018)

Sainsbury's Structure

Sainsbury's structures itself as a purely hierarchical organisation. The levels of hierarchy are a bit too many. Each level reports to its above one while the top management is headed by a chairman who is responsible for formulating the strategic direction alongside the CEO. For specific business functions, Sainsbury's has separate departments with heads who oversee the work of others in their respective departments and strategise plans for the functions to be implemented by employees. At the store level, Senior managers supervise line managers who, then, monitor workers and instruct them to do what senior managers told them. Sainsbury's implements its plans by providing employees with the resources needed to carry out tasks assigned as well as clear task definitions and expectations.

Sainsbury's Organisational Structure



Source: Sainsbury's Website (2018)

Organisational Culture

Organisational culture is difficult to explain as it is a felt-inside concept (Stephen P. Robbins and Timothy A. Judge, 2009, pp. 512-513). To put it in a simpler term, it is the distinctive set of characteristics that sets itself apart from others.



Tesco Culture

Tesco incorporates its corporate culture in the workplace in a way that enables everyone in the organisation to easily adapt to it. Tesco culture is the key to everything Tesco does and reflects in its actions. Tesco's main goal is to provide great products at a reasonable price. Employees and managers work relentlessly to ensure that. It conducts extensive research to better satisfy the needs of consumers. "Serving Britain's shoppers a little better every day" is at the core of Tesco's business model (Tesco, 2021). The same rule applies to the people supporting Tesco in fulfilling that promise. The 'Little Helps Plan' is yet another important part of the efforts to delivering a better customer experience with every passing day. The plan also includes the long-term business goals starting from making a positive impact on the environment to ensuring positive results for stakeholders. The Little Helps Plan framework is as follows:

- Helping Tesco employees live a healthy life while they are contributing to the business
- Serving consumers by providing them with great products at an affordable price
- Contributing to social causes in the communities where Tesco operates
- Acting as an environmental-friendly business that tries to reduce the negative impact it has on the Planet.

Sainsbury's Culture

Sainsbury's corporate vision is to become the most "trusted name" for both consumers and workers. Its corporate culture includes diversity, creativity, and honing talent, all of which are a must-have to deliver a thrilling customer experience. Sainsbury's arranges training for its employees and carry out researches to better understand the market needs. It is heavily invested in customer service like no other to ensure the problems of consumers are solved just right away. Sainsbury's workplace environment is the one that allows everyone to thrive in their jobs. To better understand what employees want, Sainsbury's conducts employee engagement surveys. CEO hosts one-hour Q&A sessions on the organisation's dedicated social platform known as Yammer (Sainsbury's, 2021). Communities in which Sainsbury's operates are at the core of its business model. Its workforce reflects it by hiring employees irrespective of their race, ethnicity, color, etc. Contribution to social needs and betterment is a major part of its CSR activities.

Tesco Vs Sainsbury's – A Comparison

Tesco is the largest grocery chain in the UK. It has managed to remain in the top spot for a long time. On the contrary, Sainsbury's is the second-largest grocery retailer in the UK grocery industry. Tesco follows a participative management style while its competitor Sainsbury's exercises an autocratic leadership style. In terms of employee satisfaction, Tesco remains way ahead of Sainsbury's. As Tesco has a democratic leadership style, it empowers its employees by including them in the decision-making process, which, being an autocratic system, Sainsbury's fails to do. Sainsbury's has a far better corporate culture, which is representative of the entire UK population. It encourages diversity, appreciates creativity, and believes in honing individual talents. In this regard, Tesco remains a little bit behind. Tesco has over 7000 locations all over the UK whereas Sainsbury's holds only about 1450 stores across the UK.

2. Compare the effectiveness of different leadership styles in different organizations.

Leadership is the power to influence and lead the people from the front (Jim Tompkins, 2007). Organisations need leaders to lead themselves towards their objectives and goals. Different leaders have different ways of leading their subordinates.

