

Module	LCLM 5005 – Organisational Culture
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Programme	BA (Hons) Leadership and Management Skills for the Workplace
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Organisation	Tesco PLC
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Introduction

Organisational culture is the foundation of any structure for any business. The Mullins and Christy (2016,p.574) have argued that culture is made from 'how things are usually done around the businesses. Businesses use this to build their other processes such as the decisions they make, their design and hierarchy, motivation and finally the job satisfactions. In the current era where it is very important to globalise and have a very diverse workforce. It is extremely important that figuring out and managing personal culture can be beneficial for larger businesses.

Tesco, the United Kingdom's largest supermarket chain can provide important information on their organisational culture into practice. Having over 4,000 active stores in the UK and employing over 300,000 colleagues (Tesco 2023). Tesco's culture dynamics are complex and always changing over the years. From the Accounting scandals in 2014 to cultural shift under the new executive. The journey of Tesco culture offers rich analytical material.

In this report the influence of organisational culture will be linked to the Tesco culture. The three theoretical frameworks including Schein's (2010) three-level model, Hofstede's (2001) cultural dimensions, and Handy's (1993) cultural types will be used to identify how Tesco adapted to these cultures whilst linking any external factors or barriers to effective functioning. Additional evidence-based recommendations will be added for improvement on existing culture.

Organisational culture, structure and decision making for Tesco

The relevance between organisational culture and structure are both similar. They both reinforce culture within the workplace. (Johnson et al 2017). Tesco has a hierarchy structure type which is quite common for larger corporations. Levels from the management team through the store colleagues. This displays Tesco's culture which is characterised by procedures, rules and displaying authority from the higher ups. (Handy 1993) displays that decisions made by higher authority has always been done by the senior managers. Tesco aimed to change this by also including decisions to fall under the store managers within recent years.

The culture of Tesco and its decision making is based heavily on customer centred value approaches. The core purpose of the company 'Serve shoppers a little better every day'. This demonstrates the strategic decisions and operational decisions. (Tesco 2023). This cultural decision is driven by the data through its Clubcard analytics which allows for customers to gain insight and direct buying, promotional based decisions. According to Humby (2008), the Clubcard programme has completely changed Tesco's approach to its decisions from initially being instinctive based to more evidence based which ended up being successful for Tesco.

However, there was a scandal occurring in 2014 which Tesco overstated profits by £263 million. What this did was expose a weakness when making decisions. The investigations into this overstated figure showed there was a load of pressure and fear to meet the financial targets at the cost of accuracy and integrity. This has shown that performance-based culture has gone against ethical norms such as producing accurate data. These can affect the decisions as it shifted the culture to become more transparent when dealing with data. It also prioritises ethical leadership and safety, illustrating the profound impact of culture on organisational processes identified by Mullins and Christy (2016).

Identifying the organisational culture with frameworks

Schein's three level model:

The Schein model (2010) displays the organisational culture across three levels. Artefacts, values and the assumptions. By applying this framework to Tesco can reveal rich culture but also contradictory.

At the artefacts level, this is the visible expressions of culture. Tesco implements this culture in its store layouts, uniforms and lastly the Tesco branding itself. Not to mention the Clubcard loyalty scheme. The uses of accessible language and external communication can help promote diversity within the store such as giving events for colleagues who represent the LGBTQ or black colleagues or people who work with disabilities demonstrating a commitment to the people of these minority communities. (Tesco 2023).

Onto the level of the values. This is the beliefs and overall goals of an organisation. Tesco implements 6 core values which are the foundation. No-one tries harder for customers: we treat people how they like to be treated: every little help makes a big difference: we use our scale for good: we are a great place to work: and we, make what matters better, together (Tesco 2023). These values are meant to be people orientated and put customer culture first. However, Schein (2010) displays that these values are not always reflecting the actual behaviour that occurs which displays that there is a clear gap between the values being stated and actual experiences is culturally significant.

At the third and final level which is the underlying assumptions. The unconscious beliefs that forward behaviour. The Tesco culture has been shaped by it's assumptions to growth, dominating the market and building and improving its financial performance. These assumptions drove the aggressive strategy to expand during the 2000s under Sir Terry Leahy which contributed to its cultural conditions which led to the 2014 Accounting scandal. After this scandal Tesco replaced these with the assumptions have a long-term trust which enabled sustainability and wellbeing towards its colleagues. However, these organisational reports such as Cameron and Quinn (2011) have stated that they are both time consuming and too challenging.

Hofstede's cultural dimensions

Hofstede (2001) uses the framework of both national and organisational cultures. It provides further data analysis especially relevant to Tesco's international operations across many various countries. Hofstede's theory holds six dimensions of its culture. power distance, individualism versus collectivism, uncertainty avoidance, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint.

The term 'power distance' means that less powerful members accept unequal distribution across the workplace. Tesco having a hierarchal structure and top-down management style displays that there is a relatively high-power distance. The instructions and strategies are from head office to it's stores with the limited influence from other colleagues. However, within recent times, Tesco have introduced Tesco panels between colleagues to make for more participating decisions and reduce the power distance. (Tesco 2023).

