

# Tesco - proposal proposing actions based on a case study report examples

[Business](#), [Company](#)



## **Executive Summary**

The strategic perspective of an organization, and the direction in which it moves helps determine the strategic position of the organization, as well as its market competitiveness, survival and growth. In the case of TESCO, being a multinational retailer, its performance and branding are closely associated (Hammond, 2008). Apart from providing consumers with a wide range of products under one roof and becoming a one stop shop for all domestic needs of the consumers, TESCO also is actively a part of several community programs and social development. Moreover, leadership in terms of quality and customer retention has been attained by the organization effectively. An analysis of the external environment and the internal environment as well as the strategic analysis of the organization helps understand how and why it has been succeeding as well as helps understand the problems and issues faced by the organization in different domains (Lynch, 2006). In this way, TESCO has been able to create a distinct market position for itself based on leadership and quality along with genuine care and concern for its customers and the society in which it operates.

The main aspects of the retail business include supply chain management, customer retention, PR management, strategic growth and expansion (Keynote, 2010). These aspects of the organization have also been explored in order to conclude that TESCO has been growing rapidly and in the right direction, with the right leaders and focus on quality. This has helped the firm achieve strategic stability as well as competitiveness in the global markets.

### 1. Introduction

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TESCO is a UK based retail chain with approximate annual revenue of 60 billion Pounds. This business chain has been expanding in UK, Europe and Asia (Annual Report and Review 2011, 2011). With a strong focus on quality and fulfilment of consumer needs, TESCO houses several thousands of products ranging from food and grocery to tinned and processed foods and even clothes and other products (Keng and Yang, 1993). It has been revamping its strategies in order to cater to the different markets and cultures in UK as well as in Europe and Asia. It has been focusing not only quality and strategy of the organization, but it has also been focused on social corporate responsibility which has helped the organization greatly improve its PR position. Moreover as TESCO operates in a highly competitive environment, it becomes extremely essential for the firm to be able to create an effective brand in order to survive and grow. TESCO has also been attempting international expansion and business expansion. It should try and adopt several of these strategies (Official website of TESCO, n. d.).

## 2. Analysis of the external environment or macro environment analysis

The external environment in which TESCO operates, in UK, Europe as well as Asia is extremely turbulent. It causes several issues for the firm to survive, especially in the event of economic recession and political unrest in these business continents. In case of TESCO competition is also extremely high and this can be a threat for the very survival of the business. In case of TESCO quality and a wide range of food products have helped the firm differentiate itself from other firms in several ways. It has been able to establish itself as one of the largest food and grocery retailers in the world. This has helped

them focus on growth oriented and customer oriented approached for survival and expansion in a highly competitive market (David, 2005).

## **PESTEL analysis**

Political environment:

The political environment in which TESCO operates is at times quite turbulent. TESCO has had to face several issues and challenges in case of Europe and Asia, where in the political environment is very different from that of UK. As political stability and international business is closely related, it has been extremely important for TESCO to ensure that it is rightly associated with the right political issues and concerns and does not get caught with the local political problems even during expansion and fulfilling social responsibilities (Culkin and Rivkin, 2005).

## **Economic environment:**

The economic environment has been extremely turbulent. Along with the high levels of competition from local and global players, TESCO has also had to face the heat of the recession (Datamonitor, 2009). It has also had to face and survive through losses in some of its business operations. Yet, it has been able to manage international market position and profits based on having a widely diversified business portfolio and surviving based on quality as well as consumer loyalty (Keng and Yang, 1993).

## **Social environment:**

The social environment in the UK, Europe and Asia are very different, yet business friendly. Though TESCO has had to put in large amount of effort to

understand each of these social environments and suitably establish itself in these places, it has now been able to customize itself for fulfilling the needs of the consumers in all of these places. Moreover as there has to be effective utilization of social aspects, TESCO has also been able to position itself appropriately in the markets through participation in CSR programs. This has also availed it with a wide range of knowledge and influence as well as understanding of the local social environments and the global social environments (Tomlinson and Evans, 2010).

