

# A comprehensive analysis of hrm in tesco



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Tesco is the world's third largest retailer and UK's second largest competing with the likes of Wal-mart in the international market and other leading retailers such as Asda, Sainsbury's and Morrison's in the UK market. It is the leading share holder for the grocery retail market with over 30% of the share in UK. It has now expanded to 14 countries with several new ventures such as Education etc. planned for the nearby future. In this paper after performing my primary and secondary research, I have performed a SWOT and PEST analysis on Tesco listing out its strengths, weakness and other factors which influence the performance of the organisation. I have then provided a description on the recruitment process followed in Tesco. The job and candidate description has been listed out. The factors that are expected from the employees have also been catalogued. I have also explained the job description at Tesco at various levels of the organisation such as top management, intermediate office and the lower office. I have also listed the selection tools used by Tesco during its recruitment and selection process. A brief overview of the selection, training and development methodologies used by Tesco at various levels have also been provided. The roles of the Human Resource Management at various levels of the organisation such as the managerial and non-managerial levels have also been explained. Finally the entire paper has been summarised and a list of various books and articles used for background reading has been provided.

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## **1. Introduction**

Tesco is the second largest supermarket in the entire Europe and the third largest supermarket in the entire world. Tesco was founded in the year 1919 by Jack Kohen in East London. The first Tesco store was opened in the year 1929. Today it operates 4, 331 stores in fourteen countries and has over 326, 000 employees out of which 237, 000 are Britain. It is the largest private employer in England. Tesco operates 1, 878 stores in UK alone with an additional 261 stores in Europe and 179 stores across Asia. Tesco intends to open another 184 stores around the across the globe next year. Human resources have become the back bone for the companies in the 21st century

where it plays a vital role in the company's growth. In 2003 Tesco had been voted as the top company with "The Ability to Attract, Develop and Maintain Top Talent". Edwin B. Flippo quotes, "Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization". The activity that inter-links the employers with the job seekers is called as recruitment. There are three main factors related to recruitment. They are:

Job analysis which is an analysis of the job and its role in the organization.

Job description which is the framework that describes as to what when and how the job is done.

Person specification which is the most important factor of recruitment since it describes as to "who" will fit the job [Alec Rodger, 1985].

## **2. Research and Methodology**

A literature review of various papers presented on the recruitment process of Tesco and the text books and articles mentioned in the reference section of this paper served as the secondary sources for my research. To understand the recruitment process at Tesco from a managerial view I interviewed the store manager at the Tesco Express, Tooting Broadway branch and to understand it from a non-managerial view I interviewed the Team Leader and the customer assistants at the same branch. This served as the source of my primary research.

## **3. Analysis of the Firm**

The organisational hierarchy in Tesco is as follows:

Head office which consists of the top management

Branch office which is made up of the area managers

Store managers

Duty managers

Team Leaders

Customer service assistant

### **3. 1 SWOT Analysis of Tesco**

The purpose of a SWOT analysis is to provide information which would be helpful to link the organisation's resources and its capabilities with the competitive environment in which it works [Quickmba, 2010].

#### **3. 1. 1 Strengths**

Tesco holds more than 30% of the UK retail market share. Tesco has multi-format capability. This aids in its share growth in food. The increase in its supermarket space input allows Tesco to reach a higher share in the non-food sector. Tesco has been exhibiting a strong financial growth over the years which emphasize its strategic competence. Tesco has experienced 14.9% increase in its turnover compared to the year 2008 [Datamonitor, 2010]. Its greatest strength is its ability to customise its services in accordance with the market requirements.

Figure 1 Share of UK Retailers in Food Market [Source: Euromonitor, 2010]

Tesco's strategy is customer affordability. It ensures that the customer gets the required product without having to compromise on the product quality. Tesco's online website has seen a 50% increase in sales in the non-food sector during the year 2009 [Tesco, 2010].

The " Tesco Club-card" has proven to be a very successful strategy to retain its customers. The loyalty scheme aids in direct marketing and also for various promotional practices.