Regarding the individualism versus the collectiveness, Tesco within the UK aligns more closely with the individual tendencies of British Culture. (Hofstede 2001) has the organisation demonstrate the collective behaviours through team-based incentives through schemes relating to colleagues and its stated commitment to being 'a great place to work together'. This tension between individual

performance management and collective cultural values is a recurring theme in large retail organisations (Dawson 2014).

In terms of long-term, Tesco strategic pivot towards it's commitments to be more eco-friendly by 2050. Reducing the food waste and supporting more carbon friendly methods. (Tesco 2023). This has demonstrated the goals have shifted from short-term to long-term especially in making profit. This was able to create a long-term value which reflects a maturing organisational culture which is aligned with stakeholder capitalism.

Handy's cultural types

Charles Handy (1993) framework is dedicated to four cultural archetypes. The power culture, role culture, task culture and person cultures. Tesco relates most to role culture which is done by procedures, job descriptions and formal higher up authorities. This extremely consistent with the demands for operation at a large-scale retail organisation. These consistent customer service standards and requirements to be compliant with new hygiene standards clearly require defined roles and procedures.

However, despite being a quite dominant culture, Tesco still holds a few elements of the task culture as it played a significant role in Tesco's innovation and transformation online. They were able to problem solve collaboratively as they developed a partnership with Booker group. its investment in artificial intelligence for demand forecasting reflect pockets of entrepreneurial, task-oriented culture coexisting within a broader role-culture organisation. (Tesco 2023). These varieties of culture were able to be argued that the larger organisations don't just stick to one culture but rather delve into multiple subcultures which are different from the traditional dominant culture type.

Adapting to external environments

The relevance between both organisational culture and external environments is very dynamic. Using PESTLE analysis for Tesco and how they operate reveals that they are always under cultural pressure and forced to adapt across political, economic, social, technological, legal, and environmental dimensions.

The rise in politics has increased governments scrutiny of pricing within the supermarket chain. Within the UK especially with the cost-of-living crisis. This has caused Tesco to culturally shift towards making prices affordable and reasonable, so it appeals much better to the average customer. This change is required especially since competitors such as Aldi have already adopted this culture. 'Low everyday prices'. This displays the cultural response ensuring the price sensitivity into making decisions. This represents the cultural adaptation Mullins and Christy (2016) describe as a necessary response to external environmental complexity.

Within the economy inflation pressures have contributed to cultural adaptations around changing costs and supplier relationships. Tesco has disputes with some of its suppliers such as Heinz. This was due to a disagreement in prices which shows how pressures can reinforce assertive, driven cultural behaviours at the cost of a supplier relationship. (BBC news 2023).

In society, the growing demand in consumers desiring ethical and sustainable and products tailored towards benefitting consumer health. This has changed Tesco's purchases, marketing and

sustainable functions. The organisation has environmental, social and governance principles into the cultural narrative. This can help set measurable targets for reducing carbon emissions, wasting food and plastic waste. (Tesco 2023). This reflects what Kotter and Heskett (1992) term a culturally adaptive organisation one that responds to environmental change while maintaining core cultural values.

Technologically, the digitalisation of retail has been adapted to Tesco to allow for a more agile approach. This has taken the more innovation-oriented culture compared to the traditional role culture. As Tesco expands, they increase the rapid delivery services whilst implementing new AI is put into the supply chain. This requires staff who are adaptable to digital innovations. Cultural characteristics are not usually common with large retailers who operate in a hierarchal structure. (Deloitte 2022). The challenge of developing these capabilities while retaining operational stability represents a significant cultural tension for Tesco's leadership.

Culture as a barrier or effective functioning

Organisational culture can act as a barrier or enable effectiveness. Tesco's history has suggested that their culture can hinder their effective organisational functioning which is heavily dependent on the type of operation under consideration.

Tesco's culture displays their strong customer service which has been the consistence source which often gives them the competitive advantage over their competitors. The principle 'every little helps' which was implemented in the 1990s. This has shaped colleague's behaviours, store design, product selection and their pricing strategy. These factors improved customer satisfaction. The Clubcard loyalty programme is directly influence by Tesco culture which indicates that it is customer focused. This has given them the competitive advantage through data analysis contributing towards Tesco retaining its position as the UK's leading supermarket with a market share of approximately 27.5% in 2024 (Kantar, 2024). This illustrates Kotter and Heskett's (1992) contention that a strong, aligned culture can enhance long-term financial performance.

Moreover, Tesco's cultural emphasis on colleague development and internal promotions has enabled higher levels of knowledge and retention. Many of Tesco's leaders began their careers on the shop floor, and this cultural norm of internal progression reinforces commitment, reduces talent acquisition costs, and sustains operational expertise (Tesco PLC 2023).