### **Technological environment:**

TESCO operates in a highly dynamic technological environment. It has had to focus on bringing in the right technologies into its business. Information systems and the usage of internet for various purposes including marketing, has helped TESCO survive the competition to a great extent. Technology like bar coding and supply chain management systems, has helped TESCO obtain a competitive advantage as well. It has been able to survive the competition and face the challenges of tech savvy consumers based on technological growth and development. It has helped them create better market position as well (Graiser and Scott, 2004).

### **Legal environment:**

The legal environment is quite stable in all of these continents. Yet it is extremely diversified. So, TESCO tries and operates as per the UK laws and in certain cases has to bend its policies in order to obtain licences and permissions to operate in several of the markets that it has chosen.

Moreover it cannot standardize several of its business strategies due to legal

regulations and has to use customization, especially while focusing on products that are banned or have to be imported.

## **Porter's five forces model**

The Porter's five force model helps analyze the external environment based on the following five forces (Porter, 2008):

### **a. Suppliers:**

Suppliers in case of TESCO play an extremely important role to help the firm sustain the existing levels of competition and survive in times of e commerce also posing competition. The present world includes a global platform where in international businesses can be propagated and this makes it extremely essential for TESCO to be able to create a technology based suppliers network where in it can manage real time inventories. This can help the firm achieve a better level of competitive advantage as well. The process of restructuring and forming a better portfolio would provide the firm with further changes in its supply chain and better levels of competitiveness as well (Kotler, 1998).

### **b. Buyers:**

In case of buyers, TESCO has a wide range of buyers from a large range of demographics. In case of TESCO, it has been extremely important for them to create an effective business environment where in the buyers cannot control the pricing or the market (Tomlinson and Evans, 2010). Yet if they do not have the products required by the buyers, then it would result in failure. It helps organizations create a revolutionizing concept which differentiates their business from all of the other businesses offering similar products and

services. Knowledge management and management development are extremely important elements of learning organizations that need to remain dynamic and competitive in order to sustain (Tomlinson and Evans, 2010).

c. Competitors:

Competition is a major force that impacts the performance of the organization and determines its long term sustenance. As competition is very high in the retail segment, it has become very crucial for TESCO to be able to create a competitive advantage and a niche for itself in several ways through its operations. These provide organizations with a sustainable strategic advantage. In this way they are able to achieve better levels of strategic advantage and competitiveness. Every dynamic organization reorganizes itself at some point of time or the other. This helps it to stay ahead of competitors as well as stay in the market where the consumer demand is ever changing. All of these enable them to grow and be ahead of competition thus providing them with a sustainable strategic advantage (Keynote, 2010).

d. Substitutes:

As the online market develops, the consumer has multiple choices and can order from the comfort of his home through the online medium. This has formed a major competitive threat for TESCO. It is essential for TESCO to be able to develop effective ways of creating a differentiating factor which can help them attract consumers and be able to deal with the different levels of competition from substitutes as well. It has helped TESCO become extremely competent and growth oriented in the retail segment (Datamonitor, 2010).

e. New entrants:

New entrants can enter the market. But it is difficult for them to compete

with a huge company like TESCO because it will lack the capital needed, cost effectiveness and large scale of operation (Chang and Chen, 2012). So, these new entrants are not a threat to Tesco. So the threat from new entrants is low.

The competitive profile matrix can help the firm obtain a clear picture of what is required to be done in case of dealing with market competitiveness. This can also help them analyze themselves and compare against it. It is essential that there be effective analysis of the competition conditions in order to cater to the market requirements (Lynch, 2006). In order to form an effective business strategy, it is important that the competition be dealt with in an effective manner. Strategy is an important tool that helps present day firms be able to compete at a global level. New entrants can be dealt with as the organization has a competitive and strategic advantage over its counterparts.

