

Tesco plc management and success



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A large amount of literature is available on the management methods and policies of Tesco, the culture change it has adapted in its past, its workforce and its retailing success. This has been compared to the management theories and criteria of change management, and discussed to find out how closely do Tesco's employee management mechanisms link with the actual theory. A brief overview of the history of Tesco with detailed step by step progress made by the company the strategies, values and policies, stakeholders and customers of Tesco are also precisely discussed. The future plans and a comparative analysis of Tesco with other top retailers is also presented.

Tesco PLC:

Based in United Kingdom ever since 1920, Tesco has to date expanded itself into several countries across the European Union as well as in Asia (EMMC, 2007). Such success of Tesco has been possible due to its focus on growth strategy, and its core competencies which are basically its brand reputation and the value-added services it provides through the brand experience. In addition, Tesco has shown a wide potential to capture foreign markets with variable environmental, cultural and political factors. It is highly sensitive to external environment, and adjusts on a need basis. It is also important to consider the factors of Tesco's internal environment which add to its competencies (Clark, 2008).

Tesco has gained its current position as one of the major retailers of the United Kingdom by adapting to the needs of its customers. One of the major shifts of the organization culture and strategy came in 1990 when the organization transformed itself by focusing on its human resource

management. This was done by a process of strategic and cultural change (Clark, 2008).

Retail industry and Tesco:

Retail refers to 'sale in small quantities', the retail industry is an important sector of the economy; it comprises of individuals and companies which are engaged in the selling of finished products to end users. The retailer buys the products in large quantities from the manufacturers either directly or through a wholesaler, and then sells smaller quantities to the end-user.

Retail is usually classified according to the type of product; divided mainly in three categories that are; food products, soft goods, which includes clothing accessories etc and hard goods, which includes electric appliances, electronic items, sports goods, furniture et cetera (Akehurst and Alexander, 1997). Tesco PLC is a United Kingdom based global departmental store, it is the third largest retailer in the world. Tesco started as a food retailer but after the success in food business the company expanded its business activities by retailing a variety of products, targeting different markets and creating interest in customers of different sectors. At present with over 2,500 stores worldwide and more than 450,000 people employed, Tesco is ruling all around the world with its business which covers retailing, distribution, logistics, telecommunication and financial services (Tesco case study, 2011).

Tesco PLC History

Tesco was founded in 1919 by Jack Cohen; he started off by selling surplus groceries on a stall at the East End of London. The company's name was

penned from the initials of T. E. Stockwell, who was at that time a partner,
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and CO from Cohen's name. Cohen's motto was "pile it high, sell it cheap", it referred to the fact that customers wanted inexpensive products at a convenient location and an optimum volume that would be profitable. After initial ten years of foundation finally the first store was opened by Cohen in 1929 at Burnt Oak, Edgware, North London. Jack Cohen introduced a new concept of food ware house when, in 1934, he built a new headquarters and a warehouse for central stock control. The success story of Tesco PLC continued and as a result by 1965, Tesco owned a chain of 212 stores in North of England and by 1965, the count was increased to 356 stores. By this time, Tesco was becoming a prominent retailer in all of Europe and this fact was highlighted when the name of Tesco was entered in Guinness Book of World Records as the largest store in Europe (Tesco PLC, 2011).

Tesco initiatives over the years:

Tesco started off as a retailer for foods but expanded its spectrum to other products; in 1975 Tesco broadened the concept by opening petrol stations at different major sites. The idea behind this launch was to provide customers everything that they need, in one location. They initially started selling branded petrol but in the late 80s their own brand fuel went on sale. To attract customers, a price cutting campaign under the banner of "Checkout at Tesco" was enunciated by the company in 1977. Tesco introduced yet another new concept and became the first major retailer to emphasize the nutritional value of its own-brand products by launching its 'Healthy Eating' initiative, 'Healthy Eating' was launched to show commitment of the company in providing customers not just healthy good quality food but also to promote a healthy life style. The year 1992, was a very happening year at

Tesco, as many new products were launched this year, these launches included a whole organic range and computers for schools. Other than this, the campaign of “ Every Little Helps” was also launched this year, this campaign basically developed the company’s philosophy, Tesco refers to ‘ Every Little Helps’ as an expression of their values, and the values are that no one tries harder for customers than Tesco and the company treats its customers as they would like to be treated (Tesco PLC, 2011).

