

Strategic management and leadership at tesco



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Introduction: To increase the competitiveness of every business unit corporate leaders implemented and adapted one of the best way called “ Strategic Planning” in the mid – 1960s. Strategic planning is a combination of long term process taken step by step of its action to produce best instructions in terms of its drivers may not get wrong strategy (Mintzberg, 1994).

Background: Tesco is the UK’s most successful and high profile supermarket and one of the world’s leading international retailers. Tesco was founded by Jack Cohen at east London in 1919. The name came about after Jack Cohen bought a shipment of tea from T. S. Stockwell. He made new labels using the first three letters of the supplier’s name (TES), and the first two letters of his surname (CO), forming the word TESCO (tesco. com). Tesco is the market leader of the supermarket industry in UK with revenue of £38. 558 billion including VAT and £62. 537 billion of revenue worldwide in 2010 (tescoplc. com). Even in this recession Tesco has made an incredible £3. 4 billion profit worldwide this year (guardian. co. uk).

Task 1: understand the external environment affecting the organisation

1. 1: Importance of external factors affecting TESCO

PESTEL analysis: A PESTLE analysis for Tesco must consider all the important external factors impacting on the company. These factors may have political, economic, sociological, technological, legal or environmental dimensions. Tesco’s operations obviously have a significant environmental impact, from fossil fuel use to packaging issues. Reducing the demand on the planet is a challenge for any big company.

Tesco must look at all the six factors we have mentioned, which are discussed below:

Political: The increase numbers of political instability can affect the business by the Democratic government, political legislation.

Economic: rate of inflation, interest rate, competition demand, employment level, income level

Sociological: population demographics , Lifestle, pattern of social interection, Religion, Believes, Norms

Technological: Level of skilled Manpower, Transportation.

legal: Employment laws, Consumers protection laws, investments laws and Health & Safety laws (Class lecture).

Environmental: – climate change is affecting supply and transport, how can Tesco adapt (Class lecture).

1. 2 The needs and expectations of stakeholders in TESCO

Stakeholder analysis: Stakeholder analysis is the document information is provided for the key stakeholders' Names and organisation, their role in the project, their level of interest within the company, their influence in the individual project and suggestion for managing relationship among each stakeholder Schwalbe (2007). Stake holder is person or group of people who have legitimate interest in the company and who have direct and indirect communication to the company.

Stakeholder analysis system Tesco can apply to know the needs and expectations of stakeholders in Tesco.

Organisation

Customer

Supplier

Employees and Managers

Government

Media

TESCO

external relationship with TESCO

Connected relationship with Tesco

Who have internal relationship with Tesco

Who is externally linked with Tesco

Who have external relationship with Tesco

Role in the project

Who buy their shopping from TESCO

Supply the product to Tesco

Who work for Tesco

Who impose the VAT, Taxes, rent and rate etc

Supply the information to customer about Tesco Product.

Unique fact

Quite demanding for quality of product

Requires on time payment for supplies

To be treated fairly and getting promotion

Government regulation is obeyed by Tesco

Quality of product available for Customer

Interest

Personal

Value for money

Timely payment

Continuity of businesses

Personal

Job security

Career opportunity

Employment for community

Taxation

Adherence to regulation

Protection of public interest

Informational to target audience

Level of influence

Very high level of Influence

Moderate level of influence

High level of influence

High level of influence

Low level of influence

(Modified form of Stakeholder Analysis)

1. 3: Analyse the major change taking place in the external environment and how they would affect the strategic decision in Tesco.

Tesco as one of the multinational retail supermarket is undergoing a major Economic change in the external environment. It has identified the Economic change of its market extension in Asia despite the Economic down turn.

Tesco has identified the Asian supermarket as a long term opportunities for them. It has been continuing the investment in Asian market through the Economic downturn to make sure that Tesco will be in an even stronger position as the recession recover. As the market extension plan increasing

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Tesco has its plan of open 4. 9 m square ft in this year (including shopping mall) across the region. The segment of external environment plan across Asia is explained below (Tesco plc. com).

China: Tesco has the plan to base the foundation of its market in China for long term growth. It has already opened 17 hypermarkets including three Lifespace shopping centres in deferent cities. It has also the plan of opening 23 hypermarkets in 2010 / 11 in the financial year in which 9 will be lifespace shopping mall (Tesco plc. com).