### 3. Analysis of the internal environment

The internal environment provides TESCO with a differentiating factor and also enables it to possess a competitive edge. In case of TESCO, they have been able to procure multiple resources which has helped them form an essentially strong and subtle business presence. In case of internal environment the resources as well as the value chain formed by the organization has an extremely important role to create effective business development (Official website of TESCO, n. d.).



## **Resource based view of the company**

In case of TESCO, its human resources and supply chain form an extremely important role in the resources of the organization. It can help a firm combat competition at various levels and also help the firm achieve stronger development and balance in the operations of the business. In case of the resource view used to analyze the organization, TESCO has several stores across the globe and this has presented the firm with effective growth and development. The internal audit suggests that the organization has multiple strengths and weaknesses. The strengths mainly include the fact that the firm has been able to grow. Moreover it has succeeded in balancing the current environment and its organizational strategies. This can benefit the organization achieve multiple benefits based on its resources. Huge capital amounts, techniques, technology and growth based strategies form essential resources for the organization. In case of businesses, growth and development are extremely crucial.

The financial ratio analysis for this firm, 2011 shows that the EBIT and ROI have been growing and this is extremely important. As the growth rate is high, it is extremely healthy and shows that there be effective product line expansion in order to tap this growth. The current ratio is also quite healthy as the assets are one and a half times of the current liabilities. This shows that the firm has a healthy financial position (Annual Report and Review 2011, 2011). This also reveals that the organization has been able to make effective utilization of its resources to achieve better growth and also perform well in case of the organizations growth being linked to its financial performance (Annual Report and Review 2011, 2011).

## **Value chain analysis**

The value chain consists of the following factors:

- a. Delivery
- b. New perceived practices
- c. New actual practices
- d. New intended practices
- e. Outcomes targeted
- f. Critical goal recommendation

These factors contribute to the growth of the organization as well as its performance based on the strategic practices (Kotler and Armstrong, 2004).

Leadership is an extremely important aspect of revolutionizing management.

It is essential in this case that there should be focus placed on creating an environment wherein people are able to understand organizational goals and have a common vision. This can help create effectiveness and better competency.

It can help bring teams together and also create an environment that is suitable for work and helps create several competencies. It also helps ensure that there should be effective balance between operational and strategic level planning and organizing. It helps create better impact and effectiveness in case of managing an organization.

### 4. Analysis of PR crisis

## **Crisis identified**

The PR crisis identified is that TESCO initially was not as popular as its counterparts. Though it was focused on giving consumers high quality

products, it was not a very popular brand (Hammond, 2008). This led to a PR crisis where in TESCO was forced to spend large amount of capital on advertising and marketing activities. Using social corporate strategies helped the organization grow and improve its branding activities based on public relations as well as better awareness among the public. In case of TESCO, CSR has helped the organization establish itself better and strong. These activities have proven to be extremely effective and the same is true even in case of health care systems, education and social development (Newsom, et. al., s 2007).

## **Social corporate strategies**

It is recommended that public relations should be implemented using appropriate project plans so that better social corporate strategies can be formed.

### 5. Strategic Analysis

## **Business level strategy**

Business Environment includes set of external and internal factors which affects the decision of business and it is divided into two parts. These are Micro environment of business and other is Macro environment, Micro environment consists of Suppliers, customers, market intermediaries, financial intermediaries, competitors and Public. The business level strategy needs to consider all of these aspects in order to form a strategy that is suitable for the organization. It is crucial to enable the organization achieve better growth. TESCO has used technology, capital and human resources in an effective manner to strengthen its business level strategy (Annual Report

and Review 2011, 2011).