Tesco PLC was prospering at an accelerated rate, and to ensure this, the Tesco team was making every possible effort to engage the customers and maintain the consumer’s loyalty with the company, for this purpose Tesco launched another initiative by the name “ Would I Buy It”; the purpose of this campaign was to guarantee that the products offered to the customers were always of the highest quality. Tesco’s club-card was also launched this year. The club-card was UK’s first customer loyalty program; the sole purpose was to give something back to the loyal customers. According to Lord MacLaurin, former chairman of Tesco, customer loyalty is not how customers demonstrate their loyalty to the company; it is about how the company demonstrates their loyalty to their customers. By this time Tesco was not only the largest retailers, but was also the market leader of food retailers and dominated the English market in food retailing, and thus, started expanding the business beyond the boundary across the world (Tesco PLC, 2011).

Tesco’s international markets reach:

Globally, Tesco PLC was first introduced in Hungary and later entered Poland, Czech Republic, Slovakia and also Ireland. The business was also launched in

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Asian countries Taiwan, Thailand and South Korea. Parallel to all these across border business growth, 24 hours trading was also introduced. In the year 1998, Tesco launched its Finest premium brand of foods; the Finest included fresh and prepared food ranging over 100 products which change with the season. In 1999, Tesco took another initiative and published supermarket prices comparison on the internet and also launched an on-line bookstore and on-line banking. By 2000 tesco.com was launched (Tesco PLC, 2011).

The success of Tesco was mainly because of its customer satisfaction strategy and in order to continue this journey the emphasis was always on customer care, and so in 2001 Tesco launched “Customer Champions” in many stores which implemented a new labor schedule to further improve services to the customers, the company also followed a continuous replenishment of policy to ensure at least 99% of stock availability. The very same year Tesco also achieved the landmark of becoming the leading organic retailer in the United Kingdom. In 2003, Tesco steps into the business world of Malaysia, Japan and Turkey. In the same year, Tesco started a new offering “Free-From” product; these products were especially designed for customers having special dietary needs. Peoples who are susceptible to any kind of allergies or food intolerance were able to entertain themselves with this new developed food range and restricted diets was not any more an obstacle to enjoy food of respective interest. All the Tesco’s ‘Free from’ products are made gluten free, wheat free and in some cases milk free; all the ingredients that usually are the most common causes of food allergies. The free from product range included over 150 products (Tesco PLC, 2011).

Tesco entered United States of America business in 2007, by opening ‘ Fresh and Easy’ a chain of local grocery stores whose focus was on fresh foods.

Tesco introduced own-label products rather than the usual vast range of US brands of heat and eat meals. This local food chain used a straightforward everyday low price strategy and offered cheaper rates to the American customers (Tesco PLC, 2011).

Tesco PLC Strategies and Policies

Tesco entered the world of retailing business and gradually ranked highest among the largest and best retailers in United Kingdom, now by twentieth century the concept of retailing has become increasingly popular and therefore, the competition among the retailers has immensely increased.

Customer focused strategy of Tesco:

Every company is working on developing new strategies and business policies in order to attract new customers and keep old customers loyal to the company. At the present situation when business is so customer oriented, the key to remain in business is customer satisfaction and this stabilizes the company’s economy (Ma and Ding, 2010). Tesco has always paid considerate attention to its customer and this is the biggest reason of their success, the core purpose of the company is to create value for customers and earn their lifetime loyalty. Tesco has achieved its goal and the business of Tesco PLC has flourished throughout its journey because the company has religiously focused on its four strategies and strictly implemented upon them. The first key strategy is to grow the core United Kingdom business by establishing Extras, Superstore, Metro and Express.

