Introduction

**What I need to do?**

In this coursework I need to produce a detailed business report on one medium–sized or large business. In investigating a chosen Case Study I must comment and analyze each of the following aspects of the Business:

Objectives

Organization

Structure

Culture

Communication Channels

Quality Assurance and Control

“Adding Value”

I need to examine how these factors interrelate to affect the success of the business. Also I need to explain how quality assurance and control systems help the business to add value to its products and services.

As example for my investigation I chose Tesco plc., because Tesco is good example of public limited company and Tesco – is a most popular supermarket’s network in UK.

**How businesses are classified?**

I can classify the business by form, by industrial sector, by ownership, by objective, by size and by location or market.

Forms of businesses.

SOLE TRADER.

Oldest, simplest, most common form of business easy to set up enterprise.

A sole trader exists where a single person owns a business. This is very common form of organization. Over recent years, the number of sole traders has grown significantly. There are several reasons for this trend including more opportunities to work for firms on consultancy basis and government support for self-employment. Most sole traders work on their own .

Initial capital – savings or borrowed. Very common in retailing, service trades.

*Advantages:*

* Easy to set up with little capital and few legal formalities
* The owner controls the business - quick decision making
* Personal contact with customers
* All profits belong to owner
* Satisfaction, motivation, interest in “Working for yourself”
* Business affairs are private – except far tax returns

*Disadvantages:*

* Unlimited liability for any loss or debts incurred: owner is responsible or liable
* Cannot “Buy in bulk” and enjoy “Economies of scale”
* Expansions limited by available capital
* Division of labour is difficult
* Continuity a problem…

Good example of sole trader is T. Regan Plant Hire.

PARTNERSHIP

The minimum membership is two partners and the maximum twenty.

Must be at least one general partner who is fully liable for all debts and obligations of the practice. “Sleeping partner” – not active. Partnership exist mainly in the professions – doctors, lawyers, accountants and surveyors frequently run their organization in the form of partnership. Partnerships normally operate in local or regional markets, though advanced in information technology are allowing many professions to offer their services more widely.

*Advantages:*

* Easy to set up
* More capital with extra partners
* Division of labour – specialization
* Responsibility can be shared e.g. long working hours redused

 *Disadvantages:*

* Partners have unlimited liability
* Disagreement can cause problems – no sole decision – maker or owner
* Lack of capital may still hinder expansion
* Profits must be shared among all co-owners
* Problem of continuity

Good example of partnership is Rolls-Royce.

COMPANIES

A company is defined as an association of persons that contributes money (or equivalent value in goods and assets) to a common stock, employ it in some trade or business, and share the profit or loss arising out of that business. Join stock companies are governed by and registered under the Companies Act 1985. A company has a separate legal identity form its members and can sue in its own name. There are two types of company: public companies and private companies. Both require minimum two shareholders, and there is no upper limit on the number of shareholders. All companies enjoy the benefit of limited liability. Capital is raised by selling shares.

PRIVATE LIMITED COMPANIES

Shares can be transferred privately. All must agree.Private limited companies are suitable for small and medium-sized operations. This type of business organization is particularly suitable for family firms and for small enterprises involving just a handful of people.

Private limited companies find it easier to attract capital because investors have the benefit of limited liability and this access to finance makes it simpler for the business to grow.

*Advantages:*

* Shareholders have limited liability
* More capital can be raised
* Control of company held within the firm
* Shares are transferable

*Disadvantages:*

* Profit are shared out among more people
* Legal procedures…involve time
* Not allowed to cell shares to the public
* Restricts amount of capital raised
* Difficult to find a buyer if shareholder wishes to “leave”

Good example of privet limited company is Littlewoods Ltd.

PUBLIC LIMITED COMPANY

The second type of limited company tends to be larger and is called a **public limited company.** There are about 1.2 million registered limited companies in the UK, but only 1 per cent of them are public limited companies. However they contribute with far more to national output and employ far more people than private limited companies.

Good example of public limited company is Tesco plc. which I going to investigate.