The strategic position and action evaluation matrix shows that the position of this firm is quite strong. Strategic planning is extremely important as it can help the firm achieve market leadership. It is important for the firm to ensure that its strategies are dynamic and are planned with a futuristic vision that can help it retain its market leadership in the long run. The five main pitfalls in strategic planning that the management should avoid include the following:

- Non- communication of the strategic plans to employees: If the employees remain unaware about the strategic plans then there will be no co-ordination between management and the employees and there would be a lack of common understanding of the strategies (Tittmore, 2003).
- Formulating strategies only to fulfil regulatory and present requirements: In this case, there will be no benefits obtained due to planning as the market scenarios are dynamic and global regulations are to be considered.
- No support from the top management: Strategies cannot be implemented effectively if there is no support from the top management and so their involvement and approval is essential.
- Strategic planning without consideration of market dynamics: Competition, economic conditions and several other market dynamics or factors have to be necessarily considered by Tesco in order to ensure that their strategic planning is well aligned to potential market changes (David, 2005).

5. Failing to benchmark: Comparative analysis and benchmarking can help Tesco achieve better usage of best practices in their strategic planning

process as well as in their strategies thus helping them move swiftly towards excellence ((Culkin and Rivkin, 2005).

## **Market entry strategy**

The market entry strategies of Tesco can be explained as below.

Figure: Examples of Tesco's entry strategy in different countries

Source: Official website of TESCO, n. d.

## **Generic strategy**

M. Porter proposed different generic strategies that a company can adopt in order to position itself in the market. The generic strategies can be explained as below.

Figure: Porter's generic strategies

The generic strategy that Tesco adopts is cost leadership. The focus of Tesco is being cost competitive and aim at the mass market target segment (Annual Report, 2011). The company tries to reduce costs and aggressively develops cost effective operational strategy.

## **Corporate strategy**

The culture of TESCO is focused on quality and social responsibility.

Corporate social responsibility is very beneficial for the businesses as it involves lot of factors which help businesses to grow and innovate efficiently. CSR leads to value creation incorporated into business strategy and developing human capital and integrates business into the community. It also inspires and motivates the employees to give in their best as they are required to give better quality and additional value to the customers

(Tittlemore, 2003). In this way several of their processes have been made extremely effective and efficient. It is important that there be focus on the creation of a company culture which is suitable and supportive for the employees. This includes safety of the employees, providing them benefits and at the same time inspiring them to perform better through training as well as teams and coherence (Tittlemore, 2003).

The social responsibility process that TESCO undertakes is with focus on the environment and its protection. This requires the completion of multiple quality and environment protection measures which range from compliance with the environment protection act and fulfilment of several other social responsibilities. This includes focus on the formation of a culture where in every employee understands that the environment is crucial and helps the firm protect the environment (Shales, 2009).

## **Strategies for future**

It is extremely important for TESCO to ensure that the human resources are trained and improved in order to help the firm expand internationally.

Training is an extremely important element of the employee life cycle to any organization's human capital strategy and it does form an extremely important factor in achieving competencies and competitive advantages and so it becomes extremely important to develop the HR strategies of the organization based on the six component model and value chain analysis. This can help the organization develop in multiple dimensions and also improve their overall performance. It is important for TESCO to focus on these strategies in order to grow and avail better future prospects. The

organization should aim at using industry best practices and also intend to use practices like benchmarking as this can help the organization prosper. Moreover they are also trying to bring in training for change and innovation in order to benefit from it in the long term. This can help them improve the value chain of the organization to a great extent and also helps them be able to sustain long term competition.

It is important to create continuous learning and encourage innovations in an organization, especially a technology oriented and technology supported organization. These factors ensure that there is sustainable strategic advantage in the organization. But it is extremely crucial that change be aligned to the market trends and tendencies in order to cater to the needs of the customers and achieve better rates of success. In case of there being strong changes in the market trends it becomes important for marketers to make appropriate changes in their product portfolio in order to succeed (Keng and Yang, 1993).

The external environment is extremely suitable for this business. But the risk and uncertainty is high as it operates in a global and competitive environment. The future needs of the organization include information and knowledge as this can help obtain better talent pools and adjust to the low retention rates. In such circumstances it is crucial that there be effective usage of strategies and benchmarking in order to sustain in a turbulent environment (Lynch, 2006). It has been able to achieve both of these aspects in a very successful manner. Moreover, the fact that capital is required in huge amounts, there is a lot of competition and it is not very easy to develop the required technology and infrastructure discourages a lot of

firms from diversifying into this line of operations. In this way it succeeds in forming an appropriate business strategy that is effective and can help the business grow as well.

