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Organisational Culture and its Influence on Tesco PLC

1. Introduction

Tesco PLC is a multinational grocery and general-merchandise retailer headquartered in the United Kingdom. It operates thousands of stores across its markets and remains the largest grocery retailer in Great Britain. During the Christmas 2025 period, Tesco's share of the UK grocery market reached approximately 28.7%, demonstrating the scale of its competitive position (Kantar, 2026). Tesco's activities extend beyond supermarkets to convenience retailing, wholesale through Booker, online grocery, financial services and associated digital services. Its size means that organisational culture is particularly important because Tesco must coordinate large numbers of employees, stores, suppliers and customer transactions while maintaining consistent standards.

This report analyses how organisational culture influences Tesco's organisational structure, decision-making and business performance. Schein's Three Levels of Culture and Handy's cultural typology are first applied to identify Tesco's prevailing culture. The report then examines how this culture interacts with Tesco's hierarchical structure and allocation of decision-making authority. A PESTLE analysis assesses important external influences before Duncan's environmental uncertainty matrix and the Denison and Mishra cultural framework are used for higher-level evaluation. Finally, the report judges whether Tesco's culture is predominantly a barrier or an enabler of performance and makes theory-informed recommendations.

2. Identifying Tesco's Organisational Culture

Schein's Three Levels of Culture

Schein (2010) argues that organisational culture can be understood at three levels: artefacts, espoused beliefs and values, and underlying assumptions. Applying this model to Tesco shows that its observable customer orientation is supported by deeper assumptions concerning operational discipline, scale, value and consistency.

At the first level, **artefacts** are visible manifestations of culture. Tesco's artefacts include recognisable corporate branding, employee uniforms, Clubcard signs and pricing, standardised supermarket layouts, self-service technology and the consistent presentation of Tesco own-brand ranges. These features create a recognisable customer experience across a geographically dispersed organisation. Standardisation is culturally significant because a customer entering different Tesco stores is expected to encounter similar branding, operating procedures and standards. The store environment therefore reflects both customer orientation and organisational control.

Digital artefacts have become increasingly significant. Clubcard, Tesco's mobile applications, online grocery platforms, automated distribution technologies and self-service systems illustrate an organisation in which customer data and technology are embedded in normal operations. Tesco reported continued investment in automation and digital platforms, while in April 2026 it announced a large-scale colleague trial of an AI assistant integrated into the Tesco app (Tesco PLC, 2026a). These artefacts suggest that Tesco's culture is not simply bureaucratic; technological experimentation is increasingly being incorporated within its established operating model.

At Schein's second level are **espoused values**: the principles the organisation publicly states that it believes in. Tesco expresses its core purpose as serving its customers, communities and planet "a little better every day". Its published approach stresses understanding customers, colleagues and communities and improving the things that matter to them (Tesco PLC, 2026b). Its more recent corporate communication also strongly emphasises value, quality and service. These principles communicate a customer-centred culture in which commercial performance is expected to follow from understanding and satisfying customers.

Sustainability and health are increasingly part of these espoused values. Tesco states that it aims to make healthy, sustainable and affordable food accessible to customers regardless of budget. Its 2026 sustainability reporting states that the company had reduced operational emissions by 68% relative to its baseline and had

already exceeded its earlier 60% reduction target (Tesco PLC, 2026c). This broadens Tesco's stated purpose beyond short-term sales by including environmental and societal responsibilities.

However, Schein argues that the deepest and most influential cultural layer is **underlying assumptions**. These are beliefs that have become sufficiently embedded to be treated as unquestioned truths. Tesco's operating model suggests several such assumptions.

First, Tesco appears to assume that **customer value drives sustainable market success**. Price competitiveness, Clubcard Prices, product availability, own-brand development and investment in service are consistent with a belief that customers will reward dependable value and convenience. Its strong market position supports this logic: Tesco achieved approximately 28.7% grocery market share during the 2025 Christmas period, its highest proportion for more than a decade (Kantar, 2026).

Second, Tesco appears to assume that **scale must be supported by consistency and control**. A retailer operating thousands of stores cannot allow every outlet to create independent rules on pricing, branding, food safety, purchasing or customer data. Standardised procedures, targets and accountability are therefore essential.