CO-OPERATIVES

Co-operatives are organised on a regional basis. Members can purchase shares and each member has one vote at the Annual General Meeting, no matter how many shares are owned. Members elect a board of directors who appoint managers to run day to day

business. The Co-operative is run in the interests of its customers and part of any surplus is distributed to members as dividend. Shares are not sold on the stock exchange, which limits the amount of money that can be raised.

Good example of co-operative is CRS (Co-operative Retail Society).

CHARITIES

Charities are organisations with very specialised aims. They exist to raise money for “good” causes and draw attention to the needs of disadvantaged groups in society. They also rise awareness and pass comment on issues, such as cold weather payments, which relate to the elderly.

Charities rely on donations for their revenue. They also organise fund raising events such as fetes, jumble sales, sponsored activities and ruffles. A number of charities run business ventures. Charities are generally run according to business principles. They aim to minimise costs, market themselves and employ staff. Most staff are volunteers, but some of the larger charities employ professionals. In the larger charities a lot of administration is necessary to deal with huge quantities of correspondence and handle charity funds. Provided charities are registered, they are not required to pay tax. In addition, business can offset any charitable donations they make against tax. This helps charities when raising funds.

Good example of charity is British Red Cross.

FRANCHISES

A franchise is not a form of business organisation as such, but a way of managing and growing a business. Franchising covers a variety of arrangements under which the owner of a businnes idea grants other individuals or groups to trade using that name or idea. However, it is important to realise that a franchise can trade as a sole trader, a partnership or a private limited company. The legal form of business that is chosen will depend on the capital needed, the degree of risk, the number of people having a stake in the franchise and the personal preferences of the owner. The person or organisation selling the idea (the franchisor) gains a number of advantages from the process of franchising. The franchisor normally receives a share of the profits generated by the franchise. Usually the franchisee benefits by being granted rights to an exclusive territory and support from the franchiser in the form of staff training, advertising and promotion.

Franchising is a cheap and quick way to set up your own business. By the year 2004, it is estimated that 70 per cent of all new retail outlets in the US will be franchises.

Good example of franchise is McDonald’s.

Industrial sectors.

PRIMARY – extractive organisations.

SECONDARY – manufacturing organisations.

TERTIARY – providing-services organisations.

Ownerships.

PUBLIC SECTOR: Civil service, Government departments, Public corporations, Local Authorities.

PRIVATE SECTOR: Sole traders, Partnerships, Limited companies, Charities, Co-operatives, Franchises.

Objectives.

 - To make a profit

* To “Break – even”

- To provide service

Size.

* Small
* Medium
* Large

Locations

* Local
* Regional
* National
* Multinational

E1

Tesco plc.

# **History**

**Tesco was founded in 1924. Over the last seventy years, as the food retailing market has changed, the company has grown and developed, responding to new opportunities and pioneering many innovations. Today it is Britain’s leading food retailer.**

**The founder of Tesco was Sir Jack Cohen. He used his gratuity from his Army service in the First World War to start selling groceries in London’s East End markets in 1919. The brand name of Tesco first appeared on packets of tea in the 1920s. The name was based on the initials of T.E. Stockwell, a partner in the firm of tea suppliers, and the first two letters of Cohen. The first store to be opened was in 1929 in Burnt Oak, Edgware.**

**The business prospered and grew in the years between the wars. In 1947 Tesco Stores (Holdings) Ltd was floated on the Stock Exchange, with a share price of 75p. The price at the beginning of March 1998 was around 515p.**

**Self-service supermarkets started in the USA in the 1930s during the depression. They soon realised that by selling a wider variety and larger volume of stock and employing fewer staff they could offer lower prices to the public.**

**Self-service stores came to Britain after the Second World War, and Jack Cohen opened the first Tesco self-service store in St Albans in 1948.**

**In 1956 the first Tesco self-service supermarket was opened in a converted cinema in Maldon. By the early 1960s, Tesco had become a familiar name. As well as groceries, the stores sold fresh food, clothing and household goods. Tesco stores were located in the high streets of many towns. The Tesco store which opened in Leicester in 1961 had 16,500 square feet of selling space and went into the Guinness Book of Records as the largest store in Europe.**

