

# [The history and success of tesco management essay](https://assignbuster.com/the-history-and-success-of-tesco-management-essay/)

The history of Tesco starts with Jack Cohen who is the founder of Tesco. In 1919 Tesco was started by a stall in East end of London, where the first day sales was £4 and made a profit of £1. Ever since that day there was no looking back for Tesco, it made it’s first appearance in a shop on Edgware in 1929 and since the company had grown and developed, responding to it’s new opportunity and with he pioneering if many innovations. By the early 1990’s, Tesco faced a strong competition with new competitors and ever-changing market. Tesco was buying good and selling goods as well, but what they were failing to do was to understand customer and their requirement. Sir Terry Leahy, who became the Chief executive of Tesco in 1997, just came up with a simple plan to ask the customer about, “ what are we doing wrong?” And as an answer to this question they came up with the scheme of loyalty cards ‘ Club Card’ and also with internet shopping service with home delivery.

Tesco has opened varieties of stores to meet the needs of their customers, Tesco supermarket which is located in the edge of town, Tesco extra which has verities of product including clothing, electronics and non food items. It is also open 24 hrs looking at the convenience of the customer. Tesco metro which are located in city centres which are smaller then other stores but would provide goods aiming to the people who visit them for a break. Tesco express are generally located near petrol stations whose, customers are car owners and travellers. And they have Tesco homeplus do not sell food but offer all Tesco’s ranges in warehouse style stores in retail parks.

Going the extra mile for a customer satisfaction is one of the key to its growth. Tesco have changed according to the customer’s requirement and needs. Tesco wants to make customers’ lives and their shopping experience as easy, better as possible. What they main believe in is to appeal to every customer that comes to Tesco and also give them a reason to come back to Tesco.

2. A public limited companies would be floated and then traded on the stock market. Generally, all the companies which are listed in stock exchange are Public limited companies. And member of general public has the right to buy shares and thereby, owing a part of the ownership. In order, to be a PLC, the company should recruit a minimum capital of £50, 000 by the general public; all the account details should be published to general public, should/would be listed on the stock exchange market and most importantly should have Memorandum and Article of Association. (Marcouse. I, Gillespie. M ET all, 2003: 331)

‘ To become a public limited company, a Memorandum of Association , Articles of Association and a Statutory Declaration must be provided’ (Halls. D, Jones. T ET all, 2007: 46). These documents are essential which are stated on the Company Act and they are essential to be met. The company would be issued Certificate of Incorporate followed by a prospects being published. This document is advertised to potential investors and invites tem to buy shares along with the general public to provide a flotation to the company. But the company also needs to provide with Memorandum of Association which helps the legal relationship between the company and the outside world. This document should contain: Name of the company, objectives if the business, the fact that the company had limited liability and the amount of authorised share capital allowed by the government to sell. Whereas, the Article of Association would be dealing with the internal management of the company. For example: Rights of the shareholders, the role of the Directors, Number of employees to be hired and other important information. (Browne. D ET all, 2004: 22)

The benefit of being a PLC are: the huge amount of capital raised by the general public via share, the production cost may be lower as achieving the economies of scale, the size of the business would more often tend to dominate the market, the Finance intuition would be willing to lend to PLCs rather then other companies and the key benefit is it’s versatility as it could issue more share and raise capital when needed. But on the other hand it also has it’d downturn: setting up the cost of PLC is very expensive and the process of documenting is time consuming, A PLC is more fragile as anyone could buy their shares and take control of the company, the Financial figures of PLCs are transparent thereby, gives opportunity for the competitor to their advantage. It is seen that PLCs fail to treat the customer at personal level because if the size of the business and its inflexibility, the operation is controlled by various companies Act which is aiming to protect the shareholders which might lead to the interest of the owner and being ignorant to some extend. ( Carysforth. C, Rawlinson. M ET all 1991: 41)

Tesco changed itself form a Private limited company to a Public limited company in 1947. Tesco started with a £50, 000 share capital and with a share at the value of 25p. By 1960 Tesco had managed to open over a chain of 212 stores in North of England which was the contribution of Tesco going PLC. In between 1964 and 1965 it had added up with 144 stores. By 1987 in May Tesco had managed to take 40 supermarkets in North of England for £220 million (1987-05-16). “ Shocked Hillards attacks greed of Prudential: Hartley disgusted with institutions after Tesco wins takeover battle.