Third, there is an assumption that **data improves commercial decisions**. Clubcard gives Tesco extensive insight into purchasing behaviour, while its investment in automation, digital platforms and AI demonstrates confidence that technology can improve efficiency and personalisation. Tesco's Clubcard penetration has been reported at around 85% across the Group, reinforcing the strategic significance of customer data (Tesco PLC, 2025).

Handy's Cultural Types

Handy (1993) distinguishes four principal cultural types: power, role, task and person culture. Tesco most closely resembles a **role culture**, although significant task-culture characteristics increasingly exist in technology, innovation and project work.

Role cultures depend on clearly defined responsibilities, procedures, authority relationships and specialist functions. They are frequently associated with large organisations in which reliability and coordination matter. Tesco displays these characteristics through formal governance arrangements, clearly specified senior leadership responsibilities and delegated management authority. The Tesco PLC Board retains collective responsibility for overall Group strategy, while the Executive Committee includes senior executives responsible for implementing and formulating business strategy (Tesco PLC, 2026d). Below corporate leadership are functional, regional, distribution and store-management structures through which responsibilities and performance expectations are translated into operations.

This arrangement is logical for food retail. Areas such as pricing, legal compliance, supplier management, food safety, finance and brand standards require consistent policies rather than individual discretion. Role culture therefore supports risk control and economies of scale.

Nevertheless, classifying Tesco as a pure role culture would be too simplistic. Elements of **task culture** can be seen where cross-functional teams address specific commercial and technological problems. Digital development, AI trials, sustainability initiatives and customer analytics depend on expertise from multiple functions rather than merely following a fixed hierarchy. Tesco's continuing investment in automation and the trial of new AI applications suggest that problem-solving and experimentation coexist with formal structures.

There is much less evidence that Tesco is primarily a power culture, because authority is institutionalised across governance structures rather than concentrated around one dominant individual. Person culture is also unsuitable because Tesco exists to achieve collective commercial objectives rather than to serve the autonomy of individual professionals.

Tesco's prevailing culture is therefore a role culture with increasingly important task-culture characteristics, because its scale requires formal responsibilities, standardisation and accountability, while its competitive environment simultaneously requires cross-functional innovation and problem-solving.

3. Culture's Influence on Structure and Decision-Making

Tesco's role-oriented culture is closely connected to its organisational structure. Large retail organisations require hierarchical mechanisms that translate corporate strategy into consistent action across stores, distribution centres and support functions. At the highest level, Tesco's Board determines overall strategy and has responsibility for the long-term success of the Group. The Executive Committee then provides a senior management mechanism through which strategic priorities are translated into operational decisions. This is consistent with Handy's role culture because authority is attached to formally defined organisational positions.

At store level, managers and team leaders have operational responsibility, but their autonomy operates within centrally established parameters. Major decisions concerning brand positioning, national pricing programmes, Clubcard strategy, supply-chain systems, capital expenditure and regulatory compliance are unlikely to be decided independently by individual stores. Central control makes sense because Tesco's competitive advantage depends partly upon scale. National purchasing and technology investments generate efficiencies that would be weakened by excessive decentralisation.

Culture consequently creates an important distinction between **strategic centralisation and operational decentralisation**. Strategic decisions tend to flow downward from senior management, while local managers retain discretion over how centrally determined priorities are delivered. A store manager may respond to local staffing, merchandising or customer-service issues, for example, but cannot independently change Tesco's overall brand proposition or data policies.

Role culture can improve decision quality where consistency is essential. Food safety procedures, customer data protection, financial controls and supplier standards benefit from clearly allocated responsibility. Formal accountability also makes it easier to measure store performance and identify deviations from expected standards.

However, such a culture can create disadvantages. Strong hierarchies can slow information travelling upward, while strict adherence to centrally determined processes can discourage employees from challenging assumptions. Local store employees interact directly with customers and may recognise changing preferences before senior executives do. If their role is interpreted primarily as executing instructions, valuable knowledge may remain underused.