Economic factors: Economy in China are getting stronger and stronger day by day as the all developed countries are moving to China to invest as that country's Economic environment growing up. As the China is the world most populist country in the but the unemployment rate in that country are comparatively low than any other developing country. The inflation rates are getting lower and lower as the economy getting faster.

Political factors: China is a communist country but the political environment and the situation is very stable. China has legislated its country's government legal and policy as to be comfortable for foreign investor.

Technological factor: China has the most updated Technology in the world. It has the infrastructure of providing the sensitive technology to the rest of the world. As all the supermarkets buy the latest technology for their company from china so the Tesco can better implement the technology in China.

Task 2: Review the existing business plans and strategies in Tesco

2. 1: Using appropriate tools to analyse the effect of current business plan in Tesco

The appropriate tools of analysing the current business plan are to do SWOT analysis and BCG Matrix analysis for Tesco. SWOT analysis is to know what Strength, Weakness, Opportunities and Threats Tesco have in order to run the current business. BCG matrix analysis helps Tesco to develop appropriate strategies for each product.

2. 1. 1. SWOT Analysis:

Strength:

Tesco is the largest Supermarket chain in the UK (4811 outlets)

Tesco has very strong brand name and financially powerful

It has more than 90 years of service sector history (established 1919)

It has grew up through acquisition

It is third largest retailer in the world.

Better use of technology and marketing

Weaknesses:

It is potentially would be difficult for Tesco to focus in single market for specialisation as it is entering numbers of different markets.

Diversification into unrelated and less experience businesses (e. g. Insurance).

Unclear environmental policies

High dependency on UK domestic market.

Opportunities:

Strategic alliance with other company which is good opportunity for Tesco.

Market extension is one of the conducive opportunity for Tesco

Joint venture can bring good opportunity for Tesco.

Tesco. com is online shopping site for Tesco can be attractive for Tesco.

Threats:

Intensive competition in the UK with Sainsbury's, Marks & Spencer and
Morrisons, ASDA

Government Cut and increases in Tax will have retrospective effect on Tesco
Finances organ

Customer is always the big threats for Tesco

2. 1. 2. BCG Matrix analysis:

The BCG Matrix

Star

Computer games

Financial products (credit cards and insurance)

Question Mark?

Or Problem child

Tesco Mobile

Cash Cow

Fresh produce

Groceries/wine

fashion

Dog

Saucer crisp

packaging

High

Market growth rate

Low

High Low

Relative Market share

Star: Tesco is a Star with high market share and high market growth retail industry. It is because Tesco has the potentiality of generating significant

income. Tesco is investing more money to attain maximum benefit of being a Star.

Cash cow: Tesco could be considered as a cash cow with high market share but high market share. Because its Distributions, Quality and extra service to the consumer and equipped with new innovation product in the UK. It has to maintain the current strategy and the existing market activities.

Question mark: Tesco is definitely not the question mark. Because of the Tesco financial service, Tesco insurance and the Tesco Mobile has not yet have the maturity in the market.

Dog: Tesco can be considered as a Dog in that case of removing the idol product from the Market.

2. 2. Review the position of Tesco in its current market:

Reviews the current market position of Tesco is the best process of evaluating its present performance in the market and identify the market share and market growth.

Tesco market position

Chart: Retail market position

Tesco: The given chart shows Tesco has 30. 3% of present market

Sainsbury's: Sainsbury has total 16. 5% of present market.

Asda: The given chart shows Asda has 16. 9% of current market share.

Morrison: Morrison has 12. 3% of current market position

Waitrose: Waitrose has 4.4% of present market position.

Others: the combined market position of Aldi, Netto, and Lidl stood at 18.6% (wall street journal, 2011)

2.3. Evaluate the competitive strengths and weakness of Tesco current business strategies

2.3.1. Competitive strengths:

Tesco is the largest Supermarket chain in the UK

Tesco has very strong brand name and financially powerful

It has more than 90 years of service sector history

It has grew up through accusations

Tesco represent in 4811 locations

It is third largest retailer in the world.

Better use of technology and marketing

The largest retailer in the world after Wal-Mart and Carrefour.

Performing its operation in 13 countries worldwide

Strongly committed for corporate social responsibility.

It has been famous for Food, Drinks, Clothing, Electronics, Financial services, Telecom, Home insurance and for Tesco fuel (Tesco SWOT analysis, 2010).

2. 3. 2 Competitive Weakness:

Customer is big threats for Tesco.

Environmental disaster can bring the business down like-snow fall, volcanoes etc.

