

TERRY TESCO'S LONG SHELF LIFE

Senior Research Fellow Jean-Louis Barsoux and Professor Jean-François Manzoni prepared this case as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

On 24 December 2005, the man rated as the most powerful person in Britain (behind only the chancellor and the prime minister) was touring supermarket stores across the UK.¹ It was business as usual for Tesco's Terry Leahy who spent a day each week dropping in to stores unannounced, driving himself there in his Lexus.

His role in propelling the supermarket chain from a home-grown grocer into an international retailing powerhouse was undisputed. Under Leahy, Tesco had nearly tripled annual profits to over £2 billion from 1997 to 2005. He had moved the company into eight new countries (including China and Japan), while at the same time raising UK market share by 17% to over 31%. Tesco accounted for one in every eight pounds spent in *all* UK shops and had become the country's biggest private sector employer, while staff turnover had fallen by two-thirds.

Yet these impressive accomplishments were somehow difficult to reconcile with the unassuming Leahy in his plain suit (*refer to Exhibit 1*). Journalists invited to his dull office often painted him as a reluctant interviewee, lacking in color and cautious in his responses – more bank clerk than retail dynamo.

They had difficulty working out how someone so apparently “ordinary” and “boring” could have inspired the transformation of Tesco. The chief of the British Retail Consortium was prompted to describe him as a “mystery inside an enigma.”²

Still, after nearly nine years at the helm, some commentators suspected that Leahy might be ready for a new challenge. There were noisy rumors that the government was lining him up to run the National Health Service (where his wife worked as a doctor) and much speculation about what Leahy would do next, especially in light of his accomplishments at Tesco.

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The Transformation: From Also-ran to Global Brand

In essence, Leahy had transformed Tesco by simply implementing a four-pronged strategy he had drawn up prior to taking over as chief executive, in March 1997. But he had pursued these goals with a consistency unmatched by his peers. The four pillars were:

#1 Increasing the core UK market: Under Leahy, Tesco became a “broad church” retailer, proposing a wider range of own-label goods than rivals – from its no-frills *Value* line to its up-market *Tesco’s Finest* and *Organic* lines. It also developed a wider range of store formats, from hypermarkets right down to tiny convenience stores – making it a contender for almost every potential development site and paving the way for the acquisition of several chains of convenience stores (*refer to Exhibit 2 for timeline*). In Leahy’s words:

We were innovative. As planning policy changed, we changed the type of stores we built and the locations we built them in. We embraced brownfield [out-of-town stores]. We embraced regeneration [stores in downtown locations]. We embraced smaller formats when many other retailers held out against it.³

#2 Diversifying into non-foods: Under Leahy, Tesco broke free of the low-margin trap of groceries and moved aggressively into non-food merchandise, from clothes and cosmetics right through to high-end goods like TVs and computers. Limiting itself to a few bestselling items in each product category, it used its purchasing muscle to offer these goods more cheaply than specialist outlets, while still making good profits.⁴

In 2005 Tesco opened its first stand-alone non-food store. In typically low-key style, Leahy stressed that the furniture outlet was just “an experiment.”⁵

#3 Moving into services: Starting with a model that was initially criticized as low tech, Tesco built the world’s biggest and most profitable online grocery business. It also established an award-winning financial services arm, offering Tesco-branded accounts and credit cards, designed by Royal Bank of Scotland. Leahy found that Tesco’s low customer-acquisition costs, coupled with the trust it had developed with millions of shoppers, gave the company an edge over conventional banks. After adding telephone and internet services, Leahy noted:

Holidays and leisure are areas where we could do more.⁶

#4 International expansion: After extricating Tesco from the troublesome French market, Leahy set about developing Tesco’s international presence in a different way from its bigger rivals. He accelerated the push into the former communist countries initiated by his predecessor and also began targeting the Asian tiger economies. Tesco entered each of these markets by selecting local partners. Local managers ran the operations, with Tesco supplying the big systems and supply-chain support. Tesco was then able to make incursions into more competitive markets by building on this experience in less staked-out territories. Leahy suggested there was also a payoff for domestic operations:

[We] tailor stores to local shoppers and take what we learn back into the group to improve how we operate.⁷

As the company grew bigger, it used its size to extend its lead. Keeping margins flat, it channeled profits into lower prices to achieve more economies of scale, creating a virtuous circle. Yet, according to Leahy, success was not the result of some strategic masterstroke:

We don't stand out because of our strategy. It's the execution that has been better.⁸

In some ways, Tesco's methodical progress mirrored Leahy's own industrious rise to the top of the food chain.

