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The relationship between structure, culture, people and organization performance at Tesco

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The purpose of this study is to find out how the structure, culture and peoples' behaviour influence the performance of Tesco.

Tesco PLC well-known as Tesco, is a British multinational company with headquarters in Welwyn Garden city, Hertfordshire, England, United Kingdom. Their main business is in having groceries and general merchandise retailer shops not only in the UK but also in Europe and Asia. To serve their customers in the best possible way and to make their lives better every day is the way Tesco have chosen for their success. They build a functional management structure believing it will best serve their customers.

Tesco is the third-largest retailer in the world measured by gross revenues.⁽¹⁾ The shops of Tesco are spread in a number of countries such as the UK, Ireland, Czech Republic, Hungary, Poland and Slovakia in Europe and Thailand, China, India and Malaysia in Asia.⁽²⁾ The groceries of Tesco are market leaders in the UK, Ireland, Hungary and Thailand.

Tesco was founded in 1919 by Jack Cohen. He was 21-year old when he left the Royal Flying Corps at the end of World War I. He used the money he got at his demobilization to buy surplus food from the army and sell it in Hackney. The Tesco name first appeared in 1924 and the first Tesco shop was opened in 1929 in North London.⁽³⁾

Nowadays Tesco has 450000 employees and over 6800 shops around the world. It also has an online portal covering almost all parts the world. It also runs other type of business as Tesco petroleum, Telecoms, Tesco bank.

Tesco Management Hierarchy

A company of the size of Tesco needs to have strong organization in order to operate efficiently. Its multinational functioning requires a strong management support and a specific hierarchical management system to ensure its efficiency till the base rate level. The structure of Tesco is hierarchical because of the size of the company and the huge number of people that work in it. The hierarchical structure of Tesco is based on function not on location. The advantages of the hierarchical

structure are that it is easy to use, the people's roles are clearly defined and peoples in the different departments can focus on their work only.

The management structure of Tesco has three levels.

- the top level is presented by the executive board headed by the President who takes all major decisions.
- the mediate level is functioning between the top and the base levels and it coordinates their work. Here are various vice presidents and managers who are responsible for functions as Funds, Personnel, Marketing, etc.
- the base level is formed by the Regional Manager who is responsible for the major decisions connected with the stores in his region; under him are the store managers who are responsible for their own stores. Further the base level hierarchy is divided into three different departments – food section, non-food section and personnel section.⁽⁴⁾ Each section has its own manager. This means that people working in one store are functionally divided and are managed by different functional manager as it is shown in the Figure 1 below.

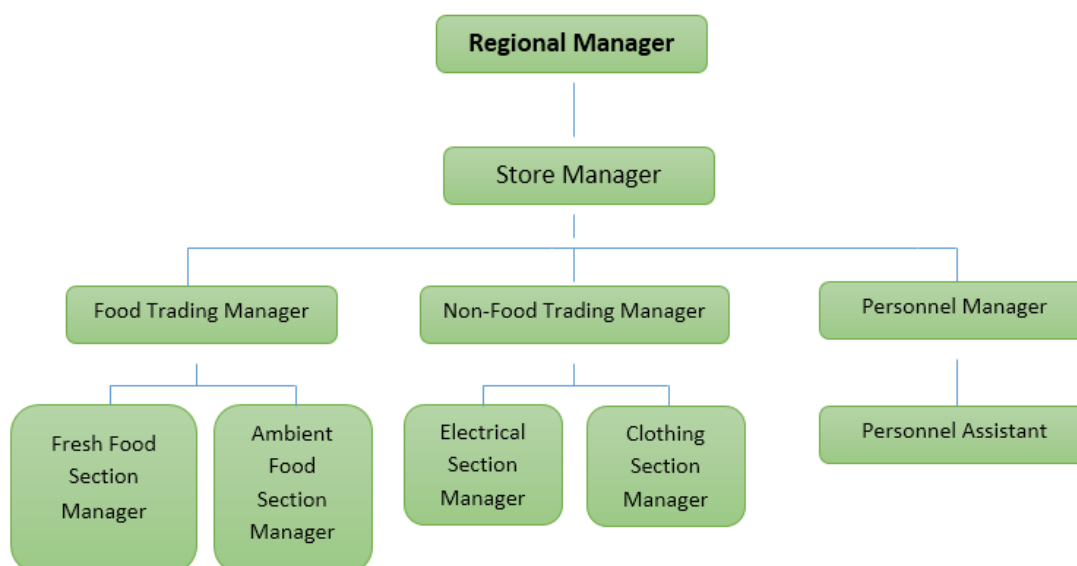


Figure 1 Tesco organizational structure at store level ⁽⁵⁾

It is considered that this type of management helps the organization to focus on its customers – their need and satisfaction.