The second strategy is to expand the business internationally, while the third

strategy emphasizes on become equally strong in its non-food retailing business as it is in its food retailing business (Tesco CSR, 2005).

Retail services offered by Tesco:

The final strategy is to provide new retailing services in response to changing customer demand, the retailing services includes online shopping, Tesco Personal Finance(TPF) and telecom industry. The team of Tesco has tirelessly worked upon its strategies and that is the reason they are on top not only in food retailing but also in other retail businesses. Tesco understands and anticipates the needs and requirements of the customer and this is why it has always been successfully responding to changing lifestyles and demand of the customer and this has become the key drive of the company ever since it was established (Tesco PLC, 2011).

Products offered by Tesco:

In order to make its mark in the non-food retailing business Tesco has developed and introduced a wide range of products in different varieties making its business as versatile as possible. From food stuff to all soft goods such as clothes, footwear, accessories, jewelries, beauty products, household item, kitchen items etc, and also hard goods such as sports goods furniture, appliances and electronic items, are made accessible to the customer under the roof of Tesco PLC, this has provided the customer not just with ease but also with a good shopping experience to take home with. Providing with a variety of goods is not the only objective it is essential to maintain the quality to ensure brand loyalty with the customers. Constant innovations of ideas and development of products and services is required to keep

competitors on their toes, that is the reason that Tesco keeps launching new campaigns, product and services ideas (Tesco CSR, 2005).

The marketing department has made the understanding of customers better than anyone. The management of Tesco reports that the reason as to why it is necessary to understand customers is because championing the customer voice in the business helps in guiding and measuring the business, that is why any new product, service, campaign or business idea is launched after extensive site research which determines and obliges to meet customer needs by matching the store format to the location. Market research is done to monitor and track the healthy business, identify changing customer needs, understand current customer issues, and ensure initiatives that the company has taken are right for customers, moreover strategic insight is developed which guides business strategy through customer perceptions and concerned people views. Analysis on the insight is done to get feedback from customers and keep a check and balance of the company's performance. Further research is done on customer lifestyles and the shopping experience that is being offered by the company in order to guarantee that the business is reflecting the needs of customers. According to the management team going through these five steps enables them to fully understand the scenario and this makes them achieve a competitive advantage (Tesco PLC, 2011).

Tesco and its Stakeholders

Suppliers

Tesco has managed to flourish a stabilized relationship with its suppliers.

Tesco supports the British Farm Assurance Mark; this is because of the Tesco

Farming Initiative taken by Tesco with the suppliers and farmer organizations. In 2001, during the crisis of foot and mouth, Tesco donated a large amount for the British farmers that were affected by the disease. Also through Tesco Codes of Practice, the company takes interest in the welfare of the animals; these codes specify the kind of husbandry expected by the farmers and suppliers from the company. The company also takes part in researches regarding the problems and issues of husbandry (Tesco PLC, 2011).

Employees

The prospect of expanding business has enabled Tesco to entertain people with proper job offers all around the world. Tesco has around 200, 000 employees in United Kingdom and about 65, 000 in Ireland, South-East Asia and Europe. Employees enjoy benefits such as pensions, profit share schemes, shopping discounts and other save money schemes. Tesco launched a career site which helped a great number of graduates and other workers in finding suitable jobs within the organization. A large number of employees are share holders in the company (Tesco PLC, 2011).

Customers

Tesco PLC has a huge range of customers that belong to entirely different sectors and cultures. The wide spectrum of the goods whether food or non-food items offered by the company makes customers from every age of life. The good quality of the products and the continuous innovations of the products, have made the brand loyalty of customers possible (Tesco PLC, 2011).

Strategic and cultural change in retail sector:

Strategic change refers to using strategy in order to successfully implement change, to achieve the long-term goals and objectives of the organization.

