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ASSIGNMENT 2

CONTEMPORARY HR CHALLENGES AT TESCO PLC

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1. INTRODUCTION

In this report, I analyse the main contemporary Human Resources (HR) challenges at Tesco PLC, one of the largest retail companies in the UK. I chose Tesco because the company has a very large workforce and is investing strongly in technology, artificial intelligence, employee development and diversity. In 2025/26, Tesco had more than 340,000 colleagues and continued to invest in pay, technology and skills development (Tesco PLC, 2026).

The purpose of this report is to analyse three important factors for the future of the company: adapting to technological advancements, talent acquisition and retention, and Diversity, Equity and Inclusion (DEI). First, I will explain how these factors can affect performance, employee engagement and the long-term sustainability of Tesco. Then, I will evaluate modern HR practices that can help the company. Finally, I will critically evaluate how managers can implement these practices quickly, responsibly and effectively.

2. KEY ORGANISATIONAL HR FACTORS

2.1 Adapting to Technological Advancements

The first challenge I identified is adapting to technology. Tesco is already a company that depends heavily on technology and it is now increasing its use of AI, automation and data analytics. In its 2025/26 results, Tesco reported that it had more than 6,000 technology colleagues and was using AI in different areas, including customers, colleagues, suppliers and operational efficiency. The company also started a test of a new AI assistant with around 280,000 colleagues (Tesco PLC, 2026).

I think this change can improve performance because technology can reduce repetitive tasks, improve decision-making and help the company work faster. However, there is also a challenge for employees. When new technologies are introduced, some people may feel insecure because they do not know if their current skills will still be enough. CIPD (2025) reports that many workers expect automation to change their jobs, but only some have received training to prepare for these changes.

In Week 1, we learned that the HR system brings different HR practices together to help an organisation achieve the required results. We also learned that HR practices include activities connected with managing and developing people. Therefore, in my opinion, technology should not only be seen as a way to reduce costs. It should also be supported by training, career development and support for employees.

This point is also connected with Work and Job Design, which we studied in Week 2. We learned that good job design should consider skill level, autonomy, opportunities for development, job security and work-life balance. Therefore, if Tesco introduces more automation but does not give employees opportunities to develop new skills, it may improve efficiency in the short term, but it could have a negative effect on employee engagement and retention in the long term.

2.2 Talent Acquisition and Retention

The second factor is talent acquisition and retention. For a company the size of Tesco, finding people with the right skills is important to maintain service quality and keep up with new technology. In Week 5, we learned that recruitment means finding and engaging the people that an organisation needs, while selection is deciding which applicants should be appointed. We also learned that the aim is to find candidates whose skills, experience, qualifications and characteristics match the needs of the job.

This challenge is even greater when the company needs specialist skills. Tesco, for example, has increased its technology team to more than 6,000 people and recruits for areas such as cyber security, software engineering, data science and UX design (Tesco PLC, 2026). This means that the company cannot depend only on traditional recruitment. It needs workforce planning to understand which skills will be needed in the future.

In Week 3, we learned that workforce planning helps an organisation assess the number and type of people needed, while considering the labour supply and preparing recruitment, retention, succession and talent management plans. We also learned that forecasting involves predicting future demand and supply of labour and considering the skills and experience needed.

Retention is also very important. When experienced employees leave, Tesco loses knowledge and needs to spend more money on recruitment and training. CIPD (2025) explains that high employee turnover can be expensive because of recruitment, training and the loss of knowledge.

There are some positive signs at Tesco. In 2025/26, 82% of colleagues said that they would recommend Tesco as a great place to work, compared with a global retail benchmark of 71% (Tesco PLC, 2026). The company also increased investment in store colleagues' pay (Tesco PLC, 2026). Even so, I think the company needs to continue working on retention because the labour market is competitive and digital skills are in high demand.

2.3 Diversity, Equity and Inclusion

The third factor is Diversity, Equity and Inclusion. For me, this is an important challenge because a company with hundreds of thousands of employees needs to make sure that people from different backgrounds have fair opportunities.

The Equality Act 2010 protects workers from discrimination related to characteristics such as age, disability, race, religion or belief, sex and sexual orientation, among others (GOV.UK, 2026). Therefore, DEI is not only about the company's image. It is also connected to legal and ethical responsibility.