### 3. 1. 2 Weaknesses

Tesco's performance over the year 2009 has been poor compared to its competitors. Tesco faced financial loss and damage to its brand name due to recalling some of its products. Most of these products were marketed as Tesco's cheaper alternatives to costlier products from famous brands [Mintel, 2009].

Tesco is based on the UK market and does not have a geographical diversification. In the fiscal year 2009, 75% of Tesco's revenue was based on the UK market [Tesco, 2010]. This can serve as a weakness because Tesco's performance is dependent on the fluctuations in the UK market.

### 3. 1. 3 Opportunities

Tesco opened 620 stores in 2009. 435 of these were in the international market [Mintel, 2009]. This geographical diversification will help improve Tesco's economic scale in the global market and reduce its dependence on the UK market alone.

The online shopping facility [www.tesco.co.uk](http://www.tesco.co.uk) [[www.tesco.com](http://www.tesco.com)] has grown rapidly with over 1 million users and it has proved to be an opportunity to attract several new customers [Intel, 2010].

Tesco is concentrating on its global expansion. Its entry into the Indian market and the limited franchise agreement signed with Tata group, the largest industrial corporation in India is an evident proof [Daily Mail, 2010].

The growth in the food retail has been projected from £125 billion in 2010 to £145 billion in 2014. This is because even during times of recession the food sector will remain unaffected.

### 3. 1. 4 Threats

The global financial crisis has resulted in a reduction 2. 4% in 2009 in the UK and is estimated to reduce further. This will have a detrimental effect on Tesco's financial position.

The sales, especially in the non-food sector have been affected largely due to the increase in unemployment and the reduction in the income of the customers.

Tesco has been the leading the grocery market sector for the past 15 years [Intel, 2009]. But now it has faced huge competition from Asda, Sainsbury and Morrison's, which are all part of " the big four" with Tesco in the lead.

## **3. 2 PEST Analysis of Tesco**

PEST analysis is done to understand the external macro-environment in which the organisation operates. It is the framework that is used to analyse



the Political, Economical, Social and Technological aspects of the organisation.

### 3. 2. 1 Political

The UK government encourages its retailers to employ people belonging to various categories such as students, middle aged people and elder society. The jobs are also distributed from local based to high skilled, low to high pay and central located jobs. Tesco employs a wide range of students and elderly and disabled people with low pay rates. Being a sector with high staff turnover, these employees are the most desirable due to their high level of trustworthiness [Datamonitor, 2010].

The inclusion of the ten countries into the European Union during the year 2004 helped to promote trade between Western and Eastern Europe. This proved to be an opportunity for Tesco to expand its network across Europe.

### 3. 2. 2 Economic

Economic factors have a direct impact on the customer's buying behaviour. Hence it is a huge factor for Tesco. UK was officially declared under recession since 2008, but the reduction in the interest rates by the government helped in minimising the unemployment rate [Euromonitor, 2010]. This has made the customers confident about their financial status and thus lead to a steady rise in the customer's spending power. However, the crisis is not fully over and the customer's interest in spending for premium products has reduced affecting the sales value and margin [Euromonitor, 2010].

A positive aspect of recession is that, now the customers spend less in eating out and instead try to eat more at home thereby increasing the sales for grocery markets such as Tesco. The last thing the customer will reduce is spending on food and the spending percentage on food has steadily increased over the years [Euromonitor, 2010]. The following graph depicts this growth:

Figure 2 Growth in Spending of food in UK 2004 – 2008 [Source: Euromonitor, 2010]

Figure 3 UK GDP escalation 1989 – 2009

### 3. 2. 3 Social

It has been determined that the UK population has more retired people than young children. This is a social drawback for food retailers since aged people tend to eat less and do not prefer to go out for shopping as frequently as the younger generation. Also, due to literacy level drop in ageing population with respect to internet, the online shopping facility hasn't been too successful. This is further affected by the fact that deliveries for smaller purchases are too expensive and futile.