As of 28 February 2009, which was the end of it financial year 2008/2009, Tesco’s UK stores portfolio looked as following. (http://www. tescoplc. com accessed on 15th April 2010).

## Format

## Number

## Total

## area (m²)

## Total

## area (sq ft)

## Mean

## area (m²)

## Mean

## area (sq ft)

## Percentage

## of space

## +/- Stores

## 2008/9

Tesco Extra

177

1, 172, 622

12, 622, 000

6, 625

71, 310

40. 35%

â-² 11

Tesco Superstores

448

1, 247, 967

13, 433, 000

2, 786

29, 984

42. 94%

â-² 13

Tesco Metro

174

188, 129

2, 025, 000

1, 081

11, 638

6. 47%

â-² 10

Tesco Express

961

197, 419

2, 125, 000

205

2, 211

6. 79%

â-² 125

One Stop

512

62, 430

672, 000

126

1, 357

2. 15%

â-² 5

Tesco Homeplus

10

37, 904

408, 000

3, 790

40, 800

1. 30%

â-² 3

## Total

## 2, 282

## 2, 906, 471

## 30, 877, 000

## 1, 309

## 14, 087

## 100%

â-² 167

By February 28th 2009 Tesco had managed to establish a total number of 2282 stores in UK. This could be the result of it going PLC because when compared to the data before 1947 when it had been a sole trader and had been Private Limited Company, it had only managed to open about 100 stores in 25 years but once it became a PLC after about 60 years it is just massive.

3. Sole trader or Sole proprietor is the type of business which is owned by only one person. The owner is the leader of the business and may employ people if needed. The sole traders in the primary sectors would be farmers and fishermen whereas, on the secondary sector small manufactures, builders and construction firm would fall in this group. ‘ Jane Hale is a sole trader based in Bristol. Her business ‘ Pets Pit stop’ offers bathing, beauty treatment, grooming and massage for up to 15 animals a day. ‘(The newspaper for the youth enterprise network, Issue 20)

Setting up a sole trader would be the simplest of all, and is straight forward. There is no legal formality but however have some legal responsibilities once they are established. After certain allowance, the sole trader must be registered fir VAT and should make a contribution toward the National Insurance. Some may need to apply for licence (alcohol and public transportation) and for permission in need of a certain location. Sole trader should also comply with all the Legal Legislation (Health and Safety at work). (Buckley. M, Bridley. B ET all, 1996: 55). Advantages of a sole trader: less legal restriction and administration cost also entitled to sale profit after tax, maximum flexibility and could change accordingly to the customer’s satisfaction and may enjoy some government support. However, the disadvantages would be: unlimited liability which means if the business has a depts. Then it would result to personal liability. The lack of financial supports from the banks and could charge a higher level of interest rate. And the death if the owner or lose of interest would lead the business to cease. (Hall. D, Jones. R ET all 2007: 45)

A partnership is defined in ‘ The partnership Act 1890’ as ‘ The relation which subsists between persons carrying on business with common view of profit’ (www. opsi. gov. uk, accessed on 13/4/10). Simply put, partnership is a joint ownership with shared responsibility for running the business and also profit/loss. Partnership is governed by Deeds of Partnership which is a legal document which states: Number of partners, capital contribution, profit/loss to be shared, procedures to end partnership, rules for taking a new partners and other information. But if no Deed is drawn up then it if there is a problem then it would be looked upon Partnership Act.