It is potentially would be difficult for Tesco to focus in single market for specialisation as it is entering numbers of different markets.

Lack of experience in insurance and phone market may be destructive for their business.

It has very high transportation cost

Vast amount of fuel used for transportation which not friendly to the environment

Most dependency on UK markets can be risky in the case of market down turn.

Tesco position in of high price product can reduce the revenue in the competitive market (Tesco SWOT analysis, 2011)

2. 3. 3 Evaluate the effectiveness in Tesco: Tesco as one of the multinational supermarket in the UK has its Strength is very competitive and constructive against the competitors. Tesco has enriched its strengths to be competitive in the market. Tesco has the strategy to implement the strength in the wider field. It has mainly identified and selected the strengths for expansion its markets internationally.

Tesco has its weaknesses very little comparing to the strengths. The effectiveness of the Tesco weaknesses is to transform them into potential strengths. Tesco has the weakness is to identify them and focus to avoid the potential risk which may arise.

Task 3: Developing options for strategic planning for Tesco

3. 1: Using modelling tools to develop strategic options for Tesco

Porter generic strategy has been identified the appropriate strategy for developing strategic options. According to porter “ Competitive strategy is the search for favourable competitive position in the industry, which can erode or improve depending on a firm’s choice of strategy.” (Porter, 1980). It has identified four conceptual steps which is indented to identify the competitive advantages in the business performance (Eldring, 2009).

Porter Generic strategies

Cost leadership

Differentiation

Cost focus

Differentiation Focus

Broad scope

Narrow scope

Source of Competitive Advantage

3. 1. 1. Cost leadership: Tesco has the attempted to become the low cost producer in the retail industry in order to accumulate highest t profit by setting a standard product price. It has the strategy to focus on low cost

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leadership strategy in every activity and invest the extra profit into the Market.

3. 1. 2 Differentiation: Although Tesco follows the cost leadership strategy but it is price sensitive and responsible for quality product.

3. 1. 3. Cost focus: Tesco as the UK largest supermarket retailer do not follow the cost focus or niche market strategy.

3. 1. 4. Differentiation focus: Tesco as one the biggest supermarket in the UK has differentiation focus strategy of identifying the segmented market among the competitors to remain reliable and competitive.

3. 2. Developing a comparative understanding of activity from Tesco in the market

According to Laura lake “ A positioning map, is a useful tool for planning your position relative to your competitor’s position. It helps you map key attributes of you and your competitors product, service or business. A basic positioning map containing a graph that has two points: one being high quality and other opposite site of the graph representing low quality. Rank yourself and your competitors on the graph based on the perception of the consumers (Lake, 2009). A consumer positioning map is a tool which is intended to identify the position of a brand in the market and rank the company by the market place it has in the market.

Consumer Position Map

High Product Quality

Premium brand Bargaining Brand

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Sainsbury's

Tesco Asda,

Waitrose

High cost Low cost

Cowboy Brand Economy Brand

Marks & Spencer Iceland, Lidl, Aldi.

Co-operative

Low product quality

Tesco Market position

3.3. Create options to form the basic future Tesco strategy

Creating options to form the basic future Tesco strategy could be Ansoff Matrix. Tesco as one of the giant supermarket in the UK has remained highly competitive with the competitors. Tesco corporate Strategy has made us to understand the reason of being most high profile supermarket chain in the UK and one of the world's leading international retailer.

Ansoff Matrix to analyse Tesco future Strategy

Ansoff Matrix for Tesco

Current New

Market Penetration

UK core retail market

Product Development

Non-food retail market like

Tesco Mobile, Insurance, Cloths,

Tesco fuel.

Market Development

International retail market

Like Asia, Europe, United States

Diversification

Non -food retail market (organically and non-organic diversification)

Current

New

Source: Tesco corporate Strategy 2010

Task 4. Develop a strategic plan for the organisation

4. 1 A suitable structure that would ensure participation of all stakeholders in Tesco.

Stakeholder analysis and stakeholder is suitable structure that would ensure participation of all stakeholders in Tesco.

Stakeholder Mapping

Level of interest

Low High

A

GOVERNMENT

B

SUPPLIERS

C

CUSTOMER

D

INVESTOR

Low

Power

High

Government: Government has low level of interest by the change Tesco brought into service.

Suppliers: Investor who put the money in Tesco has high level of interest by the change has happened.

Customer: Customer has low level of interest of what Tesco has brought the change.