Before Tesco: From Housing Estate to University

Born in 1956 of Irish parents, Leahy and his three older brothers grew up in cheap social housing on the outskirts of Liverpool. The son of a carpenter-turned-greyhound-trainer, Leahy recalled that money was tight and local shops were expensive:

There were no supermarkets. A lot of our disposable income went on food and it was a constant worry.⁹

Leahy's first book was a school prize – and of the siblings, he was the only one who seemed academically inclined, winning a scholarship to one of the city's best schools:

My brothers all left school at 16 but my parents worked very hard so that I could stay on and do my A-levels.¹⁰

He went on to take a business degree at the University of Manchester Institute of Science and Technology (UMIST), where his tutor was Roland Smith, a marketing guru who later became chairman of the retailer, House of Fraser.

Reflecting on whether a lack of privileges had made him more driven, Leahy remarked:

It's undoubtedly the case that if you have got nothing behind you or if you've seen hard times it develops, in some people anyway, an insecurity and a basic motivation to put the past behind you.¹¹

Yet he showed no inclination to play down his Liverpool roots. His Scouse accent was barely diluted and his passion for Everton, Liverpool's less glamorous football team, was public knowledge. In fact, he viewed his unusual background (for a CEO) as a real advantage in some ways:

In retailing, it is very useful to have come from an ordinary background because I can identify with staff and customers. You are comfortable with them and they can read that, and are comfortable with you. It also means you don't underestimate or undervalue people.¹²

Quizzed on whether he was a "born leader," Leahy replied dismissively:

I don't think good leaders are born; anyone can be one. It's a lot about building confidence and trust, so your actions should be consistent with your words. People don't have to agree with your values but they have to believe that you've got some so they feel they know you and know where you come from.¹³

Kevin McCarten, a childhood friend of Leahy's, who grew up on the same housing estate, went to the same school and went on to become Marketing Director of Sainsbury's, said of Leahy:

People expect the brightest boy in the class, the loudest boy in the class, or the most talented sportsman in the class to be the most successful. I don't think Terry Leahy was any of those. Yet I'm not sure if I've met a more determined individual in my whole life. *Absolutely* determined to do what he wanted to do. And when he put his mind to it, he got it done.¹⁴

1979 to 1997: From Shelf-Stacker to CEO

Leahy's first taste of working life was a summer job stacking shelves at Tesco before starting university. After graduating, he joined the supermarket Co-op for a brief spell before following his girlfriend to London in 1979 and taking a post as junior marketing executive with Tesco (*refer to Exhibit 3 for CV*). Looking back, he rated that decision as the most important in his working life, noting:

If I hadn't [moved south to work for Tesco], I might be running the Co-op.¹⁵

When he joined Tesco, its reputation was still that of a "pile it high, sell it cheap" supermarket chain. But with Ian MacLaurin now running the company, the new objective was to try to emulate Sainsbury's, the clear market leader.

Named marketing manager at 25 and marketing director three years later, Leahy joined the group of high flyers helping MacLaurin to lead the chase. MacLaurin recalled:

Terry was one of the five or six young people in the business that we highlighted early on. But he was sharper and brighter than the rest.¹⁶

Others remembered him as sharp in a different way, recalling someone whose ambition made him too aggressive. Looking back, Leahy agreed that he could be confrontational:

I was demanding, but as you get older you learn to use that in a different way. I got to quite a senior level in my twenties so (I was) still growing up. But to achieve anything that matters you have to be pretty determined, because at any point there are five, ten or a thousand people who want to do something else.¹⁷

On his way up, Leahy never had to ask for a job:

Everything I've ever done I've been asked to do. I even turned down my first promotion because I wasn't confident I'd do well.¹⁸

Leahy's first real impact on the company came with his appointment to the board in 1992. With sales stalling badly, MacLaurin charged him with putting Tesco back on track. Leahy started by asking customers what they thought of Tesco and found that they did not like it copying Sainsbury's.