**By buying in bulk and keeping costs down, Tesco should have been able to sell at very competitive prices to its customers. Until 1964, however, suppliers were, by law, able to insist that retailers charged a set price for their products (the system known as Resale Price Maintenance) which meant that it was difficult to reduce prices. The intention was to protect small shops against the lower prices that big retailers could offer their customers.**

**Tesco introduced trading stamps so that it could bring lower prices to its customers. Customers collected stamps as they purchased their groceries and other items. When they had collected enough stamps to fill a book, they could exchange the book for cash or other gifts. Other retailers soon copied Tesco. Sir Jack was one of the leaders in persuading Parliament to abolish Resale Price Maintenance in 1964. After this, Tesco continued to offer trading stamps until 1977.**

 **Apart from opening its own new stores, Tesco bought existing chains of stores. In 1960 it took over a chain of 212 stores in the north of England and added another 144 stores in 1964 and 1965. In 1968 the Victor Value chain became part of the company.**

**Tesco introduced the concept of a superstore in 1967 when it opened a 90,000 square feet store in Westbury, Wiltshire. The superstore was a new concept in retailing - a very large unit on the outskirts of a town, designed to provide ease of access to customers coming by car or public transport. The term superstore was first actually used when Tesco opened its store in Crawley, West Sussex in 1968.**

**By 1970, Tesco was a household name. Its reputation had been built on providing basic groceries at very competitive prices; the slogan ‘Pile it high and sell it cheap’ was the title of Sir Jack Cohen’s autobiography. But as people were becoming better off, they were starting to look for more expensive luxury items as well as everyday household and food products. In the late 1970s the company decided to broaden its customer base and make its stores more attractive to a wider range of customers. Many of the older, high street stores were closed and the company concentrated on developing bigger out-of-town superstores. The superstores sold a broader range of goods, and had wider aisles and better lighting. While still offering very competitive prices, the emphasis was now on quality, customer service and a customer-friendly environment. In 1974, the company developed filling stations at its major sites, selling petrol at very competitive prices. In line with its new image, Tesco finally stopped giving trading stamps in 1977, at the same time introducing a price cutting campaign under the banner "Checkout at Tesco" which proved to be a major success.**

**In one year in the late 1970s, the Tesco market share increased from 7% to 12%, and in 1979 its annual turnover reached £1 billion for the first time.**

**During the 1980s, Tesco continued to build new superstores, opening its 100th in 1985. In 1987 it announced a £500 million programme to build another 29 stores. By 1991, the popularity of Tesco petrol filling stations at its superstores had made the company Britain’s biggest independent petrol retailer.**

**In 1985 Tesco introduced its Healthy Eating initiative. Its own brand products carried nutritional advice and many were branded with the Healthy Eating symbol. The company was the first major retailer to emphasise the nutritional value of its own brands, to customers.**

 **By 1990, Tesco was a very different company from what it had been 20 years before. The Tesco superstore offered customers a very wide range of goods, a pleasant shopping environment, free car parking and an emphasis on customer service. Although many financial experts had not believed that the company could so radically change its image, the new approach saw sales and profits rise consistently. Existing customers took advantage of greater choice, and new customers discovered that Tesco could successfully match the offer of any of its retail competitors.**

**In the 1990s, the company built on its success by developing new store concepts and new customer-focused initiatives. In 1992, it opened the first Tesco Metro, a city centre store meeting the needs of workers, high street shoppers and the local community. This was followed by Tesco Express, combining a petrol filling station with a local convenience store to give local communities a selected range of products. The company also expanded into Scotland when it acquired a chain of 57 stores from William Low.**

**Tesco broke new ground in food retailing by introducing, in 1995, the first customer loyalty card, which offered benefits to regular shoppers whilst helping the company discover more about its customers’ needs. Other customer services followed, including home shopping for those who hadn’t the time to visit a superstore, Tesco Direct for catalogue shoppers and the Tesco Babyclub for new parents. Currently, the company is adding financial services to its provision for customers.**