Recently Tesco announced that they are going to simplify their operational structures. The severe competition and the pressure of comparatively low cost stores as German Lidl and Aldi makes Tesco think about reorganization of their structures. They are considering cutting 4500 jobs in 153 Metro stores.⁽⁷⁾ The idea of Metro stores was to be used as weekly stores. However, latest analyses show that people prefer to buy food from them every day.

This requires some changes to be done. Shelves must be filled “faster and simpler”, the staff must work more flexibly to improve customers’ service at the busiest time of the day.

There will be changes at the Express stores that are suffering from low footfall. The working hours will be slightly reduced to cover only the busiest time.

At Tesco believe that the changes connected with simplifying the operational structures will improve efficiency and will give managers clearer accountability.

“These changes remove complexity and will deliver a simpler, more helpful experience for colleagues and customers. We recognise there are difficult changes to make but they are necessary to ensure our business remain competitive and set up for the future.

“Our priority now is to support affected colleagues through these changes in any way we can. We hope to retain as many colleagues as possible in the new roles we have created and in the vacancies we currently have available.” ⁽⁷⁾

- Culture

The business was built with one simple mission-to be the champion for customers, helping them to enjoy a better quality of life and an easier way of living. This hasn’t changed.

Tesco management believe that customers want great products at great value which they can buy easily and it is their job to deliver this in the right way for them.

That’s way they have chosen Serving Britain’s shoppers a little better every day as their new core purpose. As a business, serving customers is at the

heart of everything they do, from colleagues in their stores to those of them in supporting roles.⁽⁶⁾

- No one tries harder for customer

Tesco are trying to understand customers' needs and what really matters to them. To achieve this they use different techniques from listening to people and talking to them to social media. They build their policies for customers servicing on the base of their understanding of customer's needs.

- We treat people how they want to be treated

Tesco respect their own people and support them both in their everyday work and in their development. They believe doing that is helping the employee to focus on the customers and to treat them as well as they have been treated by Tesco.

- Every little helps makes a big difference

It is a core value at Tesco. They do little changes for better life of their people and their customers every day. At the same time they remain focused on important issues as carbon reduction, health and safety, cyber security and anti-bribery. This helps them build their social image which is important for the way they are perceived by their customers'.

Tesco has its own 'code of business' conduct where it sets out how its employees should behave towards one another and other third parties:

- Equal opportunities, inclusion and diversity – Tesco strive to create diverse work teams where everyone is respected and feels welcome irrespective of their background, gender or sexual orientation. They offer opportunities for colleagues to work in ways which suit their circumstances. They hold the values of integrity, respect, inclusion, freedom of views and expressions in high regard. The respectful way people are treated help them feel valued and important and make them behave in the best way to the customers of the company, which the purpose of the organization as a whole.
- Respect, dignity and fair treatment – The wellbeing, safety and dignity of employees is held with upmost importance. Bullying and harassment are unacceptable and they are aware of the offence that may be caused

unintentionally between differing cultures. A big part of this is taking responsibility for your own actions and performance and acting in a safe way.

- Human Right and ethical trading – Tesco choose suppliers not simply based on price but also in accordance to their values.
- Bribery and corruption – being alert to the risk of bribery is an employee duty, Tesco have a 0 tolerance policy in respect to this. This attitude of Tesco is important for their image of a socially engaged company.

The efficiency and success of any organisation is in strong connection with employee's behaviour. The behaviour of employees is highly determined by the role of their managers. It is the managers who set directions to the team member. They need to make the employee aware of the values, ethics and policies of the organization. The successful managers achieve this by use of clear communication. Communication helps the staff understand what their managers expect from them. It also helps the managers get known the concerns of their staff and the difficulties they meet. This feedback plays significant role in creation of good working atmosphere. Knowing what is important or irritating for their staff give the managers clue how to improve the working conditions.

The leaders must make the employee feel important. They must be a source of inspiration for them. They must be able to take responsibility and to stand by their team always helping them both in their everyday operations and in acquiring new skills and knowledge.

Another factor that determines the employees' behaviour is the work culture. Employees need to feel good at work in order to be positive and to fulfil their tasks in the best possible way. The same rules should be valid for everyone. Transparency at every level is also essential. The relationship at work and freedom to discuss issues and share experience is crucial for the pleasant working environment and positive behaviour of the staff.

Tesco commissioned independent research to understand the role they play in supporting communities across the UK. Measuring their contribution helps them to understand what more they can do to serve their customers a little better.

As a conclusion we must say that Tesco has gained their success focusing on customers, people and management. They organised their activities in a way that

served best their customers' needs. They even have started to reorganize their structure when in order to follow the trends and the attitude of their customers. They believe they could improve the lives of their customers every day and strive for that.

They focus on their people as well knowing that only happy and confident staff could serve their customers in appropriate manner. They believe that the efforts they put to improve their staff performance and motivation is transformed in excellent service and care to their customers and it is the best way they could achieve their goals.

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