No legal formalities required and thereby, less admin cost. There could be specialized partner at their department which will help in shared workload and work efficient, effective management. And also more capital then to sole trader and a partnership is more likely to be in a strong position to raise money via contribution and back to sole trader. But on the other side, under partnership act there must always be at least one partner with unlimited liability and thereby, keeping the partner on risk. The death of one of the partner may also bring the business to cease. (Browne. D ET all 2004: 23)

Private limited companies are one type of limited company which ten tend to be smaller then PLC but are bigger then sole trader and partnership. Reebok and Littlewood are one of the examples of Private Limited Company and are often owned by family members or close friends. Even though, their investment is divided in shares, the share is not made open to the general public and is not listed on the stock exchange. The directors of there firm tends to be shareholders and are most likely to be involved in the running of the business. Many of the manufacturing companies are likely to be a Private limited Company then to a PLC.

The shareholders in Private limited company have limited liability, which encourage more people to join rather then to partnership and sole trader. As, there is no limit to the number of shareholder, more people can be encouraged to but with consultation of the existing shareholders. The firm would also enjoy privacy as shares are not sold to the general public and decision could be taken with discussion over a group. The business would not come to cease by a death of a person but the shares would be transferred to another owner. Whereas, the downfalls are: the profit to be shared with a larger number of people, the long legal procedure of setting up the business which consumes time and money, the financial information can be view by the general public, which could be used by the competitors to their advantage. ( Hall. D, Jones. R ET all 2007: 46)

When in 1919, Cohen invested his £30 on a small stall in East London his first day profit was £1 from sales of £4. In 1929 when Cohen opened his first official store in Burnt Oak in London, he was a sole trader. All the profit made from the store was solely enjoyed by him and also has vulnerable to unlimited liability, where meant if the company would made a loss and would not be able to pay their supplier then by law her had to give from his personal finance. This also had a effect on the business as it was solely owned and managed and thereby, only limited amount of innovation and possibilities were there. The company also suffered from limited capital as Cohen was the only the supplier of finance.

Reacting to these disadvantages Cohen changed the form being a sole trader to a Private Limited company in 1932. Now there was more capital in business as there were more number of share holders and also everyone enjoyed a limited liability as the investment was divided into shares. The capital collected by these shareholders was invested in different small shops and thereby, by 1935 there were 100 small shops with the name Tesco, which were located mainly around London. But apart from it being a Private limited Company it had its own defect as they were not able to sale their shares in stock exchange which left them with limited capital.

But in 1947 Cohen dream finally became a reality when Tesco changed itself from Private Limited Company to Public Limited Company and was listed in stock exchange market. Initial to provide the float Tesco sold its shares at 25p with a minimum share of £50, 000. Tesco is listed on share market as TSCO. L / ISIN GB0008847096 and the value for its share has made to 443p approx (http://uk. finance. yahoo. com accessed on 15th April 2010). Since the company changing to a PLC Tesco has grown almost hundred times its initial size. By 1964-1965 Tesco had managed to make a chain of 356 stores in North of England. Tesco now is one of the biggest 3 biggest retailer in the world. It has annual revenue of £ 59. 4 billion as on February 2009. (www. tescoplc. com accessed on 15th April 2010)

Ever since, Tesco had changed into a PLC things had just got better and better for it. As being a PLC now it can enjoy a variety of ideas, innovation and market. It also has a huge amount of capital which it is using for its beneficial. It has diversified into different sectors as finance, telecommunication, different countries and many more as there are different people specializing in their own sectors. As Tecso says it self, ‘ Every little helps’.