**By 1995, Tesco had become the largest food retailer in the UK.**

**In the 1990s, Tesco started to expand its operations outside the UK. In Eastern Europe, it has met growing consumer aspirations by developing stores in Poland, Hungary, Slovakia and the Czech Republic.**

**Closer to home, in 1997 Tesco purchased 109 stores in Ireland, which gave the company a market leadership both north and south of the border.**

 **Tesco Chairmen 1947-1998**

**Sir Jack Cohen 1947-1979
Sir Leslie Porter 1979-1985
Sir Ian MacLaurin (Lord MacLaurin from 1996) 1985-1998
John Gardiner 1997
Chief Executive Terry Leahy 1997**

The letters ‘plc’ at the end of its name distinguishes a public limited company from a private limited company. Most of Britain’s famous businesses such as Marks and Spencer, ICI, BP, and Manchester United are public limited companies. All companies with share prices quoted n the London Stock Exchange are public limited companies.

To become a public limited company, a business must have an issued share capital of at least £50,000 and the company must have received at least 25 per cent of the nominal value of the shares. Public limited companies must also:

* be a company limited by shares
* have a memorandum of association with a separate clause stating that it is a public company
* publish an annual report and balance sheet
* ensure that its shares are freely transferable – they can be bought and sold.

*Benefits:*

* All members have limited liability.
* The firm continues to trade if one of the owners dies.
* Huge amount of money can be raised fom the sale of shares to the public.
* Production costs may be lower as firm may gain economies of scale.
* Because of their size plcs can often dominate the market.
* It becomes easier to raise finance as financial institutions are more willing to lend to plcs.

 *Constraints:*

* The setting up costs can be very expensive – running into millions of pounds in some cases.
* Since anyone can buy their shares, it is possible for an outside interest to take control of the company.
* All of the company’s accounts can be inspected by members of the public. Competitors may be able to use some of this information to their advantage. They have to publish more information than private limited companies.
* Because of their size they are not able to deal with their customers at a personal level.
* The way they operate is controlled by various Company Acts which aim to protect shareholders.
* There may b a divorce of ownership and control which might lead to the interests of the owners being ignored to some extent.
* It is argued that many of these companies are inflexible due to their size. For example they find change difficult to cope with.

Tesco plc. is large, private sector organisation. As it is providing-service organisation I can classify it as tertiary sector organisation. Tesco plc. is a national company, but it is becoming to multinational. Main objective is to make a profit.

As Tesco is a limited company that means all owners have limited liability. If a company has debts, the owners can only lose the money they have invested in the firm.

Main source of finance is selling shares and borrowing from the banks. Tesco has a thousands of owners, every man who has any shares is owner; but these people can’t control the company, so company has a board of directors and chairman who control the company.

**Tesco has a heavy programme of capital expenditure, investing in new stores and upgrading existing ones. In the year ending 28th February 1998, the group capital expenditure was £841 million, compared to £758 million in the year ending 28th February 1997. This £841 million was divided into £737 million spend in the Great Britain, £63 million in Ireland, north and south, and £41 million in Europe. Tesco anticipates that in the 1998-9 financial year, capital spending will rise to about £950 million, with most of the extra spending being concentrated in Ireland and Central Europe.**

Profit is also distributed to shareholders in the form of dividends.

**For example, in 1998 the profits from Tesco after tax were £505 million. About 50% of the profits were distributed to shareholders as dividends. Subsequently approximately £250 million was retained by the company for investment in new stores and improving their service to customers.**

E2

Objectives of the business.

The objectives of the business can vary enormously A charity’s overriding objective might be to alleviate poverty in the developing world; on the other hand many companies’ major objective is to generate the maximum profits possible. An organisation’s mission statement gives an indication of the purpose of the business and dovetails with the objectives the organisation set itself.

Mission statement.