Investors: Supplier as internal stake holder has high level of interest of what change has brought into Tesco.

Stakeholder analysis: Stakeholders are those people who have legitimate interest in Tesco. There are six steps of analysing the stakeholder in Tesco. Those steps are

Step 1. Identify stakeholders: Identifying the stakeholders is the first step of analysing the stakeholder in Tesco. The stakeholders are in Tesco is Customers, suppliers, Buyers, Employees & Managers, Community, Government, and Media.

Step 2. Prioritise Stakeholder: Prioritise the stakeholders in Tesco according to their attribution is very important element of bring the development in Tesco. It is an effective process of gradual involvement.

Step 3. Develop an engagement strategy: One of the important element of stakeholder analysis is to develop an engagement strategy of stakeholders with Tesco. It brings the commitments and individual duties belong to individual into practice. The methods of involvement could be: Meetings, presentations, Group facilitation, Delegating, develop and share a change plan.

Step 4. Map their profile: Mapping their profile according to their level of influence and Level of interest is significant element of analysing stakeholder profile.

Step 5. Optimise their support: Stakeholder analysis is the effective way of involving Stakeholders into direct and indirect approach of Tesco activities.

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Optimising their support means, the support is provided by stakeholder is to utilise them in the best possible way. Utilise the support of stakeholders resources.

Step 6. Monitor changes: Changes may come according to the demand of time. It is vital to monitor the changes may come potentially.

4. 2 Develop criteria for reviewing potential options for strategy plan

Developing the criteria for strategic management plan is a form of various sources. The reviewing options are to identify the effect of management strategy in Tesco. The options consist of

Attractiveness to stakeholder: The criteria that involve the stakeholder must have the attractiveness to the stakeholder. It should reserve the interest of Stakeholder and to be attractive to them

Feasibility studies: Tesco has Human resource management of 472, 000 people work for Tesco. It has got Technological approach of applying the self service till and online shopping service for the consumer.

Effects on Market position and share: The criterion of making the potential options for strategic plan is to assess the effect on present market position (30. 3%) and the share it has.

Risk assessment: The option for strategy plan is to identify the potential risk and assess it properly which may arise anytime during the strategic plan.

Cost benefit analysis: Commercial Cost benefit analysis is a process of measuring, comparing and identifying the commercial cost that involve the investment in return of benefit in Tesco.

4. 3. Construct an agreed strategic plan that includes resource implication:

Construct an agreed strategic plan that includes SOSTAC. This can be applied to identify the resource implication. SOSTAC stands for S- Situational, O- Objectives, S- Strategy, T- Tactics, A- Application, C- Control. Among all the meaning of SOSTAC Application could be used for an agreed strategic plan that includes resource implication.

Tesco resource implication

Activities

2011

2012

Budget

Research(cut the cost of living)

Reward(share to be given to staff)

Outlets(in china)

Community

Environment

Jan - June

July - Dec

Jan - June

July - Dec

£200 millions

£98 millions

£170 millions

£7 millions

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Source: Tesco plc. com

Task 5. Examining factors Tesco strategy plan:

5. 1 Compare core organisational values with current business objectives of Tesco.

Tesco as a most successful high profile supermarket retailer in the UK and one of the world’s leading international retailer has generated its core organisational value with its current business objectives.

Ethical value with objectives: Tesco as the one of the giant supermarket has very strong Ethical value with its stakeholder. It has 91% of suppliers around

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the world say Tesco treat them with respect. It has the plan of roll out ethical trading incentives schemes and Trading fairly Awards to two further product categories in the UK as key performance indicators for 2011(Tescopl. com)

Cultural value with objectives: Tesco as most successful supermarket has the objectives of creating a beautiful place to work for everyone. Tesco has 19% of board directors are women. Developing more local leaders in each country remains a key priority (Tescopl. com)

Environmental value with objectives: Tesco has more accountability of practising environmental issue. It is very responsible on environmental impact. It has got the plan of reducing carbon dioxide emission 5. 5% compared to 2009. It has set up a target of become zero - carbon business by 2050(Tesco plc. com)

5. 2 Develop appropriate mission and vision statement of Tesco:

Tesco mission statement: Treat the customers as the best way they can be.

Tesco vision statement: Tesco must go with the statement of ' Every Little Helps'. It has come through the massive amount of simply selling Groceries to Tesco extra where possible everything is available for customer. As we are growing up internationally we should remain focus of earning the lifelong loyalty as representing local.

