

Business Management

Title: Evaluating the Structure and Culture of Tesco PLC

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Introduction

Business management is a systematic discipline to plan, organize, analyze, control, and make strategic decisions for the administrative tasks of a business. It ensures the efficient allocation of limited resources among the functioning units. It creates cohesiveness and integrates the organizational resources including technological, human, natural, and financial resources to pursue organizational objectives, mission, and vision. Thus effective and efficient business management is considered as the biggest weapons for sustainable success nowadays (Armstrong, M., 2017). Organizational culture, structure, human resources, and management techniques are the core elements of efficient business management. Considering these significances of business management this essay is going to explore the relationship between organizational structure, culture, Human Resources, and organizational performance on Tesco plc. It will also explore the essential nature of managerial work, variables that determine effective management and leadership, and will evaluate the behavioral approach to management at Tesco plc.

Tesco plc is one of the largest retailers in the world that was founded in 1919. It has more than 6,800 outlets all around the world where more than 450,000 employees are working on a permanent basis. It has an operating income of £2,206 million in 2019 with a sales growth of 1.4% in comparison to 2018 (Tesco Plc 2019). Organizational structure, culture, people, and management techniques have played the most dominant roles for the success of Tesco for a very long period.

Structure

An organizational structure refers to a system that outlines and directs organizational activities (including rules, roles, and responsibilities) towards the accomplishment of organizational objectives. It describes how organizational activities are allocated, coordinated, supervised, and directed towards the goals. Organizational structure is very crucial to clarify authority, provide specific guidance, and coordinate all the functioning units of an organization (Mullins, L, 2016). Considering these significances, business organizations use different types of organizational structure including administrative structure, functional structure, divisional structure, matrix structure, etc. The business objectives of Tesco plc are to stay in the leading by providing quality goods and services at a lower cost (Jacobides, M. 2019). Considering the objectives of Tesco, it operates through a hierarchical organizational structure. The hierarchy consists of different functional sections as well as regional strategy. Besides, all the functioning units also work together for the accomplishment of the goals of Tesco. Their functional departments are the administration department, customer service department, Human Resource management departments, distribution department, finance department, marketing department, sales department, ICT department, R & D department, etc. A simplified hierarchical organizational structure of Tesco is as follows:

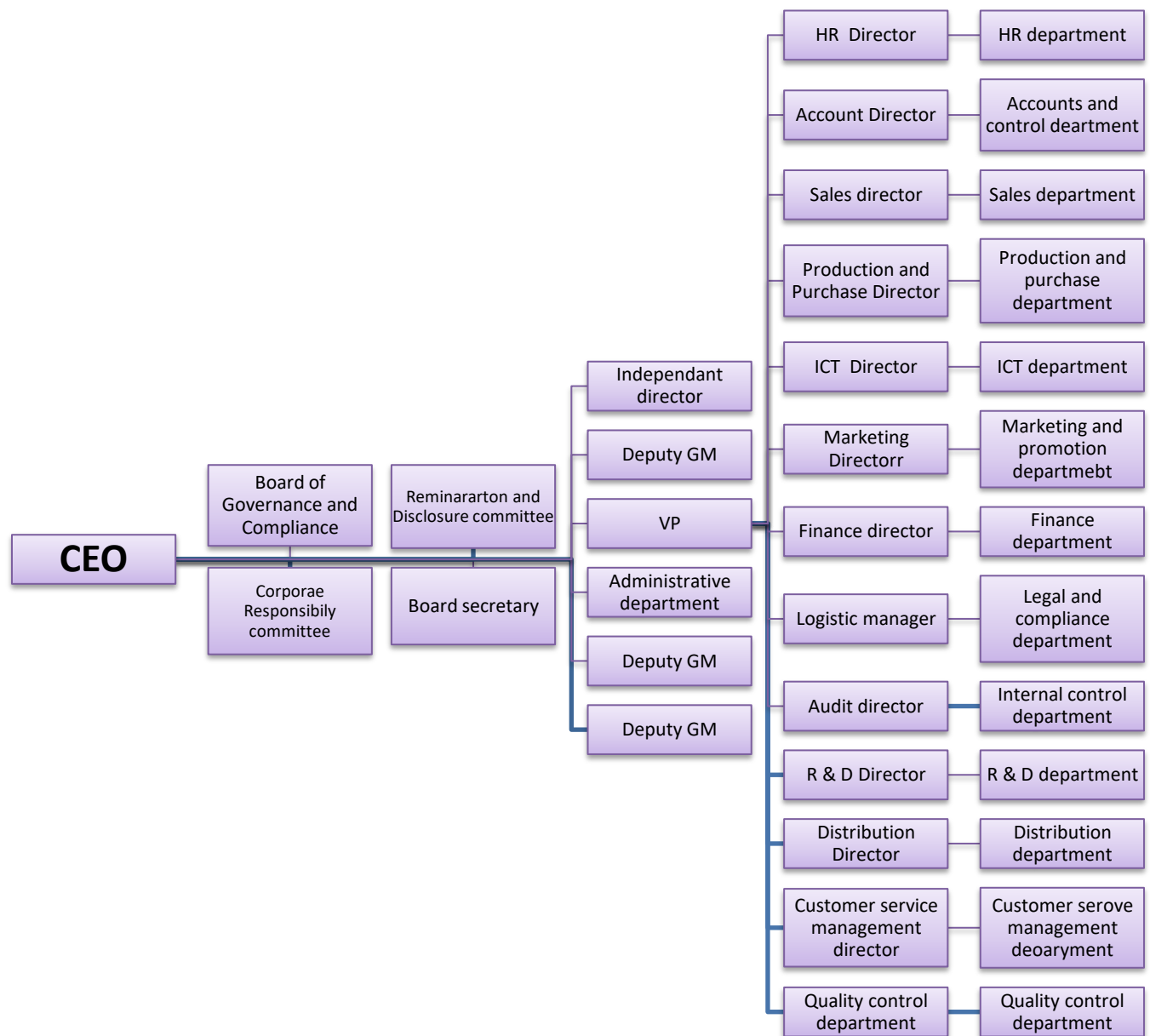


Figure: Organisational Structure of Tesco (Tesco Plc 2019)

On the other hand, the regional manager is the head of a particular region. hierarchical organizational structure enables them to allocate positions and obligations into different parts and ensures smooth and efficient functioning. CEO has the maximum responsibility and authority over different functional units. All the employees know their responsibilities, authorities, intra-organisational procedures, fixed rules, etc. in a written manner. As a result, there is no discretion

for interpretation at Tesco. But challenges for Tesco are the lack of creativity, flexibility, communication, and coordination can hamper the performance. For this, they are focusing on the intra-communication system and integration process to ensure the effective flow of information, objectives, mission, and vision between different hierarchical layers. Though the organizational structure of Tesco is hierarchical they believe in coordination among the functioning units, encourage internal innovation, and reduce communication barriers for sustainable growth and performance.

Functional Structure

As we have discussed earlier that Tesco consists of several functional units. Thus the structure of HR department of Tesco is as follows:

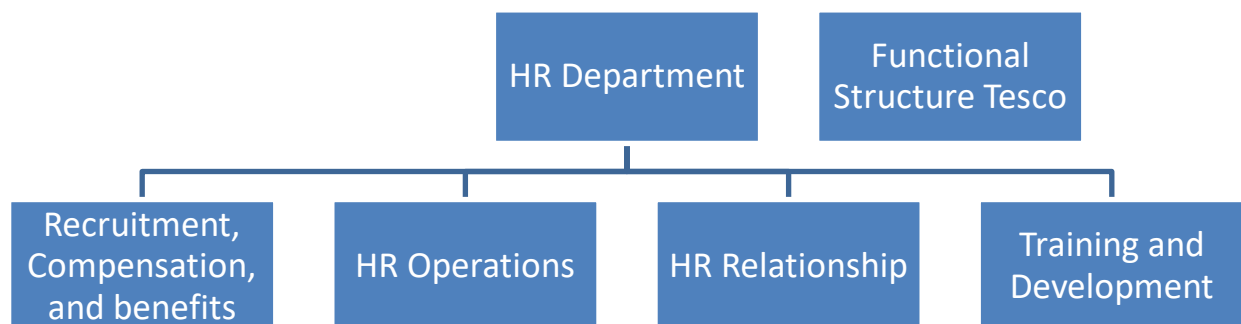


Figure: Functional Structure Tesco

Their Human Resource Management department plays all the required roles to ensure efficient management of their manpower. The HR strategy of Tesco starts with developing organizational objectives and resource planning and then they develop a schedule for required employees. They are very focused on hiring the best employees having the required skills and abilities to explore the long term goals of Tesco. For this, Tesco offers very competitive monetary and nonmonetary appraisals to the job seekers. After hiring the best competitive employees, they focus on

