

Strategic management: tesco



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TESCO was founded in 19th century by John Edward Cohen. It is the leading super market in the UK and an international retailer. Its main competitors are Asda, Sainsbury and Morrison's etc. TESCO has 2, 482 stores and employs 287, 669 people in UK. It firmly focused on grocery retailer and further manages petrol forecourt business. It also operates a website for selling Real estate to the people. (TESCO, 2010)

The retail outlets of TESCO run in six formats:

TESCO Extra [larger and stocks almost all Tesco's product ranges].

TESCO Express [neighbourhood convenience stores and stocking high margin food products].

TESCO Metro [located in city centres and on the high streets of towns].

TESCO Home plus [stores having varieties of non-food items]

One stop [the word TESCO is not included in its name and included some of the smallest stores] (TESCO, 2010)

TESCO was just a grocery stall, which undergoes several changes and now it is one of the best supermarket dealing not only with food and drink but also diversified into areas like home, clothing, telecommunication, financial services, electronics, car, internet services and many more. (TESCO, 2010)

What is change? “ It is the process of getting from where you are to the outcomes you wants” (Wikipedia. org, 2010). Every company need strategic change in order to compete in this world of technology. Similarly, TESCO has undergone several strategic changes, this report will going to discuss one of

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its change that is Self-checkout machines. It was first introduced in East Dereham, Norfolk in 2003; this AUTOMATED CHECKOUT MACHINE (ACM) is created by Production Solutions (PSI). . According to PSI, TESCO is testing ACM 700, which has original conveyer based lane design. It is easy to use and customer friendly because of its full colour touch screen. TESCO becomes the second chain to operate this system which allows the customers to scan and pay for their shopping without any interference of the staff (Decisions news media, 2010)

According to Richard Dodd,

“ Response by both customers and staff has been overwhelmingly positive. Customers are telling us that the ACM self checkout is simple to use and they are using it for both large and small orders. Our staff is telling us it’s exciting, fun and they welcome the increased opportunity to interact with customers.”(Richard Rodd, 2010)

TESCO claims that their system of self check out can handles large and small orders at any day time whereas marks and spencer’s system was for small orders only. (TESCO, 2010)

After its success in East Dereham, TESCO has introduced it to other stores also. Now 6, 000 self service tills are working in its 1, 200 stores. This is a great improvement since the self check out was first implemented. A spokeswoman said

“ Many customers actually prefer using our self-service checkouts as it’s sometimes the quickest way to pay, particularly if you only have a few items.”(independent. co. uk, 2010)

THE NEED FOR THIS CHANGE:

Why TESCO need this change of introducing self check machines? There are various reasons for this which is as follows:

- For business development
- To increase the sales
- To reduce the congestion on checkouts
- To compete with its competitors
- To accelerate the checkout processes
- To cut the labour cost with point of sales
- To save the time of customers
- To utilize the latest technology

(scribd. com, 2010)

THE FACTORS DRIVING NEED FOR THE CHANGE:

There are certain external and internal factors which drives this strategic change in TESCO, which are discussed below:

CUSTOMER’S VALUE:

It is making shopping experience interesting for the customers and retaining existing customers and attracting the new one.

GROWING CUSTOMER BASE:

The customers were getting irritated by standing in long queues so to ease overcrowding on checkouts especially when they are buying few items.

TECHNOLOGY:

Technology is playing an important role in the success of the organisation.

TESCO enhancing its technology and improving its operational efficacy with the implementation of self check out machines.

COMPETITORS:

The use of self-checkout system is distinguishing TESCO from the other retailers and its attaining competitive advantage against its competitors

PROFITS:

The self checkout system gives profit to TESCO by cutting the labour cost for instance instead of hiring five cashiers only one cashier will be enough for five self checkouts. (scribd. com, 2010)

THE RESOURCE IMPLICATIONS OF NOT RESPONDING THE CHANGE:**EMPLOYEES:**

People fear and resist change for a variety of reasons. For example, the self check out machines is not much appreciated by the employers because of fear of losing their jobs. They should be motivated to learn and encouraged to improve their approach to customers.