Many organisations attempt to express the purpose of their being within a few sentences. The **mission statements** are intended to provide a sense of common purpose to direct and stimulate the organisation. This statement represents the vision or mission of the organisation. Mission statements change over time to reflect the changing competitive nature of the markets in which business sell.

 Mission statement normally set out to answer the following questions:

* What business is the organisation in?
* Who is to be served?
* What benefits are to be provided?
* How are consumers to be satisfied?

Objectives.

 Mission statement

**Business objectives** are medium- to long-term goals or targets that provide a sense of direction to the business. Objectives are normally measurable and have a stated timescale.

Business objectives

 Company may have a number of objectives. In general, the objectives pursued by a business tend to vary according to its size, ownership and legal structure.

Divisional/departmental objectives

Figure 1.1 illustrates the interrelationship between a company’s mission statement and its objectives.

 Figure 1.1: The hierarchy of objectives

The goals pursued by any business can be separated into primary and secondary objectives.

* Primary objectives are those that must be achieved if the business is to survive and be successful. These relate to issues such as profit levels and market share.
* Secondary objectives tend to measure the efficiency of the organisation. They may affect the chances of success, but only in the long term. Examples include administrative efficiency and labour turnover rates.

Profit maximisation.

Profit maximisation one of the most important objective for companies which are owned by shareholders. Profit, at is simplest, refers to the extent to which revenues exceed costs, so profit maximisation occurs when the difference between sales revenue and total cost is greatest.

Survival.

Survival is an important objective for many businesses. It is particularly important when businesses are vulnerable such as:

* during their first few years of trading
* during periods of recession or intense competition
* at a time of crisis such as a hostile takeover.

Most recently established businesses have survival as an objective.

Increasing sales or market share.

Growth increases the scale of a business, resulting in higher levels of output and more sales. Many businesses pursue growth strategies because their managers believe that this is essential for survival. If a firm grows, it might be able to attract more customers, earn higher profits and begin to establish itself in the market.

Growth offers:

* increased returns for the owners of the business
* higher salaries for employees of the business
* a wider range of products for the business’s existing and potential customers.

Growth can be important target for managers. It is increasingly common for managers’ pay packages to be a combination of shares and salary.

Providing social or community service.

A number of organisations provide services to the community. These organisations are part of the public sector – they are managed, directly or indirectly, on behalf of the government – yet they are a form of business. Their overriding objective is to provide the best positive service to the local community.

Charitable and non-profit objectives.

Charities have a high profile in the UK. Charities have a number of clear objectives:

* to rise the public’s awareness of the cause that thy support.
* To rise funds to support their projects.

Charities trade with the intention of earning as much revenue as possible to spend on their particular causes.

Producing high quality products.

Just as many businesses seek to provide high quality service, a large number of businesses also have the provision of high quality product as an important objective. Acquiring reputation for top quality can allow businesses to charge a premium price and to enjoy higher profits. Reputations for supplying quality products are jealously guarded.

Tesco is committed to retaining its position as the UK’s largest supermarket retailer. Customer feedback forms, in-store discussion groups and a continuous analysis of sales figures has enabled Tesco to recognise the importance of the key principles of price, quality and service.

The company owes its success to its emphasis on meeting changing customer needs through service and innovation, while maintaining its commitment to value and quality.

 Underlying its business success is a commitment to upholding certain values and working and working principles and seeking continuous improvement in its ethical performance.

Companies are part of the society in which they operate and must take note of the interests and concerns of many different groups. For Tesco these includes its customers, its stuff, its shareholders, its suppliers and people in the local communities close to its stores and in the world beyond. Each group has expectations of the company which Tesco has to meet and manage if it is to maintain its position as a leading and successful retailer.

 Tesco must serve its customers by providing the goods they want and the service they expect. By meeting customers needs better than its competitors, Tesco earns profits and creates value for its shareholders.