providing required training and development instruments to make the employees efficient in the workplace. They also use a succession plan for creating future leaders within the organization. They ensure required technical support to the trainee managers for their personal development. Tesco encourages employees' creativity and motivation for sustainable performance. HR operation section maintains and controls all the activities from hiring/retention to firing.

Geographical structure

Tesco has operations in different locations. Depending on the objectives, Tesco has different level of geographical structures. Thus the Geographic structure of tesco is as follows:

International operations

Country	Entered	Stores	Area (m ² (sq ft))	Mean Store Area (m ² (sq ft))	+/- Stores 2010/11
 China	2004	105	755,766 (8,135,000)	7,198 (77,476)	▲ 17
 Czech Republic	1996	158	486,626 (5,238,000)	3,080 (33,152)	▲ 22
 Hungary	1994	205	667,508 (7,185,000)	3,256 (35,049)	▲ 29
 Republic of Ireland	1997	130	301,099 (3,241,000)	2,316 (24,931)	▲ 11
 Japan	2003	140	46,916 (505,000)	335 (3,607)	▼ 2
 Malaysia	2002	44	308,903 (3,325,000)	8,129 (87,500)	▲ 7
 Poland	1992	371	756,788 (8,146,000)	2,040 (21,957)	▲ 35
 Slovakia	1996	97	314,291 (3,383,000)	3,240 (34,876)	▲ 16
 South Korea	1999	354	1,084,736 (11,676,000)	3,064 (32,983)	▲ 49
 Thailand	1998	782	1,053,786 (11,342,000)	1,348 (14,504)	▲ 119
 Turkey	2003	121	594,487 (6,399,000)	4,913 (52,884)	▲ 16
 United Kingdom (for comparison)	1919	2,715	3,411,586 (36,722,000)	1,257 (13,526)	▲ 205
 United States	2007	164	199,091 (2,143,000)	1,214 (13,067)	▲ 19
Total (not including UK)		2,666	6,569,997 (70,718,000)	Mean: 2,465 (26,536)	▲ 336
Total (including UK)		5,381	9,981,583 (107,440,000)	Mean: 1,855 (19,970)	▲ 544

Tesco has most of the locations in the UK and then Thailand, Poland, and South Korea. Thus these geographical locations consist of four layers management structure (Roberts, 2019). It is given below:

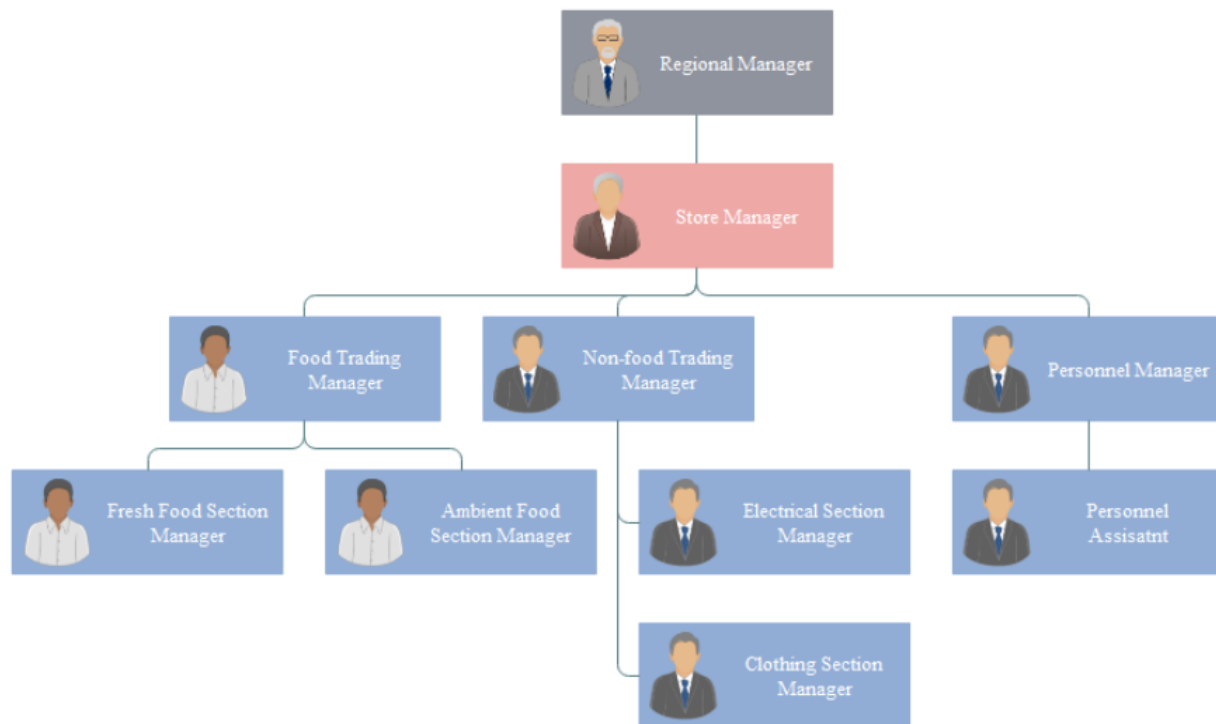


Figure: Regional structure of Tesco (Tesco Plc 2019)

Four layers of management are sometimes questionable at store level. Though it ensures the chain of command, it may have a lack of coordination and collaboration. For this, they are considering an internal communication system and employee empowerment strategy to eliminate the barriers from this structure. They are making a flexible and friendly work environment to increase productivity and sustainable performance. Decentralization of command is also started in practice at Tesco (Roberts, 2019).

Product Structure

Tesco offers thousands categories of products. We can classify their product structure into four broad categories. The product structure of Tesco is as follows:

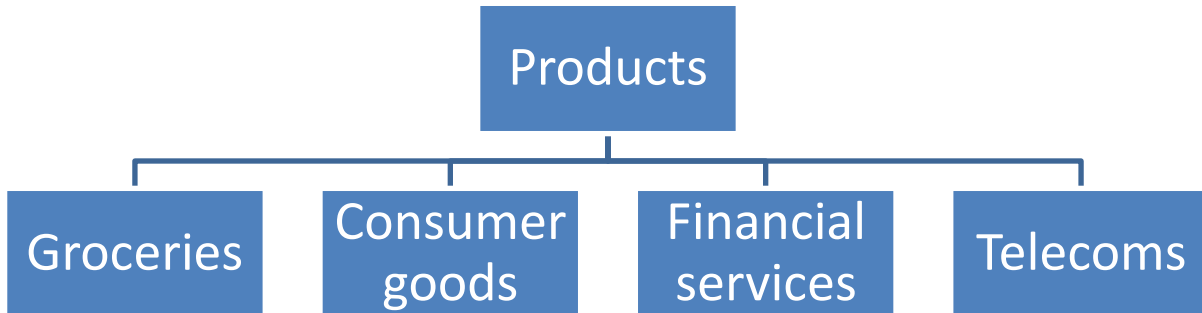


Figure: Product Structure of Tesco

Their Groceries item includes both food and non-food items including kitchenware, households, pharmacy, and pet supplies. Major food items include Corned beef, Fresh beef, Berries, Chicken and eggs, Citrus fruits, Coffee, etc. They also offer different types of perfume, beverage, clothing, etc. to the consumers.

Culture

Organizational culture refers to the underlying beliefs, values, assumptions, and the ways of interaction among different stakeholders within or outside of an organization that helps to create a unique social and psychological environment of an organization (Mullins, L, 2016). Different models and theories of culture have explained cultures in different ways. Hofstede classified culture based on power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. Short-term oriented versus Long-term is also considered as the fifth cultural dimension in this model. Application of Hofstede cultural dimensions are as follows:

Cultural dimension	Score obtained by	UK Country Comparison	Explanation
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	Tesco		
Power distance	54/100	35/100	Having a hierarchical organisational structure, Tesco has more power distance than the UK at a whole.
Uncertainty avoidance	46/100	35/100	They are risk taker. They believe in higher return with a higher level of risk.
Individualism/collectivism	21/100	89/100	Tesco believes in team work and collectivism. Thus they have obtained a lower score here.
Masculinity/femininity	58/100	66/100	They have above per score here that refers they are a masculinity preferring organisation and they are success driven.
Short term/Long term	56/100	25/100	They also have above per score in this area. It refers to that Tesco prefers exploring long term objectives by focusing more on short term objectives.