This realization led to a series of marketing programs designed to revitalize the brand. "Every little helps" became the new advertising slogan as Tesco introduced "Value lines," a range of inexpensive own-label goods in 1993. Competitors

scoffed and the share price sank, but sales soared. The following year, Tesco introduced “One in Front,” a commitment to minimizing check-out queues. It meant taking on extra staff, but proved popular with customers. Then, in 1995, Tesco introduced the Clubcard, the first nationwide loyalty card. Again, derided by competitors, it ended up luring customers in droves from rival stores and providing Tesco with continuous information on their shopping habits. Leahy also championed the introduction of the Metro and Express small-store formats.

Collectively, these moves helped Tesco overtake Sainsbury’s share of the grocery market. Credit for these innovations lay with several people as Leahy was quick to point out, but his pivotal role positioned him as MacLaurin’s obvious successor. Confirming that choice, MacLaurin explained:

He’s got a very good retail sense, is a good marketer and has strategic vision. He is also a very good motivator of people.¹⁹

Leahy’s impending appointment was popular with analysts who saw him as a “hot-shot” with “the common touch, important for a mainstream retailer.”²⁰ One commented:

He is a clear thinking and decisive individual with great leadership qualities... He may appear to be a mild-mannered Liverpudlian, but he is a tough nut to crack.²¹

Internally, however, opinions remained divided. Leahy was known to demand, and generally receive, great loyalty. Those who had worked with him confirmed that he was smart and hard-working, but could be stubborn.²² Others were concerned by his lingering reputation as a somewhat abrasive character. Even the deputy chairman who supported his appointment, conceded:

He was very sharp and fairly difficult. He is a competitive guy and there is some iron underneath.²³

MacLaurin accepted that “the first impression is dour” but argued that underneath Leahy was “very charming and warm-hearted” with a “good Liverpudlian sense of humor.”²⁴ He also swept aside concerns about Leahy’s aggressive management style:

Any CEO has to have a spiky side to him. You can’t be nice to everybody all the time.²⁵

1997 to 2001: From CEO to Knight of the Realm

Intrigued by the appearance of the concept in the early 1990s, one of Leahy’s first moves as CEO was to introduce a kind of balanced scorecard, dubbed the Tesco *Steering Wheel* – with metrics relating to customers, operations and employees, as well as financial targets. Looking back, Leahy asserted:

The difference between success and failure is the difference between implementing say 80 percent or only 50 percent of your plans. The steering wheel has made it possible to turn our strategy into action.²⁶

Another early move was to appoint marketing people to head up Tesco’s product groups. At the same time, he set up a Customer Insight Unit to analyze the

business, customers and competitors – looking at issues like why customers switch between supermarkets.

Customers were Leahy's relentless focus. He mentioned them repeatedly in interviews and speeches, to the extent that journalists sometimes mocked his fixation.²⁷ He regularly sat in on customer panels and carefully noted customers' views during store visits.

That customer-led approach was reflected in Tesco's systems investments, notably its increasingly sophisticated data mining capability, but also in its state-of-the-art distribution systems and storage facilities that enabled it to respond quickly to shifts in demand. Leahy's aim was "to operate the business as a genuine pull system."²⁸

Commentators marveled at Tesco's innovation record, but Leahy remarked:

It's not a dream factory. We don't sit in the dark dreaming up things. All our innovations come from close observation of the way customers' lives are changing.²⁹

Having overhauled its UK competitors, Leahy's focus switched to the world's leading retailers, such as Wal-Mart and Carrefour. As he put it:

We like to point out to people who say that we are number one in Britain that we are only about number 12 in the world.³⁰

Inevitably, Leahy's retailing acumen was in high demand, eliciting offers of outside directorships. Having turned several down, Leahy agreed in 1999 to join the board of Liverpool's urban regeneration program, noting:

I don't do many things outside Tesco. I've always been quite deliberate about that. I got the job of chief executive quite young. I was 40 and my family was young. It's a big job so I decided there would be Tesco and everything else would be the family. It was a tough decision [to join the Liverpool Vision board] but I decided to do it because it was important and mattered quite a lot to me.³¹

Tesco had always prided on being an egalitarian organization, but under Leahy that ethos intensified. There was a single bonus scheme for all the managers, including Leahy. Everyone, including himself, was appraised twice a year by those above and below them. Tesco's share ownership scheme grew into the biggest in Britain. Leahy also insisted on maintaining a flat hierarchy, with only six rungs from shelf-stacker to CEO.³² And he liked to point out that Tesco was unusual in not having a graduate trainee program:

There's no officer class at Tesco, we don't have a graduate elite intake, there's no fast-track.³³

In late 2000, however, an employee survey revealed that 82 percent felt Tesco was "first for customers" but only 64 percent felt valued by the company. Though disappointed by the findings, Leahy understood their significance:

When I go to customer panels, I know at some point they will say 'I shop in your store because of your staff'. Not because of the marketing ideas or prices or store refurbishments. It's the staff.³⁴

In response, the firm created a People Insight Unit to develop a better understanding of its staff. Tesco used the results to devise more adapted working practices. It also proposed more generous conditions, adding part-time workers to the final pension scheme and introducing a new share ownership scheme.