 Tesco, like other large companies, however, recognises that its wider reputation depends on other things such as its stuff relations, its attitude to the environment, its support to the community, and its relationships with suppliers. Also as a leading food retailer, the company must ensure that its provides products which are safe to eat or use, as well as giving customers advice on matters such as healthy diets.

Tesco’s main business objectives:

* to provide customers with outstanding, naturally delivered, personal service
* to earn the respect of its stuff for the values and appreciate their contribution
* to understand customers better than anyone
* to be competitive even on the basics
* give customers a broad range of strong relevant promotions in all departments of the store
* give customers what they want under one roof
* provide an environment that is easy and pleasant to shop in
* upgrade existing stores to the standards that is expected from Tesco
* to recognise Tesco has brilliant people, use this strength to make customers’ shopping enjoyable in a way no competitor can
* use intelligence, scale and technology to deliver unbeatable value to customers in everything Tesco does
* to maximise profits to provide high returns for shareholders
* to increase sales or market share as much as possible
* advertising should appeal to all customers in a relevant

Tesco’s main mission statements:

* To be world’s best and largest supermarket retailer.
* Completely increase value for customers, and to earn their time loyalty.

How Tesco is going to achieve these objectives?

What Tesco expects from its staff in order to achieve this?

Tesco staff:

* Are all retailers, working as a one team.
* Trust and respect each other.
* Respect all customers, the community, suppliers and the competition.
* Strive for personal excellence in everything they do, leaving no stone unturned in order to get it right.
* Are encouraged to take risks, give support and do not blame others.
* Are rewarded for creating value for customers.
* Are talked and listened to: and their knowledge is shared, so that it can be used.
* Have fun, celebrate success and learn from failure.

**What is the comment Tesco has to its customers?**

Tesco customers want the best possible value for their money. Tesco is determined to offer its customers quality products, good service, attractive stores and low prices.

To meet this aims, Tesco:

* works closely with suppliers to ensure products are of the highest quality and are delivered to stores in the best possible condition.
* makes sure that its staff are committed to giving the best possible quality of service.
* aims to create in its stores an environment which makes shopping easy, interesting and comfortable.

For example, in 1993 Tesco introduced Value lines, which offer exceptional value for money, followed by New Deal Pricing on leading commodities and brands in 1994. In 1996, Tesco introduced Unbeatable Value with the pledge that nobody would sell the equivalent product for less price.

# E3

Organisational functions.

 All organisations require resources to carry out their functions. One way of judging the success of a business is to compare the resources it uses with the value of the product that results. For example if it is a small business running by it’s owner, for example small shop, so it doesn’t need any workers, large piece of land and big capital, owner can work alone. But if it is a very large business like car manufacturing so it requires a lot of workers, very large piece of land and big capital.

The resources of the business.

One way of considering the resources used by a business is to classify them into the factors of production. The main capital of production are capital, labour and land.

* ***CAPITAL***refers to any manufactured product used by the business to make other products. This category therefore includes all machinery, vehicles and office equipment used in businesses. It also includes the company’s buildings.

Business

Activity

* ***LABOUR*** is the human resources used by business organisations during production.
* ***LAND*** – site on which the business is located and natural resources it might use.
* ***ENTERPRISE*** – owners and shareholders.

Functional areas.

All businesses combine factors of production as an essential part of their production activities. To combine these factors, to engage in production and to achieve their objectives organisations undertake a number of functions. The major business functions include:

* finance
* production
* human resources
* administration
* research and development

Business requirements for functional areas depends on its size, for example small business might merge many of these functions within their administration department, with responsibility in the hand of one or two people. As a business grows the number of people required to carry out these functions increases.

The financial function.

 Extensive use of IT

Advises managers and budget holders

Records all financial data

Monitors and analyses financial data

Chases up slow payers

## Finance department

* accountants
* account technicians
* account clerks

Advises board of directors

Collects payments from customers

Analyses

costs

Provides information to external bodies

 Produces standards

 cost data

 Customers Auditors Inland Revenue and

 (price list) (accounts) Custom & Excise

 (information relating

to tax liability)

**Figure 1.3: The financial function**

A separate department normally carries out the finance function of the business. The finance department carries out a number of key activities:

* records all financial data
* chases up slow payers
* collects payments from customers
* provides information to external bodies
* analyses costs
* advises board of directors
* monitors and analyses financial data
* advices managers and budget holders

Production function.