Figure: Hofstede cultural dimension at Tesco

Source: (Robers, 2019).

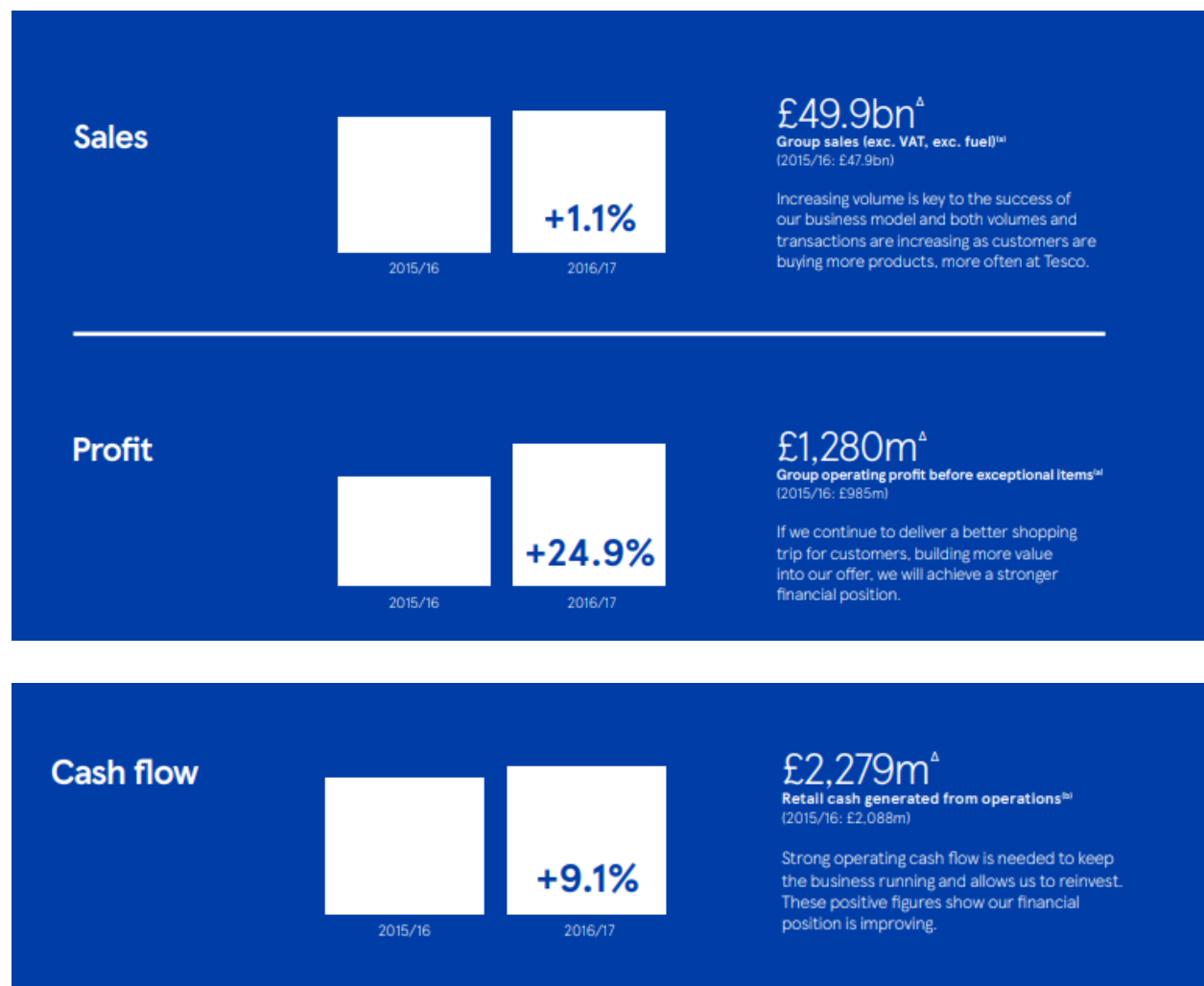
Again GLOBE research provided five dimensions of culture including human orientation, gender egalitarianism, assertiveness, performance orientation, and future orientation. Besides, there are some other types of organizational cultures like clan culture, adhocracy culture, market culture, hierarchy culture, etc. A single dimension or type of culture is not enough to explain the organizational culture of Tesco. Now Tesco has a worker-friendly, supportive, shared, and long term oriented organizational culture. Historically organizational culture of Tesco is also changed over the years. Bureaucratic culture has already been replaced with a flexible and participatory culture (Woods, M. 2017). Tesco now encourages shared culture and beliefs. Their core value is 'Every little help makes a big difference'. They believe that spontaneous participation and delegation of the employees can ensure the best customer service and superior business strategy. For this, Tesco encourages employee loyalty, ensures a friendly workplace environment, and values the perception of the employees. Tesco has changed its strategy from competition-focused

