

Organisational Structure and Culture

Case of Tesco

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Introduction on organisational structure, culture, people and organisational performance

Organisational culture is the most effective path for knowledge management and organisational innovation as the role of organisational culture is to determine the values and beliefs and work systems that can encourage or hinder both processes of knowledge creation and of knowledge sharing (Alavi & Leidner, 2001; Gold, Malhotra, & Segars, 2001). Organisational culture also leads to change and organisational innovation (Lynn, 1999). Organisational culture can be seen to impinge on project performance in many ways. The communication structure, the roles and responsibilities, the organisational structure and the interaction of people and their performance can all be affected through the organisational culture. Culture in this context includes a group of attributes such as values, beliefs, principles, organisational history etc. This has led to an increasing emphasis on the value of the so-called 'soft skills' to an organisation (Building Journal, 1997).

People, in my opinion, are the most valuable attribute of a company. Firstly, because people create plans of development and of course, they can adapt to change. The ability to adapt to change of a company is very important nowadays because we live in a continuous changing world and the needs of people change everyday. These needs of the potential customers can be identified, and mostly anticipated, by other people. Secondly, people are important because they can create relationships and by these relationships I refer myself to the ones between the company and the customers. People can come up with ideas and plans that develop the loyalty of others towards the company. Relationship marketing is very important in the modern world, since people all around the world, especially in UK are sophisticated, educated and with a great amount of knowledge and tend to seek better offers.

Organisational performance is the organisation's ability to accomplish its goals through the use of resources, but in a good structured manner. The performance of a well structured company can include productivity, quality, consistency and also other factors (S. Maduenyi, A. Oluremi, O. Fadeyi, 2015). Organisational performance is related to the organisational culture, marketing and the relationship between managers and their employees. If all these things are in place and the organisation pays attention to them, then the organisation's performance should be as expected. Without a good structure of the organisation and good relationship between people, organisational performance is hard to achieve. Also, organisation performs better effectively when it interacts with the external environment because that is how it can determine the needs and how things are when talking about supply and demand.

Tesco is a British grocery and general products retail chain, which has its headquarters at the Tesco House in Chestnut, Hertfordshire. At present, it is the United Kingdom's largest supermarket. Tesco is the highest private sector employer in the United Kingdom (Tesco Annual Report, 2009). Tesco is one of the top retailers in the world; in 2009, it was recorded that it has over 320,000 employees all worldwide, as well as it has over 2320 stores. Tesco set up branches in Asia (Malaysia, China, Taiwan, and other Asian countries). It also widened its European market by venturing into Turkey and Czech Republic. Tesco also created a store in USA known as Fresh

& Easy; this is Tesco's American brand. There are about 150 stores of Fresh & Easy located around the Western part of the US and they also plan to extend (U. Nwagbara, 2011). In 1995, Tesco introduced the Internet shopping service in the UK, soon afterwards other superstores followed suit. This again gives Tesco strong competitive edge in terms of the rate of turn over (Y. Ma and J. Ding, 2010). Tesco is known for its ability to diversify its business operations away from dealing in only groceries and food related goods, which were originally the provenance of its business operation. Tesco has gone into the provision of non-food items and other range of services. Tesco is in partnership with Shell BP and other providers of fuel in the UK to bring this product close to its customers. By doing this, Tesco's customers could buy fuel easily without going to other place, thereby reducing their logistic costs (U. Nwagbara, 2011).

Tesco's organizational structure shows the large size of the company. Even in store level, there are as many as four layers of management in some large stores.¹

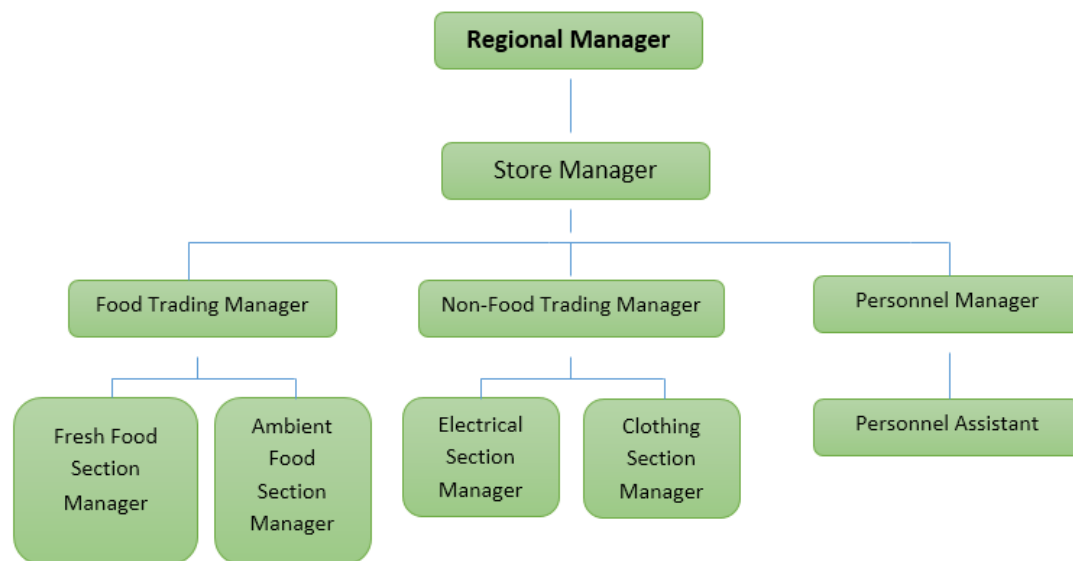


Fig. 1: Tesco's organizational structure for one of the store level

Source: <https://research-methodology.net/>

This type of structure creates and implements sense of urgency at a local level (in a store, for example), but also consolidates the team and leads to high performance of the employees, both front line employees and managers.