4. A structure of a firm is concerned with the type of activity carried out with the most suitable manner of achieving the goal. It is more over concerned with the work role around the organisation, formation of groups in order to fit them with teams or departments, and the allocation of different amount of power and authority falls filling various roles. It is associated with job descriptions, way of coordination and control and management of information systems. In general terms of a particular structure emerges to maximise the opportunity of a firm and help solve problem created by these various influence. This influence could include technology, size, nature of the environment, management strategy, and the behaviour of interest group, the firms’ history and wide culture. (Needle. D 2004: 144)

Formal/Tall hierarchy is a structure which allows the entire workforce a clear and defined role and also establishes there relationship with other employees in the business. This type of structure is to be based on department and because of the dependence upon agreed procedures, it could be bureaucratically.

This type of organisation had a number of features: like it’s narrow span of control as there are leaders who keep an eye on the workforce, the power would be centralized as the senior manager are more likely to come with important decisions for which they are respected and is found to have more formal way of communication in use. Tall hierarchies allow people to specialise to operate in their own expertise. The command line and the communication line is clear to everyone and thereby, it is really easy to make out the structure and making it less confusing. Whereas, the disadvantages would be for this structure be: the extra admin cost for managers and supervisors, the communication line is really time consuming as it had to go through each and every department and the lack of involvement t because the decisions would be remotely taken by the senior managers. This structure is practised more often in long established business, such as Merchant Banks in city of London and family business of small roles. (Surridge. M and Gillespie. A 2008: 173)

A flat hierarchy is a lot similarly like a tall one apart for it having fewer divisions. The long span of control in this is found to be long as one manager or supervisor has to look after many employees. In general, if a tall hierarchy would have delayring, then it would have a flat structure. This would help a form by cutting down the cost of admin and also motivating the staff as delegation is evident carried out with effective communication and new innovations. However, the structure also has faults which are: dissatisfied staff as some people hate the extra work (delegation) and would be looked as it is a burden. (Surridge. M and Gillespies. A 2008: 171)

“ Tesco has a flat hierarchical structure with just six levels between checkout staff and chief executive “ as said on (www. 321books. co. uk accessed on 16th April 2010). The lowest level of staff are the checkout, above them are the team leaders, then there are the supervisor/ managers, then there are regional manager and so on. This gives a clear view to all the staff about their job and the proper way of communication. This is also an advantage for Tesco as there is a cut in the admin cost. And this structure could be also a result of gradually growing of Tesco form a single store to a multi billion business.

The concept of Matrix structure was developed in 1960’s in USA, which individual project or product managers are responsible for meeting objective, to be delivered within deadline or budgeting target. And these teams are also divided by function (such as sales or production) (Dransfield. R ET all 2009: 73). It could be said as combine functional department who are specialized in their permanent location and integrated with different actives and department using projects, geographical and product based. This type of structure is seen to be less formal, equally shared responsibility and rather then hierarchy upward it is found to be downward. The disadvantage for a matrix structure would be: multi skilled roles to be fulfilled to fill several job roles, ambiguous job description and confusing, co-ordination of all departments is hard and complex as structure is confusing and hard to clarify.

Other then his there are also advantages: proper allocation of employee as group, innovation is the most in this compared to other as specialized people with different ideas are working together, better and informal communication and most useful in internationalising, where cross country co-ordination needs localised expertise and knowledge of legal barriers and customer requirement in different country. (Dranfield. R ET all 2009: 77)

Matrix structure is now becoming popular because of the need to respond quickly to ever changing environment. Project managers are also allowed with authority over required activities to achieve overall objectives, which allow rapid decisions to be taken.