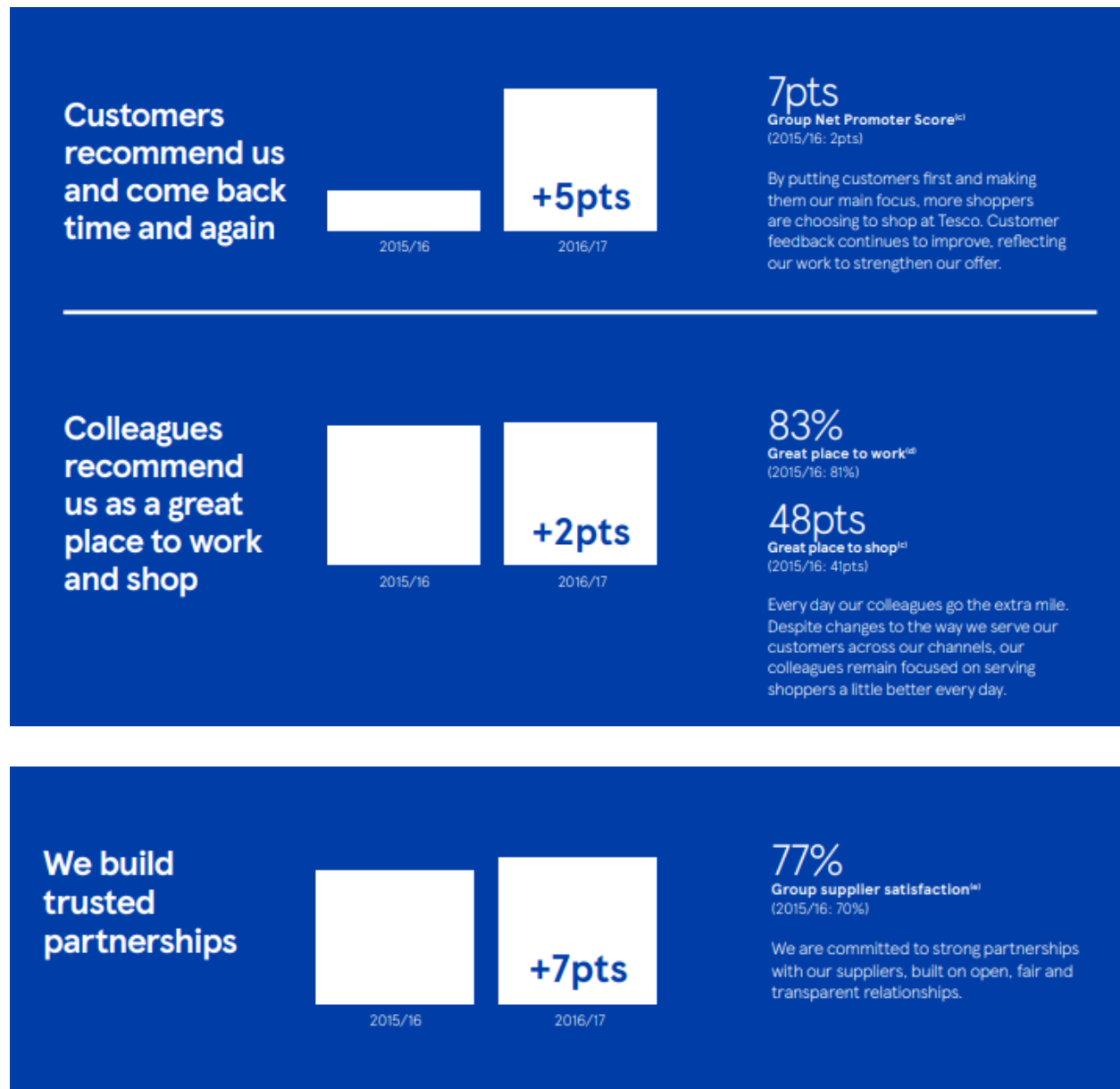
to customer-focused in the 1990s. For this, they focused on strengthening the internal environment by ensuring a positive workplace culture. Currently shared, friendly, and positive culture at Tesco has enabled employees to understand the perception, values, and demands of the customers in a better way. Besides, employees are also getting motivated due to an employee-friendly culture at Tesco. The ultimate results of this cultural perception are workers' citizenship behavior, higher competitive advantages, loyal customer base, and superior sustainable organizational performance.

