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Organisational Culture

**Organizational Culture Impact
on Structure, Decision-Making
and Performance**

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Introduction

Organisational culture is broadly acknowledged as a crucial factor influencing the operations, competition, and long-term success of organisations.

It includes the collective values, beliefs, norms, and assumptions that direct behaviour within an organisation and affect how employees engage, make choices, and react to both internal and external challenges.

As noted by Mullins and Christy (2016), culture embodies "how things are done around here," thereby shaping essential organisational processes like leadership, motivation, communication, and performance management.

In a progressively globalized and competitive business landscape, the importance of organisational culture has grown substantially. Organisations are required to not only manage their internal operations with efficiency but also to respond adeptly to swift technological changes, evolving consumer expectations, and shifting regulatory demands. Additionally, the emergence of multinational corporations has heightened the necessity to harmonize diverse workforces across various cultural settings while preserving a unified organisational identity (Hofstede, 2001). As a result, organisational culture has transformed from a static notion into a dynamic and strategic asset that can significantly impact an organisation's adaptability and resilience.

This report centres on Tesco, a prominent retail organization in the United Kingdom and a significant participant in the global grocery sector. Established in 1919, Tesco has experienced considerable transformation, broadened its international presence and adjusting to substantial industry shifts, such as digitalization and heightened competition from discount retailers. Throughout its evolution, the organizational culture has been instrumental in influencing Tesco's strategic direction, operational practices, and corporate identity.

Furthermore, the report examines how Tesco utilizes its organizational culture to address external environmental pressures, such as technological advancements, market competition, and regulatory challenges. It also evaluates whether organizational culture serves as a facilitator or an obstacle to effective organizational functioning, considering both its positive and negative dimensions.

Ultimately, the report assesses the influence of organizational culture on Tesco's overall performance and offers evidence-based recommendations aimed at improving organizational effectiveness.

This report seeks to illustrate a thorough comprehension of organisational culture and its relevance in contemporary business entities by merging academic theory with practical examples. The analysis emphasizes the necessity of aligning organisational culture with strategic goals to secure a sustainable competitive edge.

2.0 Organisational Culture and Its Influence on Structure and Decision-Making at Tesco

Organisational culture has a significant impact on the way organisation's structure themselves and make decisions. As noted by Robbins and Judge (2017), organisational culture influences the behaviours, norms, and expectations of employees, which subsequently affect management practices and organisational processes.

Historically, Tesco's organisational culture has prioritised customer focus, teamwork, and operational efficiency. The corporate philosophy, often encapsulated in the slogan "Every little help," embodies a culture dedicated to continuous improvement and customer satisfaction (Tesco, 2023).

2.1 Influence on Organisational Structure

Tesco functions under a hierarchical yet progressively decentralised organisational framework. Historically, the company upheld a robust centralised decision-making approach characterized by distinct hierarchical reporting lines. Nevertheless, in recent years, Tesco has transitioned towards a more empowered and collaborative framework, promoting local store managers and regional leaders to take charge of operational decisions (Johnson et al., 2020).

The ethos of customer responsiveness and operational efficiency underpins this hybrid structure. Local managers are motivated to swiftly address consumer demands, embodying the company's cultural focus on customer satisfaction.

Moreover, Tesco's organizational culture promotes collaboration across various departments, including marketing, supply chain, and store operations. This integration fosters innovation and effective problem-solving.

For instance, Tesco's implementation of digital technologies and data analytics to tailor customer experiences necessitated cooperation among IT teams, marketing departments, and supply chain management (Grant, 2019).

2.2 Influence on Decision-Making Processes

The culture within the organization significantly influences the decision-making processes at Tesco. In the past, Tesco predominantly utilized a top-down approach to strategic decision-making, especially during its swift international growth in the early 2000s.

Nevertheless, the accounting scandal of 2014 brought to light deficiencies in internal controls and the decision-making culture. Investigations indicated that the pressures of performance and ambitious profit targets fostered an environment in which employees felt obligated to fulfil financial expectations (Financial Reporting Council, 2017).