Tesco already has a DEI strategy called “Everyone's Welcome”. The company's diversity policy includes commitments related to inclusion, flexibility, accessibility, recruitment and career development. Tesco says that it wants to create an environment where colleagues can be themselves, feel valued and have development opportunities (Tesco PLC, 2025).

However, having a policy does not automatically mean that every employee has the same experience. The most recent data shows that, at Tesco Stores Limited, women had a median hourly pay 4.8% lower than men and represented only 35.4% of employees in the highest pay quartile (GOV.UK, 2025). This shows that there are still areas that need attention.

Academic research also shows that not all DEI initiatives have the same results. Zhao et al. (2025), in a meta-review of 37 reviews, found different results between different interventions. Workplace accommodations and job training showed more positive results in some areas, while diversity training had more limited results, mainly in awareness and learning.

Therefore, I think Tesco needs to go beyond simply providing training. The company needs to monitor recruitment, promotion, pay, career development and employee experience to check if inclusion is really happening.

3. EVALUATION OF CONTEMPORARY HR PRACTICES

3.1 Digital HR Systems and Workforce Analytics

The first practice I consider suitable for Tesco is the use of digital HR systems and workforce analytics. CIPD (2025) explains that people analytics uses employee data to solve business problems. It can help identify groups with higher turnover and understand what affects employee morale and retention.

For Tesco, this can be very useful because the company has a very large workforce. HR managers could analyse data about absence, turnover, training, performance, engagement and recruitment. For example, if one region has much higher turnover than other stores, the manager could investigate the reasons and create a specific solution.

This practice is strong because it allows decisions to be based on evidence instead of only opinions. It also connects with what we learned in Week 3 about forecasting and workforce planning.

However, there is also a limitation. Data does not explain everything. A high turnover rate can show that there is a problem, but it does not always explain why people are leaving. Therefore, I would combine analytics with employee surveys, interviews and feedback. Tesco already uses Every Voice Matters to listen to colleagues, which can work together with quantitative data (Tesco PLC, 2026).

There is also a risk when AI is used in HR. Research shows that AI can improve productivity but can also create problems related to transparency, job design, performance and data (Meijerink et al., 2020). Therefore, any system used by Tesco should keep human oversight.

3.2 Employer Branding, Workforce Planning and Retention

The second practice is to combine employer branding, strategic workforce planning and retention strategies.

Employer branding is important because it helps an organisation become more attractive in the labour market. According to CIPD (2025), a strong employer brand can help attract, recruit, retain and engage the right people. For Tesco, this is important because the company competes for workers in retail, management, logistics, technology and data.

Tesco already has a strong employer image and, in 2025/26, 82% of colleagues recommended the company as a great place to work (Tesco PLC, 2026). This is an advantage, but I do not think this result should be treated as a guarantee of retention. The employer brand needs to match the real experience of employees.

The company should also continue with strategic workforce planning. In my opinion, this would help Tesco identify which jobs are growing, which skills may become less important and which employees need reskilling. Tesco is already investing in AI and digital skills, including training to help colleagues feel more confident using AI and digital tools (Tesco PLC, 2026).

For retention, I would use a combination of competitive reward, career development, flexible working, recognition and wellbeing. This also connects with Herzberg's theory, which we studied in Week 9. The theory separates hygiene factors, such as pay, benefits, security and relationships, from motivating factors such as achievement, recognition, responsibility, promotion and growth.

The main limitation is cost. Increasing salaries, providing training and creating career opportunities require investment. However, I think the cost of losing experienced employees can also be high. Therefore, Tesco should compare the cost of these initiatives with the cost of employee turnover.

3.3 Inclusive Recruitment and DEI Development

The third practice is inclusive recruitment and the development of a DEI culture.

In Week 5, we learned that recruitment should match a person's skills, knowledge, experience and characteristics with the requirements of the job. We also learned that interviews are not always completely

reliable and that structured interviews, predetermined questions and more than one interviewer can improve fairness.

I would apply these ideas at Tesco through structured interviews, clear person specifications, different recruitment channels, accessible applications and monitoring of recruitment results. CIPD (2025) recommends practices such as anonymising applications, making interviews flexible and accessible, and monitoring diversity data.