Corporate Social Responsibility is to grip responsibility for the company's actions and also encourage powerful impact through its activities on different types of environment, consumers, employees, communities, stakeholders and many other people of different public spheres who can also be considered as stakeholders. TESCO has established this throughout each of its endeavours and helped employees form a better and stronger future with this firm, thus leading to coherence in its HR strategies as well as social responsibility policies.

The employees in TESCO receive special credit for the purpose of helping protect the environment. They are also given growth opportunities, are monetarily rewarded and also given training all of which help the employees perform better. Moreover, they are also provided with flexible work facilities and other factors which creates a stronger level of benefits and compensation combination for the employees (Johnson, et. al., 2005). In this way TESCO has established itself as an extremely credible employer.

Contribution in CSR leads to healthier external relationship which helps in developing good relations with stakeholders and increasing their interest in the company and this advantage has been enjoyed by Patagonia through its CSR policies (Official website of TESCO, n. d.).



## **Implantation techniques**

In case of capital structures, it is a well known fact that debt and equity form major elements that constitute the capital. This forms an extremely important aspect of understanding capital financing in organizations or joint stock companies. The debt equity ratio and the impact of these on companies help analyze the situation and capital structure and Financing decisions and based on this, it is quite feasible for this company to grow in multiple dimensions. It is extremely important that TESCO focuses on these factors. It is recommended that the management should adopt strategies which are quotable and achievable within time frame dedicated (Johnson, et. al., 2005).

The organization factors that impact the business and its competitiveness is the resources and the effectiveness with which the organization operates. As the firm functions in a high growth industry and has a high market share it already is a star as per its location on the BCG matrix. The fact that the firm at present is a question mark and needs to be moved to the star position, a lot many steps need to be taken. Then, there are also several measures to be taken in order to maintain the star position of the firm (David, 2005).

### 6. Conclusion

The type of change is internal and internal change agents play an extremely important role in the process of implementing this change. Internal change leaders are those which help an organization in the process of changing the operations or the business processes based on what they know about their organization and have learnt out of experience as well as heuristics (De Wit and Meyer, 2005). These change leaders have a narrow view but a complete

and accurate a view about what is required in the organization to improve its efficiency. They help in training and effective usage of resources. These factors can help ensure better control on the establishment of the business in the international environment (Tittmore, 2003).

It is extremely important to understand the various issues involved in strategic management in order to be able to learn and find solutions to these issues. Understanding these issues makes it possible for managers to carve strategies in such a way that they help minimize the issues and problems that can arise in their implementation (De Wit and Meyer, 2005).

Creation of a strategy support environment is crucial for ensuring that strategy implementation is effective. In an organization, it is important to communicate the organizational mission, goals and stakeholder expectations to internal groups and individuals in order to form a common vision and ensure that all of the efforts of the team members are being directed and channelized in the same direction towards the same objectives. This can help create a supportive environment for strategy implementation. This would automatically help minimize resistance to change as well as conflicts in the process of implementation of strategy. Influencing skills can be employed by leaders in terms of building trust, confidence and participation in decision making by groups and individuals only in case of the leader being able to understand the needs of each of the individuals and also know the factors that motivate them and leadership plays an important role in this aspect (Johnson, et. al., 2005).

It forms the most critical aspect of strategy. The organization shall be based on the formation of a strong mission and vision statement that shall for the

basis of creation of the strategies for the organization as a whole as well as for each of the functions which includes marketing, human resources, technology and operations, etc. In this way sound organization policies would be used. Integrated marketing can help the firm grow as well as achieve better success and in this way the issues that arise in effective implementation of strategy can be managed. In case of the firm being able to grow in order to achieve its goals, through the strategy that propagates analysis of the market trends in order to base its product portfolio on it.

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