Culture change is a link between organization culture and key company performance variables such as return-on-investment (ROI), sales growth, innovation, employee satisfaction and customer satisfaction. Thus, the strategic change may be viewed as a mechanism of bringing about change in the company, be it a culture change, empowerment or total quality (Balugan, 2001). In order to bring about the change at Tesco, it is crucial to see that this change is properly managed and administered throughout the organization.

According to Kennen (2007), organizations can induce culture change by uncovering the core values and beliefs of the employees, by discussing and communicating the process of change, and by establishing new behavioral norms. There are two views to any type of organization change: the manager's top-down view (that is how the change impacts the managers) and the employee bottom-up view (that is how the change impacts employees). The latter can be termed as individual change management, using techniques to help employees transition through the change. This is important because employees are the people that ultimately implement the change at its very basic level (Hiatt and Creasy, 2003). Also, when change is initially introduced employees tend to feel doubtful about their ability to change which results in decreased confidence and performance, inducing resistance (Balugan, 2001). Change management can thus become a significant crucial issue, which if not implemented properly can result in loss

of employee trust in management. Successful organizations inspire a strong organization culture into their employees. Change management also depends on the incorporation of several factors in the change model, including timing of change, scope of change, diversity capacity of employees, and readiness of employees to change (Balogun, 2001).

Bedingham (2000) has described how strategic change was implemented by Tesco in 1987. According to the article, Tesco came across the performance lapse of the organization in a research done by Verax for Coca Cola to study retail buying (Cummings, 2011). The research findings revealed that the performance of the retail store managers at Tesco was very low compared to the competitors. In response, Tesco decided to review its management practices to improve customer satisfaction. In this process, it took retail lessons of training and transforming its front-line staff that come in direct contact with the customers every day. The need for training Tesco employees had also emerged due to the diverse ethnic, racial, social and economic backgrounds of its employees. All these employees have different skills and shortcomings, and hence require training specifically customized to their different personalities. Another need for employing these training programs is due to the fact that recruiting new employees is much more costly to any organization than retaining the same employees (The Times 100) The growth and transformation of the retail industry itself and the concept of retailing are also responsible for the growing need of bringing about a change in employees at Tesco. Factors affecting this include changing needs of the customers and the society, as well as from the changes in supply of labor.

Another factor leading to this management change is the transformation of the retail structures over the years. The layouts are now professionally developed, with vast amount of support systems and skilled staff required to handle them. Previously, employees in a retail store were meant simply for assisting the customer, however today with the presence of modern technology, databases and finger-tip market knowledge, employees are expected to serve the customers with all the tools for decision making. Social changes brought about the need of extending business hours, and hiring employees more on a flex-time basis to accommodate the employees varying lifestyles. Whilst decades ago, retail employees were hired on a permanent basis, having a specialty in retail service, today employees are drawn from a pool of part-time workers, such as students, who take up jobs to earn some extra money. This has decreased the element of specialty and skill, which is in contrast with the fact that more expertise is now demanded by customers from the retail staff (Akehurst and Alexander, 1996)

With respect to Tesco and its strategic change, individual change management has even a greater role, as its employees are the front-line staff, playing a major role in the image and success of the retail organization. According to Akehurst and Alexander (1996), in retail companies it is not the managerial staff, or external marketing activity that determines the image of a retail company in a consumer's mind. Instead, it is the way customers are treated and the behavior of the retail store staff that determines this element. Even in outlets which are made for self-service, retail staff can affect customer satisfaction by their role in assistance, giving advices and greeting customers.

One example of an employee-oriented retail company is Umpqua Bank in California, which has been able to provide excellent customer service due to its employee focus. At Umpqua, employees are empowered to fully satisfy a customer rather than perform specific tasks. This means that every employee learns every task regarding customer service, and can satisfy customer to his or her full potential. Employees are free to do whatever they can to provide customer satisfaction even without the consent of the supervisor. Hence, many branches keep dog bowls for the clients' dogs, arrange yoga lessons and movie nights to retain customers (Berman, 2007). Thus, this shows that employee empowerment can lead to innovation even at the retail staffing levels. This becomes important when considering the possible implications that such culture changes can bring in a retail environment such as Tesco.