On the other hand, Tesco's culture has also acted as a barrier to functioning in different ways. The 2014 accounting scandal represent the egregious example which a culture of fear, pressure to meet targets and silence around financial irregularities collectively enabled fraudulent behaviour (Serious Fraud Office, 2019). Schein (2010) notes that when basic assumptions in this case, the primacy of financial performance are misaligned with values of integrity and transparency, organisations become vulnerable to ethical failure. This cultural misalignment was both a product and a driver of the scandal.

Additionally, Tesco's hierarchal culture has affected their responsiveness to the market changes. This organisation has slow responses to the rise of discount retailers such as Aldi and Lidl in the early 2010s. During it's initial underestimation of the grocery market online. They have been in cultural processes over being more innovative. (Ruddick, 2014). This supports Handy's (1993) observation that role cultures, while operationally efficient, can become barriers to agility in rapidly changing environments.

Lastly, the evidence has suggested that Tesco's culture has been an enabler where the cultural values have aligned with how they operate. But becomes a barrier when it is diverted from common practices. The critical determinant is the degree of alignment between values and basic assumptions a finding consistent with Schein's (2010) theoretical propositions.

Impact on organisation and recommendations

The relationship between organisational culture and performance has been theorised. Kotter and Heskett (1992) has shown that organisations with strong adaptive cultures are able to outperform those who adopt a more rigid culture over long term. Denison (1990) has reported that involvement, consistency, adaptability and mission as these four cultural aspects with a high organisational performance. Tesco against these dimensions gives a structured basis for giving an analysis of performance and how culture affects it.

The terms of mission and consistency, Tesco has clear and enduring customer purpose provide a more stable culture which can last long term. The alignment with colleague behaviour and strategic objectives. The consistent communication of 'Serving shoppers a little better every day' across all organisational levels creates what Denison (1990) terms 'strategic direction and intent' a shared cultural understanding of organisational purpose that drives aligned action. This cultural has contributed to Tesco's sustained market leadership despite significant competitive and economic disruption.

In terms of involvement and adaptability. Denison (1990) has associated the capability to adapt to external circumstances. Tesco has cultural performance is a lot more mixed. The recent changes to employee engagement by including the wellbeing scheme have improved involvement within scores. (Tesco 2023). The organisation having a top-down management has been limited to which faction makes the strategic decision making. Greater investments in empowering operational staff can improve the colleague engagement and customer responses.

Evidence based recommendations

First Tesco must invest in closing gaps between values and actual cultural experiences. Schein (2010) has said that sustainable changes in culture has alignment with the three levels of the model. However, the post-scandals have addressed that the artefacts and values, but the culture change must require attention to the assumptions that drive managerial behaviour. Tesco should have regular cultural procedures by using organisational culture assessments. These were developed by Cameron and Quinn (2011). To implement the cultural misalignments before they end up providing ethical failures.

Secondly, Tesco must reduce the distances of power within its organisational hierarchy. Drawing on Hofstede (2001), the flatter communication structure and participative decision making would better the colleague engagement, improve the information flow and insights from the staff. Organisations that reduce the distance of power within any customer facing roles which report improvements in service quality and employee wellbeing. (Dawson 2014).

Third, Tesco must develop a more intentional task culture within both innovation and digital transformations. In Handy (1993). It has stated that creativity and adaptability can affect how Tesco operates within such a competitive environment always demands that there is always more

innovations and improvements to customer experience. By separating the innovations from the dominant role culture can allow that flexibility to respond to market disruptions. (Deloitte 2022).

Lastly, Tesco must strengthen its psychological safety to prevent any scandals from rising like the one in 2014. The belief that one can raise any concerns without fears of being punished which is the most important factor in preventing any ethical failures and high performances. Tesco must have these metrics in place for its people management and ensure that leadership programmes must address any issues and not speaking up about them.

Conclusion

In this report the role of organisational culture has shaped the structure to make decisions. Adapting to the environment and performance of Tesco. Drawing upon the Mullins and Christy (2016) theory. It has stated that culture shouldn't be the primary concern but a factor on how Tesco operates in an organisation.

Using the Schein (2010) model, Hofstede (2001) dimensions of culture and Handy (1993) culture types has revealed that role-oriented cultures underhanded by customer focused values can create a difference in performance, pressure and ethical operations. For example, the cost-of-living crisis to transforming digitally demonstrate that organisations within modern times must be capable of evolving culture through challenges and depth remaining.

This evidence is supporting a conclusion that Tesco culture acts as an enabler and barrier to functioning properly. The alignment between values, assumptions that form the organisation. The recommendations given cultural analysis, reduced power distance, task culture development, and psychological safety investment are grounded in established theoretical frameworks and represent actionable pathways to sustained cultural improvement.

As for Mullins and Christy (2016), they have said that managing diverse people within a specific culture has been a significant culture. Tesco navigates this challenge by using honest strategic intent and being aware of its culture is important to keeping its position as UK's leading business.

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