FINANCIES:

Company needs funding for its strategic change like involving stakeholders. The stake holders have financial expectations that will influence an

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organisation's business strategies. It all depends on what kinds of funding are required. TESCO want to introduce these machines in all its stores, for this it needs money and financial support.

TECHNOLOGY:

Introducing self checkout machines is a technological change. The management need to focus on technical skills which are required to operate these machines and making them easier to use for the customers. The success or failure of strategy of an organisation depends upon the ways that technology is developed, organised and funded. (scrbd. com, 2010)

1. 4 MODELS OF INDIVIDUAL CHANGE, TEAM CHANGE, AND ORGANISATIONAL CHANGE:

ADKAR MODEL [a model for individual change]

(changemanagement. com)

This model is developed by Jeff Hiatt, CEO of Prosci Change management in 2003. According to him; this model has five actions which are working as building blocks for the individual change. These are as follows:

Awareness for the of change:

With the help of this step an individual (employee) will fully understand why the change is necessary. It is the first key aspect of successful change.

Desire to participate and support the change:

This step is building desire in an individual to support and be part of the change and this can only happen after full knowledge of the need for change is established.

Knowledge on how to change:

This step explains two types of knowledge that the individual need to know. Firstly, knowledge on how to change and secondly, knowledge on how to perform once the change is implemented.

Ability to implements required skills and behaviours:

The froth step is about the actual performance of the individual which needs to be supported. It can be achieved through training, coaching and practice.

Rein enforcement to sustain the change:

The final step is about making sure that changes stay in place and it can be attained through positive feedback, measuring performance, incentives and taking corrective actions.

(changemangement. com)

LEWIN'S FORCEFIELD MODEL [An organisational change model]

(consulpivotal. com)

This model is developed by Kurt Lewin in 1951. It suggest that there are two kinds of forces one is the “ driving force” and the other is the “ resisting force” which keep the systems of an organisation in an equilibrium state.

Lewin also suggested a three-stage theory of change, these stages are as follows:

Unfreeze-creation of motivation to change:

This stage is about moving the entire business towards inspiration for change. It gives the understanding of why change is necessary and it is the time to get ready for the change.

Change or transition:

After the first stage now the people are moving towards a new being. It is a difficult part for them as they are unsure or even fearful. Support like coaching and training is really important here.

Freezing or refreezing:

It is about reinforcing the change and ensuring that it is accepted and continues into the future. Without this stage, the people can go back and start doing the work that they used to do in the past.

(umfortu. net, 2010)

TUCKMAN FORMING STORMING NORMING PERFORMANCE MODEL [Team model change]

(hubpages. com, 2010)

Dr Bruce Tuckman published his Forming Storming Norming performance model in 1965. Its four stages are as follows:

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Forming stage 1:

In this stage, team is built and the task is assigned to the team members.

The team gets to one another and learns about the opportunities and challenges. They agree on goals and begin to face the tasks.

Storming stage 2:

In this phase, relationship between team members will be made or broken this phase can be very damaging for the team.

Norming stage 3:

In this stage, every member of the team takes responsibility and has the desire to work for the success of the team's goals.

Performing stage 4:

The high performing team reach this phase. They are now competent and can make most of their decisions without supervision.

(businessballs. com, 2010)

RELEVANCE OF THE MODELS TO THE CHANGE IN THE CURRENT ECONOMIC CLIMATE:

In current economic climate, change is widespread among all the organisations. It has become an everyday part of an organisational dynamics. Change is not something which can be done overnight.

Organisation can use various models of change to apply change successfully in an organisation. According to Collerette, in today's business environment,

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the only thing that appears to remain constant is change (Collerette, 2002). Companies constantly face pressures to change in changing economic conditions. It is necessary for the organisations to anticipate the change and prepare for it through planning.