Tesco's task-culture characteristics partly counterbalance this risk. Cross-functional technology projects, data analysis and customer-focused initiatives allow expertise to influence decisions outside traditional vertical reporting lines. The company's AI trial illustrates this development: rather than removing formal accountability, Tesco is experimenting with tools intended to help colleagues resolve customer needs more efficiently.

The most effective interpretation of Tesco's structure is therefore not that decisions are wholly centralised. Rather, **decision rights vary according to risk and strategic importance**. High-risk or brand-wide decisions remain centralised, whereas day-to-day implementation is delegated. Tesco's culture reinforces this structure by emphasising both disciplined execution and customer service.

4. PESTLE Analysis

PESTLE analysis identifies political, economic, social, technological, legal and environmental forces that can affect organisational performance.

Social	Greater expectations concerning value, health, convenience and sustainability	Alters product mix, marketing, store formats and customer loyalty
Fator	Key issue for Tesco	Potential impact
Political	Government policy on food security, business taxation, planning, trade and employment	Changes operating and sourcing costs and influences expansion decisions
Economic	Food inflation, wage growth, interest rates and consumer purchasing power	Influences customer price sensitivity, margins and demand for value ranges
Legal	Minimum-wage legislation, data protection, competition law and HFSS restrictions	Raises compliance costs and affects labour, promotions and data use
Environmental	Carbon reduction, food waste, packaging, energy use and climate-related supply disruption	Requires investment and increases supply-chain risk but can strengthen reputation
Technological	AI, automation, digital retail, data analytics and online grocery	Provides efficiency and personalisation opportunities but requires investment and new capabilities

Technological Factors

Technology represents one of Tesco's most significant opportunities. Grocery retail increasingly combines physical stores with online ordering, customer apps, loyalty ecosystems and automated logistics. Tesco already possesses significant customer data through Clubcard and continues to invest in automation and digital infrastructure. In 2026 it began testing an AI assistant intended to help colleagues provide better customer assistance through the Tesco app (Tesco PLC, 2026a).

In the **short term (1–12 months)**, these investments can increase productivity by reducing routine administrative work, improving stock decisions and helping customers find products or information. Digital personalisation can also strengthen loyalty by presenting more relevant promotions. However, implementation creates costs relating to training, system integration, cybersecurity and quality control. Poorly implemented automation could frustrate customers rather than improve service.

In the **long term (2–5 years)**, AI and advanced analytics may substantially change Tesco's operating model. Forecasting systems could reduce food waste and improve availability, while warehouse automation can reduce unit distribution costs. Greater personalisation could also strengthen Clubcard's role as a source of competitive differentiation.

The cultural issue is whether Tesco's role culture can support experimentation sufficiently quickly. Formal processes help ensure cybersecurity, accuracy and governance but may delay adoption. Tesco therefore needs to preserve task-culture spaces in which multidisciplinary teams can experiment while maintaining centrally controlled standards for data and operational risk.

Social Factors

Consumers increasingly combine concern about affordability with demands for health, convenience and sustainability. Tesco's own strategy reflects this change: it states that it wants healthy, sustainable and affordable food to be accessible regardless of customer budget. The company reports that 65% of UK and Republic of Ireland food sales had been classified as healthy by 2025 (Tesco PLC, 2026c).

Price sensitivity nevertheless remains crucial. Although UK food and non-alcoholic beverage inflation fell to 1.7% in the year to June 2026, household memories of the earlier cost-of-living squeeze and continuing pressure on disposable income mean grocery value remains highly visible (ONS, 2026). Tesco must therefore avoid treating health and sustainability as premium propositions available only to wealthier customers.

In the **short term**, social pressure reinforces Tesco's existing focus on value, own-label products, Clubcard offers and convenient shopping. It also encourages reformulation and greater visibility for healthier food.

Over the **long term**, demographic change and stronger health and environmental awareness could alter Tesco's product portfolio. Demand may shift towards healthier prepared foods, alternative proteins, personalised nutrition and lower-impact products. Tesco's scale offers an advantage because it can influence suppliers and expose large customer groups to new products.

However, this requires cultural adaptability. A role culture optimised for efficiently selling established categories can become problematic if consumer preferences change faster than central processes. Local customer insight should therefore be channelled more systematically into product and format decisions.