A similarly case could be compared to the importance of changing structure: When a New chairman was appointed in 1985 for IBM, The Chairperson implemented significant structural changes. This change was caused seeing unacceptable fall in profit since 1984. Before 1988, the structure reflected a high degree if specialization between various departments. There were technical divisions (with the responsibility for design), the manufacturing division (responsible for making computer) and marketing divisions (responsible for sales). But there was no department concerning software development. As a result the management were often in conflict and new design was delayed for two years. Thereby, to counter these problem five divisions were created: mainframe, minicomputer, personal computer, telecommunication and new technology. Each department were delegated with power responsible for own product design, manufacturing, sales and the ultimately profit. By the end of 1991 the company had restructured yet again with 14 areas of business, 10 concerned with production line and 4 with marketing, which resulted to rising profit, better entrepreneurship and better consumer satisfaction. (Cassidy. J and Homes. D, ‘ Spreads work load for quicker pace’, Sunday Times). By this case we can understand better about the change in the structure and how could it effect to the business. As IBM has restructured, Tesco has also restructured when going for sole trader to Private limited Company and then to PLC. When a company grows further addition administration workers are required for the smooth running of the business, it is essential for a business to choose the right and the best way of structure of business.

5. Culture is the social organisation, it could be defined ways of life for a particular group or society: the norms, beliefs and values of group and is reflected in the ways it is. Culture is based on the society that we grow in. we learn values from out family, friends, were we love or work. Culture could be said as the ‘ the blue print’ of living. The ways we adapt to new things, responses and behaviours.

In a working organisation, the culture is about ‘ the personality of the company’, the ways it runs, the type of people of employs, its rule, values and way it operates. It could be also said as the first impression of the organisation regarding, to its structure and style of management. An organisation would put pressure an employee in order to adapt to the employer standard. A business would have a formal and informal culture. A formal culture would include written rules, regulations and ethical procedures which a firm follows. And an informal culture is basically unwritten laws which could be flexible guidance that are mutually understood and respected. (Dransfield. R ET all 2007: 87) the culture of an organisation is dedicated towards how it operates, so it is really important to understand how to influence their employees towards contributing to its success. Power, role, task and person are the four type of culture which would reflect on the style of management and influences.

Power culture. (http://www. learningassistance. com accessed on 15 Apr. 10)

Power culture is seen mostly in small business where a powerful person or small group of people enjoys the power. It is also often said as the spider’s web as the power is at the centre and then radiates outward. One if the advantages are the decisions can be made really quickly with just little or no consultation at all. But in a long run employees may feel limited by their inability to be innovative and may leave the business, so at last the business could just end up with unskilled labours. And one of the worst things could be that the business is so depend in the centre person/people that if a fault may occur or death occurs then business may come to cease.

Role culture (http://www. learningassistance. com accessed on 15 Apr. 10)

A role culture could be best represented by a traditional hierarchal structure, where a role is based around job rather then to individual performance. The relationship depends between the prescribed communication on channel and the job role. Rules and procedures are the main influence regards to power, which comes form an individual’s position with the hierarchy. One of the main benefit of this organisation would be, the stability and clear structure which is offers but on the other hand it could be also seen as inflexibility and difficult to respond to, because role culture being focused in job role rather then employee, the chance of new ideas to come up is very unlikely and change is really slow.

Tesco practising traditional hierarchal structure is seen to practice role culture.

Task culture (http://www. lindsay-sherwin. co. uk/ accessed on 15th April 2010

Task culture mainly emphases on task of job and projects, or could be even called as team culture. Performance is judged on the basis of problem solved and the amount of production made. The structure is very much flexible and thereby, allows reforming depending on the project and completion of it. Power is allocated in respond to individual performance rather then position which is always backed up by current task. As, there is very less amount of formal authority, it could be also a disadvantage as it make hard for the management to be controlled. In current context, Morden task culture is very much popular where team are self managed and develops quality circle, where the people performing the task themselves monitor the quality and progress.