Spurlock is another organization which induced organizational change by altering work standards, procedures and culture. The organization brought about a change in the way resources and time is managed, reallocating everything from staff to plant timings. One important lesson from their change management was the inclusion of staff in the process. The change process coupled with the employee training to meet the needs of the new system, eventually led to an entire work culture change. In the end, there was more teamwork and collaboration increased through the organization due to the shifting and reallocation of employees (Vonderhaar et al, 2010).

However, despite the fact that the employees have such crucial significance, employee management is a considerably under-searched area in retail management (Akehurst and Alexander, 1996).

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In the book “ Value-based human resource strategy: developing your consultancy role”, Grundy and Brown (2003) assert that in 1990, Tesco decided to undergo a culture change to “ enhance its responsiveness throughout the organization”. However, this change came on quite gradually rather than abruptly. This is because when the organization hired an HR consultant, it discovered that the term ‘ culture change’ had an inherent risk of failing. It was too overwhelming a concept, indicating a huge change in the organization’s function which made it incomprehensible for its stakeholders. Hence Tesco underwent change in the name of ‘ customer service’ instead, because the term described exactly what kind of change was going to be targeted. Similarly, when BP introduced its cultural change, it put an economic value that came from the change to motivate the employees to adopt it. Thus, organization culture change can be adopted in several steps, namely ‘ value change’ which lead to ‘ behavioral change’ in employees.

Recruitment:

According to the report of Datamonitor (2003) Tesco Plc is recruiting almost three million employees for the product manufacturing and services. It is the biggest private employer of UK. (EFILWC, 2007) Tesco is a heavily customer oriented organization, with a focus on its external environment.

Since its cultural shift in 1990’s Tesco has been able to empower its staff and provide them with benefits and motivational tools that have positively impacted overall employee satisfaction. It has even extended its gradual cultural shift on to managerial and corporate level (Bedingham, 2000).

Training for employees:

Tesco has established six or seven levels of store employees, and provides training to whoever desires it (Garry, 2010). The training program is not simply an adaptation for the internal organization; it also provides an external qualification and a degree to employees for working at Tesco. Since the program is so significant from the aspect of employees themselves, they are more closely involved with the organization and develop a bond with the company. The training program has become a huge aspect of the organization's culture and vision itself. It has left the employees feeling more connected, confident and customer-oriented. Moreover, the personal development results in homogenous values of employees throughout the organization (Garry, 2010).

Training program at Tesco involves several different types of trainings such as Introduction training, First class serve, Hygiene Training, Multi skills training et cetera. Introduction training is given the very first day, and involves introduction, discussing the organization's history, values and functioning. The First Class serve teaches how to interact with the customer and properly greet him or her. Hygiene training as the name indicates refers to training about the employee hygiene practices as required in the store. Multi skill tasking prepares employees for job rotations (Gulyas, 2007).

According to Gulyas (2007) there is a significant difference between training and management development, though the terms are often used in same context. Training is the process by which people are taught skills to perform specific tasks, whereas management development refers to giving people knowledge and skills to enable them to undertake greater responsibility.

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Also, culture change at an organization is not merely a question of skills development of employees (Gerber and Lankshear, 2000). Organizations have a tendency to view skills of employees as end in themselves whilst skills in fact induce only surface level change, which does not translate into the deeper level of culture change (Lokshin, Gils, and Bauer, 2009).

However, at Tesco, there is training of employees and management development for the managers. Therefore, employee training at Tesco is not merely a question of skill development, but also has the entire 360-degree personality development of its employees as its focus. Employees are constantly expected to improve their behavior, to bring about personality changes that get reflected in their overall performance, and to develop themselves into empowered, inquisitive individuals who can take greater responsibility. Tesco enhances three major aspects of the employee behavior which are customer focus, ability to work with others and personal behavior. For this purpose, Tesco also arranges leadership workshops for its employees (The times 100).