Tesco already has a commitment to make recruitment more inclusive and is recognised as a Disability Confident Leader (Tesco PLC, 2025).

However, I would not depend only on diversity training. Research by Zhao et al. (2025) shows that training can increase awareness and learning, but it is not enough on its own to guarantee inclusion results. Therefore, I would combine training with measurable targets, career development, mentoring, accessibility and analysis of promotion and pay data.

It is also important to be careful with AI recruitment. The UK Government warns that AI can improve efficiency but can also reproduce existing bias and create digital exclusion (Department for Science, Innovation and Technology, 2024). Therefore, Tesco should test the results of these systems and keep a human involved in the final decision.

4. CRITICAL EVALUATION OF MANAGERIAL IMPLEMENTATION

For me, one of the most important parts of this report is understanding that a good HR policy does not guarantee good implementation. Departmental managers are very important because they are the people who turn HR policies into real practices in everyday work.

First, there needs to be **leadership accountability**. Senior leaders need to make it clear that technology adoption, talent retention and DEI are business priorities and not only responsibilities of the HR department. Managers should have objectives related to people management and should be evaluated on their results.

Second, good **communication** is necessary. When a company introduces AI, new systems or changes in recruitment, employees may feel worried or confused. Managers should explain why the change is happening, how it will affect work and what training will be available. Research on organisational change shows that communication, support, involvement, reinforcement and social influence can help employees accept change (Ellis et al., 2023).

I also think it is important to involve employees. Tesco already has Every Voice Matters and Colleague Contribution Panels (Tesco PLC, 2026). Managers should use these methods not only to collect opinions but also to show employees that their feedback leads to action.

Third, implementation needs **monitoring and performance measurement**. I would use different KPIs for each challenge. For technology, some KPIs could be the percentage of employees trained in digital skills, system adoption and productivity improvement. For talent, I would use time-to-hire, turnover rate, retention rate, internal promotion rate and training completion. For DEI, I would monitor recruitment diversity, promotion rates, pay gaps, representation in management and employee inclusion scores.

This also connects with Performance Management, which we studied in Week 10. Performance management should include feedback and evaluation, and different feedback methods can include several people who work with the employee. For Tesco, regular feedback may be more useful than waiting only for an annual appraisal.

Fourth, the **organisational culture** needs to support change. If managers say that DEI is important but continue to promote people only because of personal relationships, the policy will not be credible. In the same way, if the company says that it supports digital learning but managers do not give employees time for training, employees will not be able to develop new skills.

Finally, there are **barriers to implementation**. The main barriers I identify are resistance to change, lack of digital skills, costs, pressure on managers, differences between stores and offices, and concerns about AI and data privacy. The use of AI in recruitment can also create risks of discrimination and needs attention to UK GDPR and fairness (Department for Science, Innovation and Technology, 2024).

To overcome these barriers, I would start with clear and measurable priority actions. Managers should receive specific training, have clear objectives and receive support from the HR team. Implementation could start with pilot projects, measure the results and then expand the practices that work. This would reduce the risk of implementing a large solution without knowing if it is really effective.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

My analysis shows that Tesco faces three HR challenges that are strongly connected. Technology is changing jobs and the skills that employees need; competition for talent makes recruitment and retention important; and DEI requires the company to provide fair opportunities and a real culture of inclusion. Tesco already has several positive initiatives, but the results show that there is still room for improvement. I

believe the main point is to connect technology, talent management and DEI in one people management strategy instead of treating each problem separately.

Recommendations

1. **Create a continuous digital reskilling plan**, making sure that employees receive training before and during the introduction of new technologies and AI.
2. **Use workforce analytics together with employee feedback** to identify the main causes of turnover and make evidence-based decisions.
3. **Strengthen career development and internal mobility**, allowing more employees to develop new skills and progress within Tesco.
4. **Make recruitment even more inclusive** by using structured interviews, objective criteria, accessible recruitment and monitoring results for different groups.
5. **Create DEI KPIs for managers**, including representation, promotion, pay gap and employee inclusion, making managers responsible for the results.
6. **Keep human oversight when using AI in HR**, checking regularly that systems produce fair results and making sure that technology does not completely replace human judgement.

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