Leahy internalized the findings of the research and told reporters:

People want four things from work: a job that is interesting, a chance to get on in life, to be treated with respect and a boss who is some help and not their biggest problem. If that's all you do each day, try to give them those things, then they will follow you anywhere.³⁵

Building on the theme of listening to staff, he instigated an annual "back to the shopfloor" exercise, TWIST (Tesco Week in Store Together). He endorsed the initiative by being among the first to spend a week doing various front line and back-office jobs. Colleagues joked that he knew the business so well that he could actually do any job in the company – and probably more than one at once.³⁶ When challenged by journalists, he made it clear that this was no stunt:

I learn an enormous amount because the vast majority [of the people we employ] do those sorts of jobs. So I have to understand what it's like to work for Tesco.³⁷

In April 2001 Tesco joined the select group of British companies posting profits in excess of £1 billion (*refer to Exhibit 4 for key data*). Leahy was credited with creating a "classless" store capable of bridging the social divides that had long played a big role in British shopping preferences. Leahy took satisfaction from that universal appeal, noting:

We're all things to all men, all women. Everybody is welcome in any of our stores. Some businesses are stronger in one section of society and weaker in another; not us.³⁸

Later that year, Leahy was awarded the freedom of the city of Liverpool.^a And in the end of year honors list, he received a knighthood for services to food retailing. Later asked whether he was proud of his knighthood, he looked vaguely embarrassed. After a pause, he replied:

I am wary of pride as a word, but I do feel gratitude and a sense of satisfaction... I don't think there was a point when I suddenly realized that I was about to make it. It just happened, mostly by being asked to do things which I thought I couldn't do.³⁹

At another interview shortly after the knighthood he pre-empted the photographer's planned shoot against a flashy backdrop, noting drily:

We don't do swanky.⁴⁰

Leahy's unpretentious style seemed remarkably in tune with Tesco's no-frills culture.

^a A rare award bestowed on the most esteemed members of the city's community, such as Paul McCartney.

2001 to 2005: From Local Hero to International Star

By 2002 Tesco was starting to look unstoppable. It continued to pull clear of its domestic rivals – including Wal-Mart backed Asda – and was well set to achieve its target of having most of its selling space outside Britain by 2003.

The main threat evoked by commentators was complacency – though it did not seem like much of a risk under the leadership of the man now nicknamed “Terry Tesco.” The team he had gathered around him included several top-class outsiders.^b It also included a core of young Tesco lifers like him, only too ready to remind others that “things change.”

We know the feeling of being the underdog. We’ve had to reinvent ourselves on at least two occasions since I’ve been here, probably three. We have no sense of inherited success, no belief in our preordained superiority.⁴¹

Leahy himself embodied this groundedness. According to one rival he “gave the impression he could not be bothered” with meetings of industry bigwigs in smart restaurants.⁴²

He did not have a large support staff and collected lunch visitors himself from the lobby – before offering them a Tesco ready-made meal.⁴³ Nor did he have any notable personal extravagances (other than an Everton season ticket). He still lived in the same four-bedroom suburban house. He still answered letters from customers personally and, in his twice weekly meetings with his team, he was constantly looking for ways to improve “the shopping trip.”

The thing about retailing is that every day’s a new day, so you’ve got a chance to put things right.⁴⁴

In 2003 Leahy was pushing hard to raise Tesco’s share of non-food sales. Abandoning his usual reserve, he announced Tesco’s intention to target its over-priced rivals.