Tesco regularly evaluates the characteristics and performance of its employees to keep identifying skill shortages and new job demands. Based on the results, it adds on to its Personal Development program so that it is catered to meet the upcoming needs of training (The Times 100) Tesco also gives employees ‘ a steering wheel’ which shows them how their performance is creating a difference in the organization, by providing specific measures for employees, managers, country and the entire organization (Garry, 2010).

In the current era, core Human Resource practices tend to encourage an innovation-oriented team based environment where employees are empowered. This is based on theories of motivation in management such as Hierarchy of Needs theory by Maslow (1943) and Hygiene Theory by Herzberg (1959). According to Abraham Maslow, human beings have varying levels of needs that have to be satisfied in a given order from basic physiological need of food and clothing, to higher level needs, such as drive for self-esteem and self-actualization. Hence, good working conditions, general praise and appreciation and an empowered working environment are essential features when it comes to fulfilling the needs of employee. Also, according to Herzberg (1959), there are certain factors the absence of which leads to an overall dissatisfaction of employees with their work. These are different from the factors that increase satisfaction and include company policy, supervision, working conditions etc. These are known as Hygiene factors. In order to keep employees motivated, maintaining good working standards and conditions are essential.

The Times 100 research has shown that, keeping in view the “ Maslow’s Hierarchy Model of Needs”, Tesco seeks to fulfill all the level of needs, from basic to the highest through its various employee motivation programs. It provides basic pay and locker room facilities and health security and pension. In addition it addresses the higher needs of the individuals by empowering them in a team based environment, providing them feedbacks and appraisals, and motivating them through encouragement and respect (Bent and Freathy, 1997).

According to Parish (2007) Tesco PLC managers listen to their staff, spend time with them and build direct one-to-one relationships which boost the overall employee motivation. The management found through surveys that one of the basic needs of their employees were to be listened to with respect. Therefore, at the organization, employees are treated with trust and respect and included in the decision making of the store, their voice and opinions are given due considerations and the problems they face in dealing with the customers are reflected upon and solved. In fact, the technique has been so successful that it is being replicated by a nursing hospital for the management of nursing staff.

One of the benefits of training at Tesco was the greater teamwork and improved customer service. The major reason behind this improvement was the visible change in the confidence level of Tesco employees that has come from the training activities. The challenges in training employees came from the initial unwillingness of employees to enroll, because they were reluctant or shy (Garry, 2010).

According to European Foundation for the Improvement of Living and Working Conditions (2007), Tesco seeks employees from different cultures, background through different sources, including government programs and campaigns. Its recruitment system allows the employers to consider people from diverse cultural and local groups, and fit them into particular jobs depending on capabilities and tendencies. It also participates in the government 'regeneration' programs which look for employees amongst those that have been chronically unemployed. It also makes sure that its managers work shoulder-to-shoulder with its workforce, and are aware of the <https://assignbuster.com/tesco-plc-management-and-success/>

technical aspects of the work. Tesco provides its employees' salaries based on the nature of work, and additional benefits, both monetary and personal in the form of flexible work hours. As of 2003, Tesco has a 94% employee retention rate with its socially inclusive policies. Tesco's management of employees plays both roles of a company facilitator and corporate social responsibility. Through employee training and personal development, Tesco has enabled people unemployed for several years to be successfully employed (Gateway, 2003).

Ma and Ding (2010) have also described the customer-orientation of Tesco.com, by asserting that customer value and customer satisfaction are amongst the core values of the organization. They have a clearly defined purpose, and they fulfill it through their excellent customer and delivery service. According to the work, 67% of the people take Tesco as their favorite supermarket.

Thus, we see that in the past, Tesco employed tools and techniques of strategic change management in order to successfully bring behavioral change in its employees. The change however was more focused on the behavioral aspects such as employee professionalism rather than employee values, however Tesco ensured that both training and development were used as mechanisms for this change to make it long-term and effective.