Customers are becoming more health conscious and this has an effect on the food retail market. There is an increased demand for organic food items and this is well supplied by Tesco. Tesco was the first supermarket to facilitate payment by cheques, cards and cash at the checkout.

### 3. 2. 4 Technological

Technology is a key factor which affects food retailers. Over 70% of the UK population uses internet and this has seen a 50% growth in subscription. Online shopping for grocery items has seen a steady growth over the years.

The loyalty programs used by Tesco namely the Tesco Clubcard helps retain the customers by providing them with various promotional offers thereby discouraging them from switching to their competitors.

Tesco mobile applications are available, especially for the 3G phones such as iPhone etc. which guides the users to the nearest Tesco shop in their vicinity.

The online shopping facility has been of considerable advantage due to the wide popularity of internet usage among the UK residents. It has been stated that over 70% of the UK population use internet broadband.

## **4. Recruitment in Tesco**

It is necessary to perform job analysis before the initiation of the recruitment process. The job analysis is done before advertising for the vacancy. Job analysis consists of two parts namely,

Candidate definition and Job definition

### **4. 1 Job Analysis for Tesco Vacancies**

The job would be more on decision making in the head office.

The middle level of management consists of branch office and store jobs.

The roles of the duty managers and team leaders are intermediary in nature.

The bottom line and the most important resource for Tesco is the customer service assistant [Tesco, 2010].

## **4. 2 Job and Candidate Specification**

S. No.

7 Point Plan

Examples

1

Physical Makeup

Good health and physique, way of speaking, appearance.

2

Attainments

Education, qualification, experience.

3

Intelligence

Basic intellectual capability.

4

Aptitude

Numerical calculations, good knowledge of the language.

5

Disposition

Self confidence, reliability.

6

Interests

Social, intellectual and work based interest.

7

Circumstances

Work hour's availability, relocation.

[Source: M. Armstrong, 2009, page 517]

### **4. 3 Person Specification at Tesco**

S. No.

7 Point Plan

Head office

Intermediary Management

Lower Office

1

Attainments

MBA,

Minimum experience as a branch or department manager for 7 years

MBA,

Minimum experience of 2 – 3 years.

High school education with good communications skill in the local language.

2

Aptitude

Analytical and application language.

Analytical and application language.

Ability to solve numerical problems.

3

Disposition

Dependable, leading, trustworthy and steady.

Dependable, leading, trustworthy and steady.

Dependable, helpful and adaptable.

4

Skills

Problem solving, IT skills, synchronization and originality.

Inspirational, leadership skills and problem solving ability.

Crowd control, listening and spelling skills.

[Source: Tesco, 2010 pages 151-152]

#### **4. 4 Job Description in Tesco**

The job description gives the personnel applying for the job a clear picture about the requirements of the job and also about what they are expected to do to complete the job in a successful manner [M. Armstrong, 2009, pages 467-468].

Assessing the positive and negative aspects of various ventures and taking crucial decisions for Tesco is the management's main job. When entering into a new market, the management is expected to take some crucial decisions which would help them to attain the top position.

The duties of the area manager are to maintain the stores in his area and to reach the customers in an efficient manner. It is also expected of them to suggest possible changes and improvements to the top management so that the standard of the organisation can be improved.

Store managers need to manage and run the store in a smooth and efficient manner. The duties of the store manager is very much similar to the area managers but at a considerably lower level. It is also expected of him to achieve the targets that are set up for his store.

Duty managers and team leaders manage the day to day happenings at the stores and also to lead the customer assistants to run the store in a smooth manner.

A customer assistant reaches and aids the customer at a personal level whenever expected of them [Tesco, 2010].

The following diagram explains the framework used by Tesco to identify their employees:

Figure 4 Framework for Employee selection at Tesco [Source: Tesco, 2009]

## **4. 5 Selection Tools**

Selection Tool

Purpose

Interview

Used for testing the candidate's ability in expressing their views, technical skills and observation skills.