5. 3 Producing agreed future Management objectives for Tesco:

Tesco future management objectives

Tesco to be no 1 as a international retailer within 10 years

To have 60% of the UK core business by next 5 years

To be successful in non-food as successful in food.(Mobile, Insurance, electronics) by 2015

To be recognised by community of what we do by regular contribution within next 5 years.

Objectives with SMART: Tesco should implement the objectives with SMART.

The SMART stands for

Specific: Tesco management future objectives should be based on

Specification of what Tesco need to do.

Measurable: Appropriate measure must be taken in order to implement the objectives.

Achievable: The objectives must be based on the potentiality of being achieved.

Realistic: To avoid the unprecedented acts Tesco must place its objective on realistic.

Time based: To be competitive in the market locally and internationally Tesco must utilise the objectives on time and should have proper time frame.

Strategy: To be competitive in the market place Tesco need to follow the porter five forces.

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5. 4 Develop measures for evaluating a strategic plan:

Tesco as one of the multinational high profile supermarket need to develop some measures for evaluating strategic plan. The evaluation of strategic plan is to be placed on specific elements.

The strategic plan for Tesco: The area of strategic plan is consist of Environment, Communities, The responsibility of buying and selling products, Healthy choice for consumer, employees and managers.

Items

Descriptions

Duration

Environment

Carbon dioxide emission to reduce

By 2020 30% and 100% by 2050

Community

Tesco need to work for the local community to involve them with Tesco

In the relative time consume.

Faire trade

Healthy choice

Job

Tesco need to be 100% fair trade in the market

Tesco need to provide more healthier food for customer

Tesco need to employ more women at the high level position for not being discriminated

In the comparative market time

By next five years

By 2015

Environment: Tesco as responsible supermarket need to broaden the climate change strategy by focusing reducing in the chain of supply by 30% by 2020. It also needs to reduce the emission of distribution network chain by 10% compared to last year.

Community: Tesco's community programme needs to carry out in locally in deferent culture in deferent country in order to benefit by the local people while experiencing the international.

Tesco need to have a strategy Fair Trade Model when buying and selling the products.

Healthy Choice for customer: To carry out the policy of providing healthy choice Tesco need to impose a strict rule of selling Alcohol. It should focus on encouraging customer to eat more healthy food in order to avoid the risk of bad and embarrassing health.

To make Tesco level place for everyone it need to ensure that women are in the better represented at senior level wherever Tesco operate. It also needs to employ more local leader as a key importance.

6. 2: Create appropriate dissemination process to get commitment from the stakeholder in Tesco.

To get the commitment from customer and retain them with the organisation Tesco need to apply appropriate process of making effective communication to the customer. The effective dissemination processes are discussed below.

Through Media: To make a positive and productive communication with Stakeholder Tesco can contact by media with to get their feedback to be more commitment with them.

Newspapers: In order to make the effective communication with stakeholder Newspapers in one of the appropriate process of making them involved with Tesco. Tesco can regularly supply the information to stakeholder and let them know what is the contribution is kept by them.

6. 3: Design monitoring and evaluate systems for the implementation of the strategic plan in Tesco:

Strategic plan: Strategic plan that includes SOSTAC. This can be applied to identify the resource implication. SOSTAC stands for S- Situational, O- Objectives, S- Strategy, T- Tactics, A- Application, C- Control. Among all the meaning of SOSTAC Application could be used for an agreed strategic plan that includes resource implication. The strategic plan of SOSTAC is the effective plan that Tesco Can apply.

Monitoring evaluating system: Monitoring and evaluating the system is discussed below. There are many types of monitoring system. Which are.

Goal based Evaluation: In order to implement the strategic plan set up a goal based on evaluation in Tesco. Goal base evaluation is a conducive way of monitor the progress when the implementations are taking place.

Outcome based evaluation: when the implementations are taking place check out the outcome of the progress is very important way of implementing the strategic plan

Regular reports: Set up a monitoring team those will submit the report on regular based to identify whether the Strategic plan are taking place or not.

Meetings: The meetings may take place on regular based between the coalition teams to know how the implementation are taking place and the results of meetings can help to develop the expected Strategic plan.

Conclusion: In order to remain in the market place implementing and analysing of the strategic plan is very important for Tesco to adapt. The strategic plan is the continuous and gradual approaches of applying in to the company. Tesco as one of the most successful international retailer it should follow the strategic plan to be more competitive among the rivals.