Adkar Model:

The high failure rate of all business change initiatives is because an organisation emphasis more on the process rather than people. Adkar model plays a vital role in handling this kind of situations. For example, in self checkout system, employees need to be motivated and to make them aware of how important this change is for the business for TESCO. This model helps the company to involve employees in the change, as the result of it they get interested in it.

Bruce tuck man's model:

In the current economic situation change can be successful in an organisation with mutual understanding of team members. Team leader needs to have interpersonal skills which help the members to achieve their goals. People are very sensitive about their work so they need to be given security to work in a team.

Kurt Lewin's model:

This model moves the entire business towards motivation for change. TESCO should reinforce the change (self check out system) ensuring that the desired change is accepted and maintained in the future. It is necessary because if the change is not freeze people can start doing the work in the same they use to do it in the past.

1. 5 STRATEGIC INTERVENTION TECHNIQUES:

These intervention techniques teaches how to set goals, ways to overcome obstacles in your life, how to reform their thought patterns to turn negative thoughts into positive patterns and to educate effective communication skills which are essential to business of all types.

There are various strategic intervention methods such as:

Role playing:

This part of training is very essential for TESCO which enables individual to handle the given situations. It prepares them to perform without involvement of managers. (strategicintervention. com, 2010)

Survey feedback:

It is important for TESCO to collect information from personal interviews and survey questionnaires and share it with its employeers. This effective feedback should be understandable and encouraging receivers. (strategicintervention. com, 2010)

Team development:

This can help TESCO to set goals and to examine the way a group is working. This helps to give a view to the relationship among the people working together. It also assists to change the culture of the organization (strategicintervention. com, 2010)

MBO approach:

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MBO (management by objectives) techniques of performance evaluation are results-oriented. It's important for TESCO to measure the performance of its employees and solve interpersonal problems peacefully. (management4you.blogspot. com, 2009)

Proactive and reactive:

Managers cannot directly change employees' attitudes. Therefore they need to motivate them in directly by improving work conditions and becoming more operative leaders. For example, Managers had to organize workshops to motivate cashiers who have the fear of losing their jobs. (Foodanddrink.com, 2010)

1. 6 SYSTEMS INVOLVE STAKEHOLDERS IN THE PLANNING OF CHANGE:

STAKEHOLDER:

“ Any group or individual who can affect or {be} affected by the achievements of organisational objectives.”(Business Strategy, 2002, p. 2)

The stakeholders are divided into two kinds of categories:

External Stakeholders

Customers

Shareholders

Suppliers

Trade bodies

Governments

Competitors

Local community

Internal Stakeholders

Employees

Directors

Employees representatives for example Union Trades

(Business strategy, p. 27)

When any company undergoes change, a lot of people for top to bottom are involved in it. Therefore in order to implement the change successfully you need to involve them otherwise it will be a failure. For the self check out system TESCO can adopt stakeholder analysis and engagement (systems to involve stakeholders).

1. 8 DEVELOP A CHANGE MANAGEMENT STRATEGY WITH STAKE HOLDERS:

Without involving external and internal stakeholders, TESCO cannot introduce this change of self checkout system. There are two major approaches to stakeholder management. One is stakeholder analysis and the other is stakeholder planning. The steps of stakeholder analysis are explained as follows:

Identify your stakeholders:

Tesco needs to first identify who their stakeholders are, for their strategic change. In this change of self check out system, both external and internal stakeholders are involved such as employers, customers, the press, managers, shareholders, financiers, suppliers etc.

Prioritize your stakeholders:

Then we have to classify them by their power over work and by their interest in work.

High power and high interested people for self checkouts are customers, employers, senior managers etc. these are the people we should get fully engaged with and make the greatest efforts to satisfy them.

High power and low interest people, the company should satisfied them but not so much that they become bored.

Less power and high interest people, TESCO keep them informed as they can be helpful in the change.

Less power and less interest people, company should monitor them.