In reaction, Tesco implemented substantial cultural reforms that highlight transparency, accountability, and ethical leadership. The organization now promotes open communication, ethical reporting channels, and increased employee participation in decision-making.

This transformation exemplifies the argument put forth by Mullins and Christy (2016) that culture plays a crucial role in shaping management control systems and organizational behaviour.

3.0 Identifying Tesco's Organisational Culture Using Key Theoretical Frameworks

To gain a deeper understanding of Tesco's organisational culture, various theoretical models can be utilized. Three prominent frameworks include Schein's Model of Organisational Culture, Hofstede's Cultural Dimensions, and Handy's Cultural Typology.

Tesco's organisational culture can be more clearly understood when examined through structured theoretical frameworks, as these provide a systematic way to interpret both visible practices and underlying beliefs. Applying such frameworks allows for a deeper analysis of how organisational values are embedded into everyday operations and employee behaviour. Using Schein's model helps to bridge the gap between observable organisational practices and the hidden assumptions that influence decision-making. This theoretical approach also enables a more critical evaluation of whether Tesco's stated values are consistently reflected in its operational reality.

3.1 Schein's Model of Organisational Culture

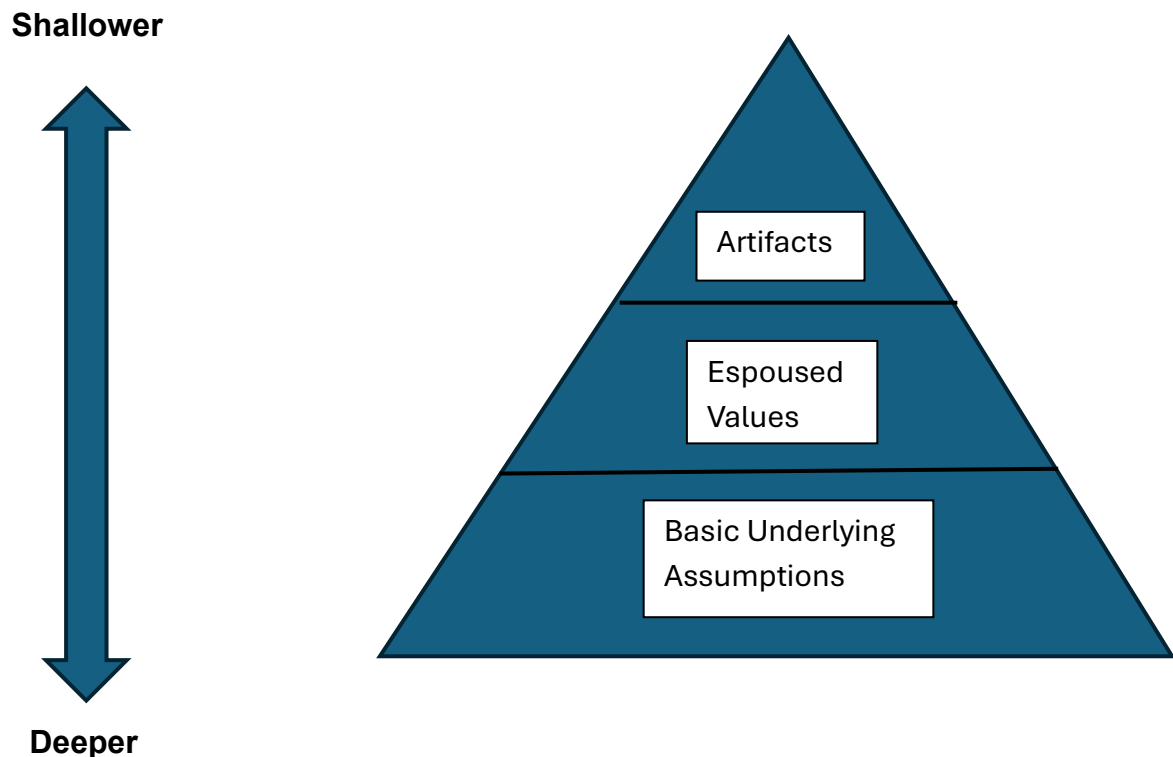
Schein (2010) suggests that organizational culture functions on three distinct levels:

Artifacts (observable organizational structures and processes)

Espoused values (strategies, objectives, and philosophies)

Underlying assumptions (unconscious beliefs and perceptions)

Schein's Culture Triangle



Edgar Schein's Culture Triangle, commonly known as his three-level model of organisational culture, offers a systematic approach to comprehending how culture functions at various depths within an organisation. The model is typically depicted as a triangle or layered structure, with each level signifying a different degree of visibility and awareness. This framework emphasizes that organisational culture is shaped not only by visible elements on the surface but also by deeper values and unconscious assumptions that affect behaviour.

At the apex of the triangle are artefacts, which signify the most apparent components of organisational culture. These encompass physical environments, dress codes, observable behaviours, communication styles, and organisational processes. Artefacts are readily identifiable when observing an organisation; however, they can be deceptive if interpreted without considering the underlying context. For instance, a company may seem highly collaborative due to open office layouts and team-oriented activities, yet this may not truly represent the deeper cultural beliefs.

Schein's Culture Triangle highlights the necessity for alignment across all three levels for an organisation to cultivate a robust and effective culture. When artefacts, espoused values, and underlying assumptions are in harmony, employees are more inclined to comprehend organisational expectations and act in ways that further

organisational objectives. Conversely, misalignment can result in confusion, diminished trust, and a decline in organisational effectiveness.

Artifacts at Tesco

Artifacts signify the visible components of organizational culture, including corporate branding, employee uniforms, store design, and communication style.

Examples at Tesco include:

- Customer service training programs
- Standardized store designs
- The corporate slogan "Every little help"
- Employee involvement initiatives

These elements demonstrate the organization's focus on customer service and operational effectiveness.

The middle level of the triangle consists of espoused values, which are the organisation's stated beliefs, goals and strategies. These values are typically communicated through mission statements, corporate policies and organisational objectives. Espoused values provide guidance on how employees are expected to behave and what the organisation aims to achieve. However, there can sometimes be inconsistencies between espoused values and actual practices. This gap is important, as it may indicate that the organisation's culture is not fully aligned across all levels.

Espoused Values

Tesco advocates for several fundamental values that direct employee conduct, which include:

- Prioritizing customers
- Demonstrating respect towards individuals
- Taking responsible actions for communities

These principles are conveyed through internal training initiatives, leadership methodologies, and corporate communications (Tesco, 2023).

At the base of the triangle are basic underlying assumptions, which form the foundation of organisational culture. These are deeply embedded, unconscious beliefs that are taken for granted by members of the organisation. They develop over time as the organisation responds to challenges and becomes accustomed to certain ways of thinking and acting. Because these assumptions are rarely questioned, they have a powerful influence on behaviour and decision-making.

Underlying Assumptions

The foundational beliefs signify the most profound aspect of organisational culture. In Tesco, the principal assumptions encompass:

- Customer satisfaction is the catalyst for sustained success.
- Operational efficiency fosters a competitive edge.
- Collaboration enhances organisational performance.

These beliefs steer daily decision-making throughout the organisation.

4.0 Organisational Culture and Adaptation to External Environmental Influences

Organizations need to modify their cultures to effectively address external environmental pressures. As stated by Johnson et al. (2020), culture plays a significant role in shaping how organizations perceive and react to external challenges.

Tesco encounters various environmental influences, such as:

- Technological advancements
- Competitive pressures
- Regulatory obligations
- Evolving consumer behaviour

4.1 Technological Change

The retail sector has undergone swift digital transformation. E-commerce, data analysis, and automation have emerged as crucial competitive elements.

Tesco has reacted by creating digital platforms like Tesco.com and making significant investments in e-commerce and data analysis via its Clubcard loyalty program (Grant, 2019).

The company's culture of innovation and emphasis on customer satisfaction has facilitated this technological adjustment.

4.2 Competitive Pressures

Tesco encounters significant competition from retailers like Aldi, Lidl, and Sainsbury's.