Person culture (http://www. lindsay-sherwin. co. uk/ accessed on 15th April 2010

A person culture may be quite resemblance to power culture but is not: a person culture is to manage the work by persuasion or influence, rather then by command and position. Delegation is also seen in this culture which would lead to motivation and making them a part of a firm. Communication could be difficult but is not as difficult as a power culture, as both formal and informal ways of communication are used. (Dransfield. R ET all, 2007: 88)

Tesco practising traditional hierarchal structure is seen to practicing a combination of role culture and person culture. In the lower level of hierarchy (check out staff and team leaders) could be said to be influenced by role culture, who are there to do their job rather then to coming up with new ideas and innovations. It makes them really easy to understand their job and excludes misunderstanding. Whereas the higher level to them, the regional managers are seen to practice person culture. “ Each store of Tesco has a store manager who can make certain decisions concerning their store. The store manager is responsible to a regional manager “ as said in www. learnmanagement2. com. The regional manager is responsible for motivating all the staffs in the store and required delegation.

6. Leadership is described by Freiberg as ‘ an interpersonal influence directed toward the achievement of goal or goals’ (Freiberg. K 2001). It could be further described as leadership as a dynamic relationship which is based on common purpose and mutual influence between the leaders and work together in which both are moved to higher levels of motivation and moral development. Freiberg definition points out three key elements: relationship, mutual and working together. Relationship is the way the workers are related; mutual who are sharing a common goal and Woking together which is better co-operation.

A leader as described by Campbell and Craig is ‘ an individual who knows where he or she is going and is able to persuade other to go along as well’ (Campbell. D and Craig. T, 2008: 482). And Gallaglier ET all presents 4 skills which are essential for a leader as: visionary skill, communication skills, sensitivity skills and self awareness skill. It is said that people are more willing to follow someone who has a vision and is confident, the skill to communicate and compel their vision that evokes enthusiasm and commitment and satisfaction by sensitive skills. The most essential skill would be self awareness skill where the leader needs to welcome feedback and change willingly. (Gallager. K Et all 1997: 529)

There are different situation in which leaders operate and the reasons behind it. These are different leaders, some perfect to lead on there own, with no reference or consultation and involvement, while other prefers to step back for the responsibility of taking decision and followed by decision making. Each leadership has its own character and of satisfied are characterised as autocratic, democratic, laissez faire and paternalistic.

Autocratic is a leader who decodes by themselves, without consultation of the team members. Decisions are basically taken on the amount of experience and wisdom of an individual. This style of management would be practise on low level staff force or production like where the emphasis is on the quantity rather then quality. This style of management is also popular when dead lines are to be met or certain amount of production to be made. This leads the workforce to not be encouraged to think for themselves and thereby, group not being responsible for their action and blaming it on the higher levels. Decision making is carried out by just one person or a small group, therefore, making the leader detach for the others. But on the other hand, it could be argues that the decision making process is very much quick and less time consuming then democratic. And the rules and regulation which are set are easy to follow and understandable to everyone. (http://tutor2u. net accessed on 16th April 2010)

Democratic leader is a one who actively encourages the sharing of idea among the workforce which welcoming feedback related to all matters. It needs to be kept in mind that all the opinions will not be satisfied but there would be a place for a change. Two ways communication is seen and decisions will be taken on general interest. Some, of the disadvantages for this would be time consuming and additional admin cost. Tesco also practices democratic style of management and welcomes new ideas but on the contradicting part is, as they are seen to practice a flat hierarchy of structure the way of communication may take longer/not reach at all to the top level. (www. managementstyle. net accessed on 16th April 2010)

Laissez faire can be translated as’ leave to do’. In this style of management there is hardly any leader or almost no influence on the group. The workforce in this style needs to be self motivated and should have their own set of goals. The communication is maximum throughout the workforce and every opinion is listed to and also taken into account. It is very difficult to come to decision as it takes a long time, apart form this, the numerous discussions also adds up the unnecessary cost and also the time.

The word paternalistic means the leader will try to engender family spirit and sense of belonging from employee to firm. This type of leadership would emphasis on concerns for the needs of workers beyond just the working environment. This could be achieved by additional facilities: as housing, social and sporting clubs, paying additional profit related bonuses and other activates toward individual carriers development. (Barratt. M and Mottershaed. A 2001: 591)

7.