Tesco Leadership Style

Tesco exercises a democratic management style. It is also known as the participative leadership style because it encourages input from employees in decision-making. As a grocery chain, Tesco employees face situations where they are required to make decisions in order to solve problems relating to customer service. Managers at Tesco motivate employees to participate in the decision-making process. Top management instructs the managers to clearly define roles and responsibilities so that the employees know exactly what they are required to do. People with leadership qualities get placed in managerial positions. They monitor store managers and follow up on the targets set up for these managers. They take corrective measures if any store falls behind. Store managers perform audits to gauge how their respective stores are doing in terms of target. They conduct meetings to address issues relating to poor performance. The flow of communication is hassle-free in that there is no tight hierarchical barrier for sharing information. Employees at Tesco stores receive rewards and bonuses for performing exceptionally well. These bonuses come in the form of money, paid-leave, and staff-discount cards. Overall, Tesco is a nice place to work at.

Sainsbury's Leadership Style

Sainsbury's has an autocratic leadership style with its tall hierarchical structure. Decision-making is centralized, meaning top levels of management make important decisions. This limits the scope for employees to participate in the decision-making process. Employees do not feel empowered in this system. They feel less connected with the organisation. Employee inputs remain absent in the operational activities as well as business processes. Managers might not know certain situations that have serious business implications. Business suffers when situations like that arise. It often results in lost sales. Furthermore, decision-making depends more on the intuition and guesswork of managers. Autocratic leadership does not take into account the issues of subordinates, which may dissatisfy the employees. As a result of dissatisfaction, employee productivity and performance suffers miserably.

3. Explain how the relationship between an organisation's structure and culture can impact the performance of the business.

The relationship between an organisation's structure and culture can impact significantly the performance of the business. It is the most important determinant of how the business will perform. Hence, it is essential to business success.

Tesco Financial Performance

Tesco's sales reduced by 0.75% in the UK, which is £56.5bn in number, sales of the previous year totalled £56.9bn (Tesco, 2020). A light change occurred in sales revenue, which is owing to the lockdown for COVID-19. Tesco managed to secure a profit of £1.31bn in 2020, which was £1.62bn last year. It reported an amount of £1.9bn as its free cash flow. It has a net debt of £12.3bn for the year ended 2020. Although COVID-19 negatively impacted business in the UK, Tesco successfully managed to survive these tough times with a moderate profit.

Sainsbury's Financial Performance

Sales declined by 0.1%, a subtle change, amounting to £32bn. Sainsbury's generated a net profit of £152m in the year 2020, which was £186m in the previous year. It reported a free retail cash flow of £611m (Sainsbury's, 2020). it holds a net debt of £6.94bn. it experienced unprecedented financial flexibility and resilience, despite unfavourable market situations. Sainsbury's competitive pricing strategy played a big role to help sustain the difficult business realities. It responded swiftly to changing customer habits in the face of COVID-19. The free retail cash flow figure reflects on the matter. Overall, it was a year of great learning for Sainsbury's.

Financials Comparison

Tesco and Sainsbury's both faced a sales decline. Tesco sales declined more than Sainsbury's, despite being the market leader and facing the same market conditions and realities as Sainsbury's. In terms of debt, Sainsbury's managed to minimise the debt burden exceptionally well. Tesco performed poorly in debt handling, and it is a matter of frustration for the organisation. Tesco needs to perform well in order to hold the top position in the coming years. In terms of retail free cash flow, both organisations showed moderate performance. Net profits declined for Tesco as well as Sainsbury's since sales went down for them. Despite a reduction in profits, Tesco and Sainsbury's issued dividends for their shareholders.

Conclusion

Organisational structure, for the most part, determines the future success of a journey. A fit structure may take an organisation to another peak of success, conversely, a poor one might make it at the bottom of failure. Organisation culture is the distinctive personality of an organisation. It is core to what an organisation wants to achieve and its purpose. Organisational culture shapes the personality of an organisation as well as the working environment within the organisation. It is important to put into practice a culture of growth and high performance in the modern workplace that is ever-dynamic. Employee empowerment should always be embedded in the organisation culture of any organisation. For relatively better performance, an organisation must have a suitable combination of culture and structure.

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