Organisation

Tesco is a customer service-oriented business organization. It always tries to ensure the best customer service by valuing each penny of the customers. This business strategy has kept Tesco at the top of the game for a longer period. The leadership and management strategy of Tesco serves as the most effective weapon in this game. Tesco aims at developing quality leadership for effective administration and control. The leadership and management aim of Tesco is to motivate, inspire, and influence the behavior, perceptions, efforts, and values of employees towards attaining the objectives of the organization and employees simultaneously (Yuliarini, S. 2016). For this, leaders and managers of Tesco prioritize the needs of organizations and employees. Then they focus on available resources to develop aims, objectives, mission, and vision. They try to clarify the roles and responsibilities required to explore the objectives. Then they organize, motivate, and control the activities of the employees to provide continual guidance and feedback for quality completion of the plan. This process at Tesco can be explained as the managerial process. But these tasks are not as easy as it seems to be. By nature, the managerial functions of Tesco often face unique challenges. Leaders and managers need to perform a great quantity of work to perform this process. They perform numerous activities marked by brevity, variety, and fragmentation. They ensure effective information flow, coordinate internal and external factors, develop alternative solutions for unforeseen uncertainties, and perform routine and non-routine work for the accomplishment of their objectives. To ensure this they play three distinctive roles including interpersonal roles, informational roles, and decision roles. Coordination and integration among these functions, processes, roles, and responsibilities of leaders and managers have created a clear vision at Tesco that ensures sustainable success (Woods, M. 2017). We can explain the success of leadership and

management at Tesco by sustainable organisational profit performance (more than £2000 million operating profit, lower level of employee turnover rate (approximately 26% in 2017) than the competitors (Industry average 35%) that reflects higher employee satisfaction, highest valued customer base in the U.K., and sustainable organisational growth (2.8% sales growth over the last 10 years) (Barnes, R. 2018). But nowadays Tesco is facing some challenges from market competition and losing market share as well. But David Lewis the CEO of Tesco believes that opportunities come from challenges and they are strengthening their online automation system and upgrading their online system by developing own application software to increase online sales. He also believes that the management of Tesco is efficient enough to meet these challenges. A brief overview of financial and non-financial performance of Tesco is as follows:

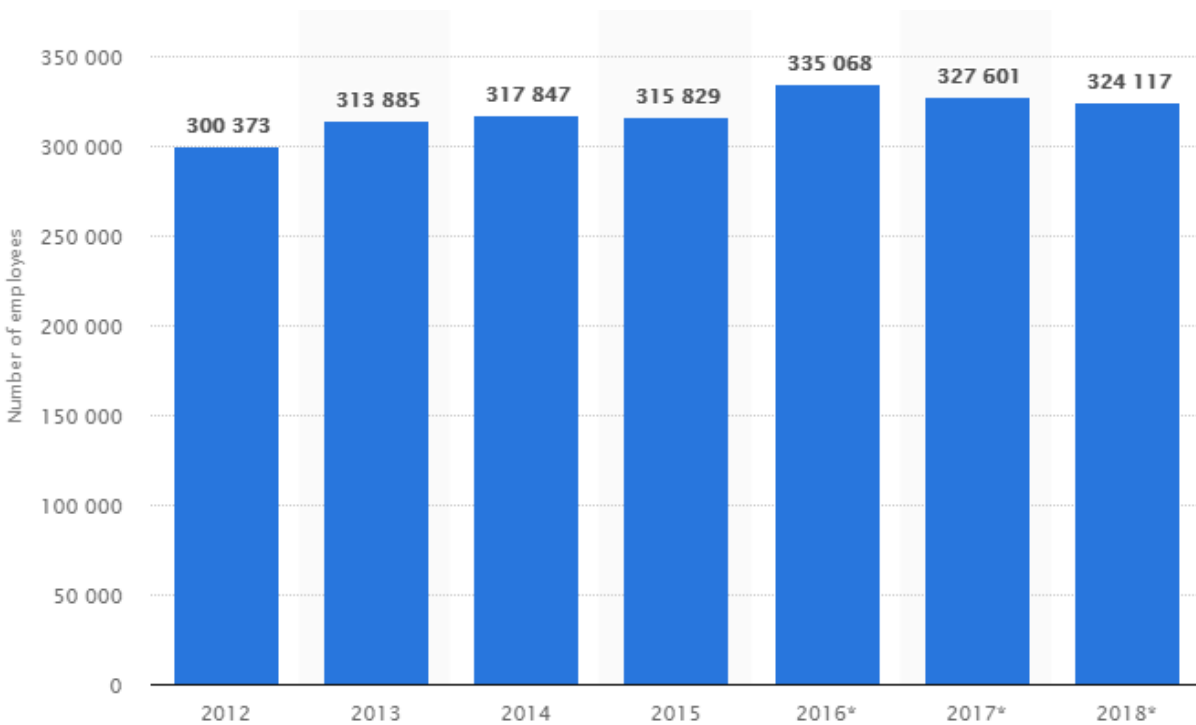




Source: (Tesco Plc 2019)

People

Tesco is a global retailer chain with 450,000 employees and 6,800+ outlets. Tesco has employees from different countries, cultures, religions, race, and gender. A brief overview of the Manpower of Tesco in the UK is as follows:



Source: (Tesco Plc 2019)

Since they have a diversified workforce, they have different perceptions, beliefs, choices, demands, objectives, and values. So, managing such a big range of employees is a very difficult task for the managers of Tesco. Every year they have to recruit, promote, and downsize thousands of employees. So, managing this diversified workforce becomes a very challenging task as well. HR strategy of Tesco mainly focuses on training and development, performance management system, efficient uses of competencies, simplification of tasks, keeping the employees motivated ((Barnes, R. 2018). For this, they follow different strategies to keep this huge manpower motivated. We can apply different management theories on Tesco to explain how they are keeping this large worker base motivated over the years. In this regard, management theory can be applied to Tesco. The behavioral management theory focuses on the understanding of the behavioral factors of the employees to pursue organizational goals. Employees are considered as the crucial asset to explore the objectives. We have found that the managers of Tesco give special interest to the opinions of the general employees to make them feel a part of the organization. It increases the intrinsic motivation of the employees and makes them productive as well. In this regard, Tesco focuses on different factors that influence human behavior like abilities, perception, culture, race, gender, attitude, attribution, and beliefs of the

employees to influence their behavior. They design their reward system according to these behavioral aspects of the employees. Besides, Tesco also ensures a sound and friendly working environment for the best outcomes from the employees (Woods, M. 2017).

Conclusion

We have explained some crucial factors that influence business management in the 21st century. I have tried to explain how organizational structure, culture, human resource, and organizational strategy influence the performance in the perspective of Tesco. We have found that the hierarchical structure of Tesco is creating some barriers but still, it ensures the chain of command, authority, clear roles and responsibilities, and organizational control. But within the hierarchical structure, they are maintaining an internal communication system to eliminate the barriers. They are also using decentralized controlling techniques for different locations. The organizational culture of Tesco is also transforming over the years. Employee empowerment strategy and positive shared culture have become a feature of Tesco. Their leadership strategies are also coordinating the interest of the customers, employees, and organization (Jacobides, M. 2019). As a result, Tesco is successfully exploring the value from customers. Due to their effective and efficient business strategy, they are expected to be in the industry-leading position for a very long time.

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