In reaction, Tesco has embraced a culture centred on cost efficiency and value generation. This encompasses enhancing supply chain management, lowering operational expenses, and improving customer loyalty initiatives.

4.3 Regulatory and Ethical Expectations

In the wake of the accounting scandal, Tesco adopted more robust governance practices and initiatives focused on ethical leadership.

The organisation's cultural shift prioritises transparency, ethical conduct, and accountability, which aids in restoring public trust.

5.0 Organisational Culture as an Enabler or Barrier to Effective Functioning

Organisational culture can either promote or obstruct organisational effectiveness.

5.1 Culture as a Catalyst

Tesco's culture fosters effective operations in various ways:

Customer-Centric Approach

A robust emphasis on customer satisfaction enables Tesco to sustain its competitive edge in the retail industry.

Employee Engagement

Tesco allocates resources to employee training, development, and engagement initiatives, which can enhance motivation and productivity (Armstrong and Taylor, 2020).

Innovation and Adaptability

The organization's culture promotes innovation by investing in technology and embracing digital transformation.

5.2 Culture as a Potential Barrier

Despite its advantages, Tesco's culture has also posed certain challenges.

Performance Pressure

The accounting scandal revealed how stringent performance targets can lead to dysfunctional behaviours and ethical dilemmas.

Bureaucratic Structure

Large organizations frequently establish bureaucratic systems that diminish flexibility and hinder decision-making.

Cultural Integration Challenges

As a multinational corporation, Tesco is required to harmonize various national cultures while preserving a uniform corporate identity.

6.0 Impact of Organisational Culture on Tesco's Performance

Organisational culture serves as a vital factor in determining organisational performance, affecting not just financial results but also employee conduct, customer satisfaction, innovation, and long-term sustainability. As noted by Kotter and Heskett (1992), organisations that possess robust, adaptive cultures in alignment with their strategic goals generally achieve better performance than those with weak or misaligned cultures. In the instance of Tesco, organisational culture has been instrumental in influencing its performance trajectory, yielding both positive and negative effects.

6.1 Financial Performance and Strategic Stability

Tesco's corporate culture has significantly influenced its financial outcomes, especially during times of growth and adversity. In the early 2000s, during its expansion phase, Tesco's robust performance-oriented culture played a crucial role in facilitating rapid growth, achieving market leadership, and enhancing profitability. The company's focus on efficiency, cost management, and delivering customer value allowed it to surpass its competitors and broaden its international presence (Grant, 2019).

Nevertheless, the same performance-driven culture also played a role in the 2014 accounting scandal, where the pressure to achieve financial objectives resulted in the inflation of profits. This underscores how an overly target-focused culture can pose ethical challenges and compromise organisational integrity (Financial Reporting Council, 2017). The event led to damage to reputation, financial repercussions, and a decline in stakeholder trust.

In the aftermath of this crisis, Tesco initiated a substantial cultural transformation, prioritising transparency, accountability, and ethical leadership. These modifications have led to enhanced financial stability and the restoration of investor confidence, illustrating the significance of aligning organisational culture with ethical principles and long-term strategic objectives.

6.2 Customer Satisfaction and Brand Loyalty

The culture within an organization significantly impacts customer experiences, which in turn affect brand reputation and loyalty. Tesco's focus on a customer-oriented culture, epitomized by its motto "Every little help," has been crucial in fostering robust relationships with its customers.

The company's commitment to enhancing customer service training, optimizing store operations, and developing digital platforms has improved the overall shopping experience. For instance, Tesco's Clubcard loyalty program leverages data analytics to tailor offers and boost customer engagement (Johnson et al., 2020).

A robust service-oriented culture guarantees uniformity in customer interactions across various stores and regions. This uniformity enhances brand identity and cultivates customer trust, which is crucial in the fiercely competitive retail industry.

Nevertheless, any discrepancy between cultural values and real-world practices can adversely affect customer perceptions. For example, if employees experience disengagement or undue pressure, the quality of service may deteriorate, underscoring the necessity of upholding a supportive organizational culture.