Our share of the total retail market is just 12.3 percent and there is a lot left to go for.⁴⁵

Some observers noted the change of tone and wondered if Leahy might not come to regret underlining Tesco’s huge dominance.⁴⁶ A person close to the group commented:

Terry can sometimes be insular and resistant to criticism.⁴⁷

In parallel, Tesco’s international strategy became more aggressive, entering the Japanese market and announcing its plans to enter China. Though meticulously researched and planned, these moves brought Tesco into direct competition with Wal-Mart and Carrefour. They also signaled Tesco’s arrival in the big league. The group’s ability to continue expanding internationally without damaging its consistently impressive bottom line, attracted new plaudits. Having racked up a

^b Including finance director Andrew Higginson (from the Burton Group), corporate affairs director, Lucy Neville-Rolfe (former head of the government’s deregulation unit), and Clare Chapman (from PepsiCola International) as head of human resources.

succession of domestic awards, Leahy was named *Fortune* magazine's European Businessman of the Year in early 2004.

Asked how the internationalization of Tesco had changed his leadership, Leahy replied:

I can't have the direct involvement because retailing still is essentially a local business. The people on the ground have to be the people in charge. So my leadership can only be around for providing broad framework for behaviors in terms of customers and staff.⁴⁸

He also remarked:

Life is better when it's local. People are much happier when they feel in control. One of the reasons self-scanning is so popular in stores is not because it's quicker but because (people) feel in control.⁴⁹

Speaking at a conference, Leahy remarked that there was no way Tesco executives could micro-manage its 325,000 employees worldwide:

We don't want one leader, we want thousands. One in 10 staff is always being targeted for training and promotion.⁵⁰

Reflecting on his leadership style, Leahy drew an analogy with a rugby leader known for setting an uncompromising example:

I spend a lot of my time working on how I manage, I'm like Martin Johnson driving at the bottom of a ruck. It's that, I hope, that makes the difference.⁵¹

A crucial factor in Tesco's ongoing success was the dependability of Leahy's management team – which, he said, had allowed him to spend time “learning” by talking to customers and “collecting more knowledge” in the industry.⁵² One journalist touring stores with him noted that his mobile phone, though switched on, did not ring all morning.⁵³ Referring to the top team, one analyst commented:

Operationally they are great – but I am not sure that any of them is really a leader. Together they are worth so much more than as individuals.⁵⁴

Considering the qualities he looked for when promoting people, Leahy noted:

First, energy. Retailing is hard work. But also integrity and honesty, and most importantly, someone who is a team player.⁵⁵

In late 2004 the team met prior to announcing Tesco's astonishing growth in half-year profits, up 28%. With characteristic restraint, Leahy described the results as “good,” before seeing the funny side and adding:

We're describing the profits as 'good'. We met for an hour and we came up with 'good'.⁵⁶

Close acquaintances maintained that Leahy was “very warm.”⁵⁷ But there was rarely much evidence of that warmth in public. As one industry executive remarked, “When he's on Tesco's time, he talks about Tesco.”⁵⁸ Even one of his biggest admirers admitted that he could be “a bit too downbeat at times.”⁵⁹ Another associate said:

I do think he could loosen up a bit . . . People want to come in and enjoy their work and sometimes Terry makes it a little soulless because he can be so serious.⁶⁰

Yet, Leahy seemed to have no trouble interacting with staff and customers on store visits. His aim, he said, was not to check on things or to scare the store managers, but rather to talk to people and to “smell how things are.”⁶¹ He declared:

If I leave a store and people are less happy than when I came in, that’s a failure.⁶²

When asked about his weaknesses, Leahy said he was not sure where to start before revealing two: One was his Irish temper, but the interviewer dismissed this as a red herring since there were no reports of him either losing his temper or raising his voice; the other was his occasional misreading of people:

If you do really care about the business, getting the balance between praising people and criticizing them is important and sometimes I find that hard to get right.⁶³

And what annoyed him?

If I come across something that is just wrong – where we didn’t treat people with respect, for example – I’ll keep working at that. And performance. If that’s bad and there’s no good reason, I get cross.⁶⁴

Defending his reputation as a dull character, Leahy explained:

I probably am a shy person. I don’t need to be famous. I’m focused on the business, the people and the customers, so I’ve not needed things outside. Journalists have interpreted that as showing I’m not interesting. I accept that I am not charismatic.⁶⁵

An employee added:

What he may appear to lack in charisma, he more than makes up for in confidence. He’s not the sort to stride into a room or take a meeting by storm but there is something in his bearing that suggests he knows exactly what he wants and how to get it – and that he is absolutely sure he will get it.⁶⁶

In April 2005 Tesco’s profits reached the £2 billion mark. Its success put it on the radar of the American business media. A CNN interviewer asked Leahy how his leadership style had evolved over the years:

I think working in Tesco has taught me that the important thing is what you cause other people to do rather than what you do yourself. And so over time you learn that it’s much more about motivating and inspiring other people and challenging other people to do more, to do things differently.⁶⁷

There were also profiles in *Newsweek* and the *Wall Street Journal*. One of the journalists asked Leahy if Tesco’s market domination risked alienating customers, as Wal-Mart’s had.⁶⁸ Leahy tried to play down the comparison with Wal-Mart, but privately, the man admired by colleagues for “always seeing over the hill,” could hear the rumblings of discontent growing louder. His stock response when asked about Tesco’s 30% share of the UK grocery market – almost twice as much as its two closest rivals – was to point out the firm’s 13% share of the total retail

market.⁶⁹ Still, Leahy decided to hire a former tabloid editor to help Tesco get this message across.⁷⁰

At the end of 2005, as Leahy picked up his third consecutive award as Britain's most admired leader, he used the opportunity to quash rumors that he was planning to leave Tesco to run the National Health Service. Describing the story as "complete nonsense," he added that he still had "plenty to do" at Tesco.⁷¹ And he dismissed simplistic comparisons between the public and private sector:

They are different models with different ways of incentivising and allocating resources and economies of scale.⁷²

Having also recently turned down the chance to join the board of his beloved Everton, there was no doubting Leahy's undimmed devotion to the Tesco cause.

2005 to 2007: From Hero to Villain?

By the start of 2006 there had been a step change in public attitudes to Tesco. The emergence, in mid-2005, of the "Tescopoly alliance" (a coalition of pressure groups) had thrown the spotlight on the environmental and social impact of the chain. It stood accused of squeezing suppliers, creating cloned high streets and land banking (buying up land to keep out rivals) among other sins. From being the most respected business person in Britain, Leahy suddenly became a figure of controversy.

Discussing these charges, he betrayed no signs of irritation, but spoke like a doctor "keen to allay the concerns of an anxious patient."

Tesco is a large and successful business, affecting the whole of society, so there are bound to be questions. It's natural for people to want reassurance that our success has come at a fair price, and not at someone else's cost.⁷³

Asked whether he was worried about regulatory action against Tesco, Leahy answered:

In a sense we have a regulator – the customers. If you don't look after them, they will go back to where they were shopping before.⁷⁴

In April 2006, as the Competition Commission launched its investigation into the grocery sector as a whole, Leahy unveiled Tesco's "Community Plan." During "an unusually heartfelt speech," delivered to a business think-tank, Leahy announced 10 "good neighbor" measures, covering energy conservation, recycling, better consultation with local communities, and selling more locally sourced products. He also pointed out that a fifth segment (community) was being added to the Tesco steering wheel to reflect these new priorities.⁷⁵

Later, commenting on a pledge to award Clubcard points to shoppers not requiring plastic bags, he said:

Our research tells us customers feel a bit guilty about the number of bags they use. We've tried to come up with a practical way of rewarding positive behavior.⁷⁶

Besides deflecting criticism of Tesco, Leahy also took the lead in defending the industry, pointing out the role of supermarkets as a democratizing force in society, helping to improve diets and social conditions in deprived areas of Britain – as well as enabling people to express choice over how they live their own lives.⁷⁷ One former rival felt compelled to applaud his efforts:

Supermarkets have a good story to tell about improving consumers' quality of life. Someone needs to stand up and say so.⁷⁸

For its part, Tesco had partnered with local government in a dozen regions to take on thousands of long-term unemployed – often facilitating planning permission for new stores in those areas. For Leahy, this was capitalism at its most dynamic.⁷⁹

Meanwhile, Tesco also had announced its intention to set up stores in the US, a market where it had already started an internet delivery service (with the US supermarket, Safeway) four years previously. Having long played down its interest in the world's biggest market, the decision surprised analysts – especially given the woeful experiences of Sainsbury's, Marks & Spencer and Carrefour in the US. With Leahy sending Tim Mason, his second-in-command to set up the operation, analysts also feared that the venture might prove a considerable draw on Tesco's management resources.⁸⁰

Talking to journalists, Mason pointed out Leahy's key role in this new departure:

It was his idea (to launch in the US). He persuaded the board and the shareholders it is a good idea. He wrote the initial brief which is remarkably similar to what we did. It was Terry who wrote that the working title will be Fresh & Easy.⁸¹