Aptitude Test

General knowledge and ability to think on their feet.

Performance test

Intended to test their already obtained skills.

Group work



This test reveals the candidate's

Leadership skills

Technical and analytical skills

Ability to work under intense pressure

Interpersonal skills

[M. Armstrong, 2009, pages 529-538]

In Tesco for candidates applying for the lower office, an aptitude test followed by an interview is held. But when applying for the top and intermediate levels of the hierarchy, it is the experience that matters most. The candidate is interviewed and then a group and performance test is held to determine the correct person for the post [Tesco, 2010]. This good practice procedure in Tesco is very much similar to the process followed by its competitors such as Asda, Sainsbury's and Morrison's. These organisations also implement good practice.

A purpose of the recruitment process is to remove the pressure on the selection process. The number of applications can be reduced if the candidate requirements are clearly mentioned. The recruitment process should be a rational and logical procedure but it always is not so. This is because power and influence can often have an impact on the process [R. G. Gatewood, 2007].

## 4. 6 Selection, Training and Development

The organisational requirements changes every day. To maintain “ good practice” at our organisation, it is not enough to just recruit the right candidate but it is necessary to train the chosen candidates and maintain their skill level at top to use the employee’s full potential. Training and development allows the employees to grow. Training and development complements one another. The Human Resource Department plays a major role in aiding the employees and the organisation to grow by training and improving the candidate’s technical and personal traits. The following diagram depicts the training cycle for an organisation [T. G. Cummings et. al., 2008].

Figure 5 Training Cycle

Training Objectives

Training Significance

Developing employee’s competence

Improving their performance

To aid in the employee’s growth within the organisation

To increase their competence at a quick rate during promotions, transfers etc.

To prepare them for emergency situations that might arise within the organisation

Improves the employee's morale and job satisfaction

Improves the process efficiency and gain.

Initiates innovative strategies and products.

Motivates the employees.

[M. Armstrong, 2009]

Tesco includes both on and off the job training process. This includes

Shadowing

Coaching

Mentoring

Job rotation and secondment [Tesco, 2009]

During the development stage both the trainee and the line manager contributes in the following manner:

Trainee

Line Manager

Identifying the development needs and agreeing it.

Attending the workshops for development.

Collecting evidences of achievements.

Using feedback to improve performance.

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Aiding in developing the personal development plan.

Training and guiding the trainee.

Reviewing the trainee's performance.

Providing constant feedback to the trainee.

[Tesco, 2009]

## **5. Role of Human Resource Management**

The four main roles of Human Resource professionals are:

Management of the strategic human resources

Management of the employee contribution

Management of the transformations and changes

Managing the HR infrastructure to hold up the line managers [M. Armstrong, 2009 page 106]

HRM collaborates and works with the managerial and non-managerial levels of the organisation as follows:

They need to contribute to the improvement of the business strategies and analyse the challenges faced by the organisation due to its implementation and thereby determine solutions to these problems.

The HRM works along with the line managers to implement the business and operational strategies of the organisation.

The HRM works along with the management to develop HR strategies and align it with the business objectives of the organisation [M. Armstrong, 2009 pages 108-109].

## **6. Conclusion and Recommendation**

Tesco's is the number one retailer for grocery items in the UK. It has maintained this position for the past 15 years because it has understood its strength, weakness, opportunities and threats and taken correct measures to help maintain its market. In this paper I have performed a SWOT and PEST analysis on Tesco and listed its various features. I have also explained the recruitment process at Tesco and explained the key features that Tesco expects from its employees. Further I have provided a brief introduction into the training and development policy of Tesco. The role played by HRM at various levels of the organisation has also been listed. Tesco follows a detailed process while recruiting its employees. It also trains its employees after the selection process with the help of the line managers who support and provide feedback to the trainees. The recruitment procedure at Tesco follows the principles of good practice. It provides opportunities to the student and elderly group which is the most desirable due to their commitment and loyalty.

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