Legal Factors

Tesco operates in a heavily regulated sector. Employment law, food standards, advertising restrictions, data-protection legislation and competition law all influence its activities.

Labour regulation is particularly important because retail is labour intensive. From April 2026, the UK National Living Wage for workers aged 21 and above increased by 4.1% to £12.71 an hour (UK Government, 2026a). Higher statutory wages can support employee living standards and potentially strengthen engagement, but they also raise Tesco's operating-cost base. This creates further pressure to improve productivity through automation and process redesign.

Food marketing regulation has also tightened. UK restrictions on paid-for online advertising of less-healthy food and pre-9pm television advertising took effect on 5 January 2026. Retailers are also subject to restrictions concerning the placement and promotion of specified less-healthy products (Department of Health and Social Care, 2026). Tesco must consequently adapt marketing, promotions and category-management decisions while ensuring employees consistently understand the rules.

Data represents a third legal issue. Tesco's extensive use of Clubcard data, digital platforms and AI means that UK GDPR, the Data Protection Act 2018 and newer provisions within the Data (Use and Access) Act 2025 are strategically significant.

In the **short term**, legal changes increase compliance and labour costs and require updates to processes, promotions and employee training.

In the **long term**, regulation may influence Tesco's business model more fundamentally. Higher labour costs strengthen the case for automation, while restrictions on food promotion may accelerate reformulation and healthier product development. Data regulation could determine how extensively Tesco can personalise customer experiences.

Role culture is advantageous here because compliance requires documented procedures and clear accountability. The risk is that excessive caution could slow innovation. Tesco therefore requires strong governance that enables rather than prevents responsible experimentation.

5. Higher-Level Analysis

Duncan's Environmental Uncertainty Matrix

Duncan (1972) evaluates organisational environments according to two dimensions: the number and complexity of external factors and the rate at which those factors

change. Combining these dimensions produces four broad environmental conditions, ranging from relatively simple and stable to complex and dynamic.

Tesco operates in the **complex–dynamic quadrant**. The environment is complex because performance depends simultaneously on consumers, thousands of suppliers, employees, regulators, competitors, technology companies, landlords, logistics networks and government policy. Grocery retailers also sell very large product ranges across multiple channels.

The environment is dynamic because these variables do not remain stable. Technology is changing through AI and automation; food regulation is evolving; consumer preferences are shifting; and discounters continue to challenge traditional supermarket business models. Tesco remains the dominant UK grocer, but its competitors include traditional supermarkets, Aldi and Lidl, online specialists and convenience retailers. Recent market data continue to place Tesco at approximately 28% or more of Great Britain's grocery market, while Lidl and Aldi have established significant national scale.

Duncan's model therefore exposes a potential tension. Role cultures are especially effective in environments where predictability and control are valuable, whereas complex-dynamic environments require rapid information processing and adaptation. Tesco should not abandon its role culture because food retail still requires reliability. Instead, it needs a **hybrid culture** in which stable operational processes coexist with flexible task-oriented mechanisms for responding to environmental change.

Denison and Mishra Cultural Traits

Denison and Mishra (1995) identify four cultural traits associated with organisational effectiveness: involvement, consistency, adaptability and mission.

Involvement concerns employee participation, empowerment and capability. Tesco's large frontline workforce gives it access to substantial customer knowledge. The company's stated values place colleagues alongside customers and communities, indicating that employee contribution is recognised rhetorically. However, its hierarchical scale may reduce actual involvement if frontline employees primarily receive rather than shape decisions. Tesco can therefore be assessed as moderate on involvement: it has significant employee capability, but structural hierarchy may prevent this knowledge from being fully exploited.

Consistency is arguably Tesco's strongest Denison trait. Its brand, store operations, governance arrangements, pricing architecture and supplier processes depend on coordination. Role culture reinforces common systems and standards. Consistency creates customer trust and enables Tesco to use its enormous scale effectively. However, extremely high consistency can become rigidity if employees feel procedures cannot be questioned.

Adaptability is more mixed. Tesco has demonstrated the ability to expand digital grocery, develop Clubcard capabilities, automate processes and experiment with AI. Its sustainability programme also shows adaptation to environmental and social expectations. Nevertheless, a role-oriented hierarchy can make experimentation slower than in smaller organisations. Tesco therefore appears reasonably adaptable but must deliberately protect task-culture mechanisms from bureaucratic constraints.