Leahy realized he was putting his reputation and his legacy on the line with the launch of the Fresh & Easy supermarket chain:

Clearly it's high risk, but we've carefully balanced the risk. If it fails it's embarrassing. It might show up in my career [and] it'll cost an amount of money that's easily affordable by Tesco – call it £1 billion if you like. If it succeeds, then it's transformational.⁸²

Amid these preoccupations, Leahy himself continued to spend one week each month touring Tesco's overseas operations, during which he visited stores, met the local management team, government officials and suppliers.⁸³

Leahy was also spending more time talking with regulators and politicians. Indeed in June 2007, Leahy agreed to join the new prime minister, Gordon Brown, as one of his advisers on the competitiveness of the UK economy.

At the same time, as Leahy signaled his intention to stick around for several more years, a handful of defections to rival retailers sparked press rumors of a brain drain in October 2007. But Leahy quickly put these departures into perspective:

The first company a headhunter goes after is Tesco. Everyone wants a Tesco person in their team... I had a team-build the week before last, my team was 70 people, doing jobs all over the world. All of them are talented people and any one of them could run a company.⁸⁴

With Tesco's UK dominance still under intense regulatory scrutiny, Leahy set out his aim to double overseas revenues, currently accounting for a quarter of Tesco's sales. He added:

We are on the threshold of becoming one of the few successful international retailers. The challenge is larger, it's not getting smaller. There's plenty to do.⁸⁵

A Retailing Colossus

Having weathered two years of negative publicity, Tesco remained extremely popular with shoppers. Though dismissed as "greenwash" by campaigners, its environmental efforts won it recognition as the most environmentally friendly supermarket in a *Retail Week* poll, as well as a place among *Fortune's* ten "green giants."⁸⁶

Leahy's own reputation had also resisted the battering. In December 2007 his peers voted him Britain's most admired boss for the fifth year in a row.

The issue of succession, however, remained a topic of outside speculation – especially when Tim Mason publicly ruled himself out of the race due to his age (50), while pledging his continued allegiance to Tesco.⁸⁷

A related question was: How would Leahy know it was time to call it a day? Leahy had a ready answer:

The key would be when you are not improving the business as much as somebody else could.⁸⁸

Exhibit 1 Terry Tesco



National Portrait Gallery, London. Harry Borden.

www.npg.org.uk
(accessed 08.12.2008)



Source: www.liverpoolchamber.wordpress.com/2008.
(accessed 08.12.08)



Source: Company information

Exhibit 2 Timeline: Key Dates

ACTIONS	EVENTS/OUTCOMES
1992 Conducts survey of 250,000 customers First Tesco Metro store opens	Leahy appointed to the board
1993 “Every little helps” slogan launched Tesco Value launched Tesco acquires Catteau chain in France	
1994 “One in Front” system for checkouts First Tesco Express outlet (convenience)	
1995 Clubcard launched Tesco enters Hungary	Leahy named deputy managing director
1996 Tesco enters Poland, the Czech Republic and Slovakia	Overtakes Sainsbury’s as market leader
1997 Sets up the Customer Insight Unit Catteau subsidiary in France sold Tesco Personal Finance launched	Leahy becomes CEO
1998 Tesco launches “Finest” range Enters Thailand	
1999 Tesco launches online bookstore Enters Taiwan and South Korea	Wal-Mart acquires Asda chain in UK
2000 Tesco.com launched Employee Insight Unit created	
2001 Internet joint venture with US-based Safeway Enters Malaysia	Reports annual profits of £1 billion
2002 Tesco launches TWIST Acquires T&S convenience store chain	Leahy receives knighthood
2003 Enters Japan and Turkey Launches Tesco mobile phone	
2004 Acquires 45 London-based convenience stores Tesco Broadband is launched Enters China	
2005 Announces non-food store trial	Reports annual profits of £2 billion Pressure groups form Tescopoly alliance
2006 Announces plans to enter the US Unveils “Community Plan”	Regulator investigates supermarkets New incentive package for Leahy
2007 Fresh & Easy is launched	Leahy named adviser to prime minister