6.3 Employee Performance and Engagement

The culture within an organization plays a crucial role in shaping employee motivation, job satisfaction, and overall productivity. As noted by Armstrong and Taylor (2020), a favourable organizational culture fosters greater employee engagement, which in turn results in enhanced performance outcomes.

Tesco has introduced a range of initiatives aimed at boosting employee engagement, such as training programs, leadership development opportunities, and effective internal communication systems. These efforts demonstrate a culture that prioritizes employee contributions and personal growth.

6.4 Innovation and Adaptability

In a swiftly changing retail landscape, the ability to innovate and adapt is crucial for sustaining competitiveness. Tesco's organizational culture has progressively prioritized innovation, especially considering digital transformation and evolving consumer behaviours.

The organization has made significant investments in e-commerce platforms, mobile applications, and data analytics to improve customer experience and operational efficiency. This transition signifies a cultural focus on ongoing enhancement and technological progress.

6.5 Long-Term Sustainability and Corporate Reputation

The culture within an organization significantly impacts its corporate reputation and long-term sustainability. In contemporary business landscapes, ethical practices, corporate social responsibility, and engagement with stakeholders are becoming ever more crucial.

Tesco has undertaken measures to enhance its corporate responsibility efforts, which encompass minimizing environmental effects, aiding local communities, and advocating for ethical sourcing practices. These actions signify a transition towards a more socially responsible organizational culture.

7.0 Recommendations for Improving Organisational Culture at Tesco

To enhance its organizational culture and boost performance, Tesco ought to contemplate various evidence-based suggestions.

7.1 Enhancing Ethical Leadership

Tesco should persist in bolstering ethical leadership practices and maintaining transparent decision-making processes.

Leadership training programs can assist managers in fostering ethical behaviours across the organization.

7.2 Promoting Employee Participation

Increased employee engagement in decision-making can lead to improved innovation, higher engagement, and stronger organizational commitment.

Participatory management strategies also enhance trust within the organization.

7.3 Improving Cultural Integration

Tesco ought to allocate resources towards cross-cultural training initiatives to foster collaboration among staff from various nationalities.

This is especially crucial for multinational corporations.

7.4 Fostering an Innovation Culture

Promoting experimentation and the exchange of knowledge can assist Tesco in maintaining its competitive edge in a changing retail landscape.

Investing in digital innovation and technological advancements will facilitate future growth.

Conclusion

This report has thoroughly analysed the impact of organizational culture at Tesco, highlighting its considerable effect on organizational structure, decision-making processes, and overall performance. Consistent with the argument put forth by Mullins and Christy (2016), organizational culture influences every facet of organizational life, determining how individuals act, engage, and contribute to the organization's goals.

The analysis revealed that Tesco's organizational culture has changed over time due to both internal challenges and external environmental pressures. The organization has shifted from a mainly centralized and performance-oriented culture to one that increasingly prioritizes ethical behaviour, transparency, and employee involvement. This change was especially noticeable after the 2014 accounting scandal, which uncovered deficiencies in organizational controls and cultural practices, leading to substantial reforms.

Utilizing Schein's Model of Organisational Culture, the report revealed how Tesco's observable practices, declared values, and foundational assumptions work together to foster a culture that prioritizes customer focus and performance. In a similar vein, Hofstede's Cultural Dimensions offered valuable insights into Tesco's approach to managing cultural diversity within its global operations, effectively balancing the need for global consistency with local adaptation. Additionally, Handy's Cultural Typology illustrated that Tesco embodies traits of both role culture and task culture, merging systematic processes with collaborative and adaptable working methods. The company's focus on innovation and customer satisfaction has facilitated its adjustment to technological progress, especially in the expansion of online retail and data-informed decision-making. Moreover, shifts in culture towards ethical leadership and accountability have contributed to rebuilding stakeholder trust and enhancing corporate governance.

In conclusion, the culture within the organization is a vital factor influencing Tesco's long-term success and competitive edge. To ensure ongoing achievement, the company must persist in aligning its cultural principles with strategic goals, encourage ethical leadership, and cultivate an inclusive and adaptable workplace.

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