Finally, **mission** is strong. Tesco communicates a clear customer-orientated purpose and strategic emphasis on value, quality and service. The advantage of a clear mission is that it can align decisions across a very large organisation. However, the mission must be translated into behaviour. A customer-focused mission becomes ineffective if frontline employees lack discretion to resolve problems.

Overall, Tesco is strongest in **consistency and mission**, increasingly strong in **adaptability**, but has greater potential to improve **involvement**.

6. Is Tesco's Culture a Barrier or an Enabler?

Overall, Tesco's organisational culture is more of an **enabler than a barrier**, but its future effectiveness depends on balancing control with adaptability.

The strongest evidence for culture as an enabler is Tesco's ability to deliver consistency at enormous scale. A role culture provides clearly defined responsibilities, standards and controls, which are essential in food retail. It enables Tesco to coordinate sourcing, stores, distribution, digital platforms and regulatory compliance while maintaining a recognisable proposition. Tesco's sustained position as the UK's grocery market leader indicates that this operating model continues to create value.

The culture also supports Tesco's response to legal complexity. Strong procedures are beneficial when dealing with food safety, wage regulation, customer information and marketing restrictions. Similarly, a clear organisational mission ensures that thousands of employees are working towards broadly common objectives.

However, Sections 4 and 5 show why the same culture can become a barrier. Duncan's matrix places grocery retail in a complex-dynamic environment in which rapid adaptation is essential. A heavily role-based culture can increase approval layers; privilege established procedures and reduce local initiative. This is especially problematic for technology and changing customer preferences.

The main weakness is therefore not Tesco's hierarchy itself but the possibility of **excessive centralisation of knowledge and authority**. Store employees have immediate customer information, yet strategic decision-making occurs primarily higher in the hierarchy. If that information moves slowly upward, Tesco may respond less quickly than more agile competitors.

The appropriate judgement is consequently that **Tesco's culture currently enables performance through consistency, scale and mission, but elements of the same culture could become barriers if formal control suppresses involvement, experimentation and local responsiveness.**

7. Recommendations

Tesco should retain the strengths of role culture while deliberately increasing task-culture characteristics in areas facing rapid change.

First, Tesco should establish stronger **frontline-to-strategy feedback mechanisms**. Digital platforms could allow store teams to identify recurring customer issues, local trends and process failures, with insights aggregated for regional and central decision-makers. This would strengthen Denison's involvement trait without abandoning accountability.

Second, Tesco should create more **cross-functional task teams** for AI, customer experience, sustainability and emerging product categories. These teams should have defined decision rights and measurable outcomes, enabling faster experimentation within centrally established risk boundaries.

Third, Tesco should adopt a **principle of selective decentralisation**. Decisions involving safety, brand integrity, pricing architecture and personal data should remain strongly controlled, but stores should receive greater autonomy where local adaptation poses limited strategic risk.

Finally, leadership performance should be measured not only through financial and operational targets but also through indicators of employee involvement, experimentation and learning. This would ensure that Tesco's underlying assumptions gradually develop from "consistency produces performance" towards **"disciplined adaptability produces performance."**

8. Conclusion

Tesco's organisational culture can best be characterised as a predominantly role-based culture supported by developing task-culture characteristics. Schein's model demonstrates that visible customer-focused artefacts and values sit above deeper assumptions concerning value, consistency, scale and data-driven decision-making. This culture corresponds closely with Tesco's hierarchical organisational structure and combination of central strategic control with delegated operational management.

The culture has contributed significantly to Tesco's performance because it supports consistency, compliance and coordination across a very large retail network. However, PESTLE analysis and Duncan's matrix demonstrate that Tesco operates in

an increasingly complex and dynamic environment characterised by technological change, evolving consumer expectations and extensive regulation.

Tesco should therefore preserve its strong mission and consistency while developing greater involvement and adaptability. Its long-term success is unlikely to depend on removing hierarchy altogether. Instead, it depends upon creating a better balance between the discipline of **role culture** and the responsiveness of **task culture**.

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