Exhibit 3 Leahy's CV in 2007

Born	February 28, 1956
Education	St Edwards College, Liverpool; BSc (Hons) in management sciences (University of Manchester Institute of Science and Technology).
Lives	Hertfordshire
Family	Married to a doctor, three children
Career History	1973 : Shelf-stacker, Tesco 1977-1979 : Graduate trainee, Co-op 1979-1981: Marketing executive, Tesco 1981-84: Marketing manager, Tesco 1984-86: Marketing director, Tesco 1986-92: Commercial director, fresh foods, Tesco 1992-95: Marketing director, Tesco 1995-97: Deputy managing director, Tesco 1997-present: Chief executive, Tesco
Other positions	Director of Liverpool's regeneration program Co-Chancellor of Manchester University.
Honors	Knighted, 2002
Interests	Everton FC, skiing, reading, theater, architecture.
Car	Lexus

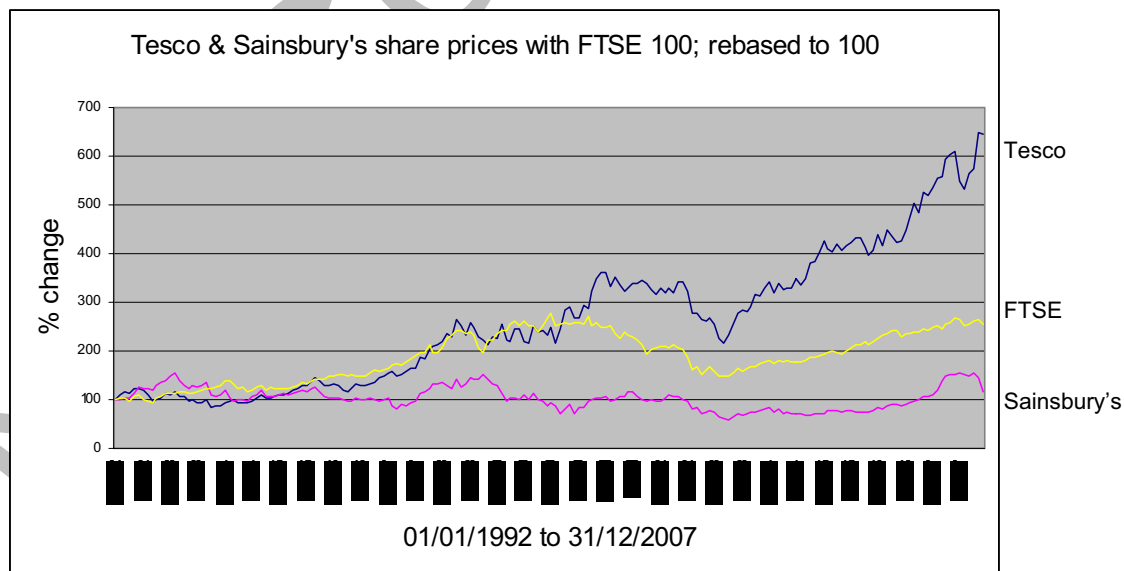
Source: Adapted from profiles in *The Times* (26 November 2007) and *Retail Week* (7 March 2003).

Exhibit 4 Evolution of Financial and Workforce Figures

Year Ended Feb	Store Count		Sales Area million sq ft		Full-time Equivalent Employees (000's)		Sales £ bn		Group Profit before tax £m	Weekly Sales per sq ft (UK) £
	Group	UK	Group	UK	Group	UK	Group	UK		
1995	149	519	NA	13	69		10.1	9.7	617	17.00
1996	734	545	NA	13	85	81	12.1	11.6	675	18.31
1997	758	568	NA	14	98	90	13.9	13.1	750	19.74
1998	781	618	18	15	119	100	16.5	15.0	817	20.48
1999	821	639	21	16	127	105	18.5	15.8	881	21.05
2000	845	659	24	17	135	108	20.4	17.0	955	21.43
2001	907	692	28	18	152	114	22.8	18.4	1,070	21.75
2002	979	729	32	19	172	121	25.7	20.1	1,221	22.43
2003	2,291	1,982	40	22	188	133	28.3	21.3	1,492	21.86
2004	2,318	1,878	45	23	223	152	33.6	24.8	1,600	22.48
2005	2,334	1,780	49	24	243	163	37.0	27.1	1,952	23.89
2006	2,672	1,898	55	26	273	175	43.1	30.0	2,280	25.06
2007	3,263	1,898	68	28	318	184	46.6	32.6	2,648	25.48

Source: Annual Reports

Comparative Share Price of Tesco and Sainsbury's



Source: Datastream

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