Understanding your key stakeholders:

TESCO needs to understand what financial interest they have related to the change. How you can motivate them and what information they want from you? If they are not likely to be positive what will win them around to support your project? In order to answer these questions TESCO should talk to them directly.

“ By engaging the right people in the right way in your project, you can make a big difference to its success... and to your career.”(mindtools. com, 2010)

Now they need to engage stakeholders in their strategic change. The most effective way to involve stakeholders is communication strategy. The company should talk to them in a very friendly and co-operative manner. Customer satisfaction should be given the first priority by making self check out systems easy and usable for them. For this they can do a survey feedback and can get their support. Senior managers need to be given training for these machines so that they can mentor their employees. Staff should be given a clear vision of why these machines are important for the company's strategy.

It is normal to experience resistance whenever there is change. It is good because it can make the company to check their assumptions. The company should understand what their employees are feeling and thinking. Due to this self checkout machines employers are feeling very in secure about their jobs. Therefore TESCO can arrange various workshops for them to guide how these machines are used and to provide them job security.

The company can talk to the financiers that how successful they are running and show them the profits you are getting from them. That's how they can more involve in change and can help TESCO to introduce these machines in all of their stores. They can do advertisements of these machines by involving press. Developing good relation with the stakeholders will help TESCO to implement the change more successfully. (Wikiadapt, 2010)

PLAN TO IMPLEMENT A MODEL FOR CHANGE:

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Tesco needs to involve external and internal stakeholders in the planning of change. The learning theory of Peter Senge can be used to for self check out machines in TESCO. He explains its theory in five points which are as follows

SYSTEMS THINKING:

TESCO needs to think about its systems as a whole. They don't have to blame others if the things are not right instead they should see how they operate and why things are going wrong. They should seek the system for it.

PERSONAL MASTERY:

It is something which is related to the intrinsic motivation and the people who are deeply committed to their work. In order to accept change they should have motivation from their inside which makes resist to the change.

BUILDING SHARED VISION:

TESCO should give its stakeholders a clear vision of a future they seek to create through this change. It can be done by providing a good understanding about the change. it will help to combine the vision of a company with the vision of stakeholders.

TEAM LEARNING:

TESCO should provide stakeholders an opportunity to learn in a team. Each member of team task must undertake to link with other team members so that everyone is fully informed. They can perform skilful discussions to achieve their tasks.

MENTAL MODELS:

TESCO should provide a safe environment in which employees feel comfortable. They should help employees develop their skills of reflection and inquiry. (Peter M. Senge, 1990)

1. 10 DEVELOP APPROPRIATE MEASURES TO MONITOR PROGRESS:

Self check out system is a big change for TESCO. Although it is working successfully in stores but TESCO needs to put effort to solve the problems employers and customers are facing. They need to know why they are facing problems and what they can do for it.

They need to motivate and guide the customers so that they can deal with the problems of customers. Tesco needs to think about the machines outlook also as it seems to be very complicated for some customers. It may be happening because the method of how to use it is not introduced to them effectively. They should hire some technical employers to deal with these machines. They need a very co-operative management which can train the employers who can later help their customers they need a cultural change as it is something new for the customers to use and replacing the old methods of shopping. They need to do some survey feedbacks and then they go further of how to overcome these problems related to the change.

CONCLUSION AND RECOMMENDATIONS:

Although this system of self check out system is running successfully in all stores of TESCO but still there are some problems which company needs to focus on. Customers often get frustrated because they have to go through

the self check out menu mostly who don't have the knowledge of information technology. Most of the customers are not using it because they are afraid of using it. Another problem is of mis scanning which then creating problem and the customers have to ring the bell for help.

In order to overcome these problems TESCO needs to put some extra employers to assist people if they face any problem using it in order to save their time and energy. They can provide information making it very simple and easy of how to use these machines through internet and newspapers it will help those customers who are afraid of using it. There is a need of making them more user friendly and reducing their faults.

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