¹ Tesco PLC Report, 2016

Managerial work, the role of leadership, effective management and leadership

Leadership is the process of inspiring people to do their best to achieve a desired result. It can also be defined as the ability to persuade others willingly to behave differently (Armstrong, 2009). Motivating and making people do things in a positive way is very hard to achieve and that is why a company needs a strong leader with lots of abilities to influence people's attitude and way of thinking or acting.

Terence Patrick "Terry" Leahy was the first CEO of Tesco and since October 2020 the chief executive of the company is Ken Murphy. But Leahy's leadership is basically responsible for the organisational success of Tesco. This is essentially because Leahy sees Tesco's transformation as the only variable that would guarantee his leadership making a difference (Useem, 2001). Therefore, for Leahy, transforming Tesco is more of leadership than management. Leahy puts into consideration that people, which include customers and employees at Tesco to be important in the overall running of Tesco. For Leahy, there has to be a line drawn between management and leadership and so he was more concerned about being a leader than a manager. Leahy's idea about changing the organisational landscape at Tesco is that "management is about doing things right, while leadership deals with a leader doing the right thing". Also, according to Peck and Dickinson (2008), managers are transactional, while leaders are transformational, particularly when they are effective. In her article, "Ways Women Lead" published in Harvard Business Review, Rosener (1991) defined transformational leadership as motivating others by "transforming their individual self-interest into the goals of the group". This is at the heart of T. Leahy's organisational philosophy, which highlights the success of Tesco. The company's mission statement is inherited in "creating value for customers to earn their lifetime loyalty". This suggests that customers are to be respected and offered value for money.²

A healthy leadership and management work can provide success for an organisation. In order this success to appear, the leader and managers have to learn how to adapt to changes. Anticipating changes and the ability to adapt to them in a short time, are key elements when ruling a company. When talking about the organisation's needs, over the last years, Tesco claims that IT has played a key role in their success, by enabling fast response, increasing stock availability, improving collaborative planning, forecasting and replenishment and reducing costs.

The challenges that managers have to deal with mostly focus on: marketing, making service, attention to physical surroundings, training, methods development and control, employees' welfare, scheduling workforces, control of far-flung geographical locations, startup of new units and managing growth. Excellent service that satisfies the customers and meets the strategic intentions of the organisation is usually the result of careful design and delivery of a whole set of interrelated processes. Tesco considers that customers are at the very heart of their business and they believe that they should come first with the Competition Commission too. Here's how Tesco's team worked to streamline the customer's shopping scenario while maintaining the attributes that customers value: getting the quality, the assortment, and the prices they want. Early

² Tesco Annual Report, 2008; Tesco PLC, 2009

customers of Tesco can find the products via Internet they couldn't find in their local store. This would save the searching time and efforts for them. For the people who are familiar with the home shopping over the Internet and the single professional, a £5 delivery fee is well worth the time savings if not shopping themselves (Y. Ma & J. Ding, 2010).

The behavioural approach to management - factors that affect differences in individual behaviour

Tesco's leadership and management values are identified in the following assets:

- The main factor that sets Tesco's leadership and management apart is its values that rule around customer satisfaction and partnership. Customers are seen as an extension of the corporate image of Tesco. This factor is sustained by existing communication between customers and their problems and Tesco's management, the ability to negotiate with people in search of solutions, effective conflict resolution and solving problems in a fast and peaceful way among staff and customers, and a positive attitude when dealing with complaints or reclamations.
- Another asset of Tesco's leadership is its ability to make what the company describes as "developing their staff" for leadership positions. By doing this, Tesco means that all its employees can grow professional in the organisation. Tesco does not use vertical leadership structure, rather believes in flat management structure that empowers everybody.³

These values of Tesco determine that it has a management style that is close to both customers and employees. Firstly, it is important how leaders and employees act and what they do so everyone part of the staff has the opportunity to come up with ideas or to solve problems. Also, Tesco is focused on having low prices of products, but these products are not cheap in quality and this makes customers loyal (Y. Xie, 2013). These management and leadership strategies are effective because they lead to organisational development.

One of the main factors that Tesco has to put into consideration by being a leader on British market is to create what Armstrong (2009) calls sense of "ownership" among its employees so that they feel that they are part of the change process. This, as seen above, is a value and a strategy for the company and is good because it creates the sense of commitment for each individual. People management is taken in serious consideration by Tesco's management, they know that this process is mainly based on communication with each employee, making them to adapt to change and listening to their needs as people first of all and then as staff members. A true leader and a well defined management approach which includes values listed above create people development. Each employee may grow, both professional and personal, and this may bring their loyalty to the organisation, which in my opinion, is more important than we think. Learning the staff to resist and adapt to changes (also changes which involve management, not only market needs), these changes may become something productive and positive to the company, if employees look at

³ Inspired from e-Journal of Organizational Learning and Leadership

them with a positive thinking. This positive response from employees which adapt fast to changes, make them be in a continuous learning process and self discovering which transform each individual in a better person, per total and this also leads to better performance in company because the staff's productivity raises.

Conclusion

How Tesco's leadership treats its employees affects directly the company's performance, structure, the success and how it is seen on the global market. The company created a vision and has clear goals in which people engage because this vision is communicated to everyone so no one feels left outside or discriminated. Tesco learns and support people and how they adapt to changes. Low tolerance to change among employees (and also customers) could reduce their level of patience and their performance. People analyse things differently, especially if they do not know what is happening in the organisation so communication coming from leadership is important, especially for a company with a company of a size of Tesco. Making people feel part of the decisions, makes each individual responsible, competent, makes them feel like they are reaching their goals (not only the company's goals) and this attitude leads the organisation to success and helps it reach the top.

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