Production covers all the activities that must be undertaken to make the firm’s products, from the receipt, of raw materials through to the output of the final product. The production function concentrates primarily upon planning and controlling the various stages of production so that the most efficient use is made of business resources.

 Production manager responsible for:

* maintaining supplies of components and raw materials to ensure continuous production
* ensuring that the precise requirements of customers are met
* monitoring quality to insure that finished products meet the quality standards expected by customers
* using resources – people, machinery and production space – as efficiently as possible to make the business competitive in the markets in which it trades.

One of the most important issues in production is quality. Modern businesses compete just as strongly on the quality of their goods and services as they do on price.

For example it is vital for a washing machine manufacturer to produce a high-quality product. If the machine is not reliable or does not have a wide range of functions, customers are more likely to purchase a competitor’s product.

 **Figure 1.4: The links between the production function and other departments**

Finance department

Production activities

Marketing department

Research and development department

The human resource function.

*Personnel management* considers the tasks involved in managing people – recruitment, selection and so forth – as separate elements. It does not take into account how these elements can combine to achieve organisational objectives.

The personnel management approach makes decisions relating to recruitment, training and pay systems independently, without considering the impact the individual decisions have on each other aspects of management and the achievement of corporate objectives.

*Human resources management (HRM)* elevates the effective use of a business’s labour force to an issue to be considered by senior managers as an essential element of the organisation’s strategy. This approach has raised the profile (and salaries) of those employed in human resource management. The human resources function engages in a number of activities to ensure employees are utilised affectively. These activities are carried out with the aim of contributing to the achievement of the business’s objectives.

Workforce plan sets out likely future needs for labour and how these needs might be met. Achieving the workforce plan involves the human resource function in a number of day-to-day activities.

* recruiting employees – both internally and externally
* training new and existing employees
* paying salaries
* dealing with disciplinary matters and grievances
* overseeing industrial relations, by seeking to avoid disputes and maintain harmonious relations and constant production
* developing and monitoring an employee appraisal system designed to assess performance, set targets for achievement and identify any training needs

**Figure 1.5: Developing a human resources plan**

Corporate objectives

### Supply of labour

* existing workforce
* skills shown through skills audit
* changes in productivity and working week

## Demand of labour

* numbers of workers needed
* skills required
* location of employees

### Human resources plan

This may require the use of one or more of the following:

* recruitment
* training
* redundancy and redeployment

The marketing function.

The marketing department carries out a wide range of functions on behalf of the business. Essentially marketing is communications. The marketing department communicates with a number of groups inside and outside the business as it carries out its tasks.

Marketing activities:

* keeping customers satisfied
* discovering the needs of customers and advising the production function accordingly
* carrying the responsibility for ensuring the effective distribution of products to wholesalers and retailers
* liasing with marketing agencies to provide the necessary expertise (small firms)
* if the firm is an export, the marketing department may have contact with government agencies.

Marketing provides the organisation with information about its customers and its markets. Effective marketing can offer businesses a number of benefits:

* early warning of changes in consumer tastes and fashions through regular market research
* knowledge about competitors and information regarding competitors’ product
* the means to present the company in a positive light through public relations activities
* allowing the firm to improve the quality of its products by coordinating and analysing customer complaints
* providing a catalyst for growth by forging relationships with distributors, retailers and customers in new markets
* supplying consumers with the products they want and giving high levels of customer satisfaction, which might permit a business to charge higher prices thereby increasing its profitability.

The administration function.

The scope of the administration department varies enormously between organisations. In a small business the administration function might incorporate a number of the functions like finance , personnel and marketing. However, larger organisations are more likely to operate a specialist administration department.

A typical administration department has a number of functions:

* Administration department carries out organisation’s IT system.
* Clerical and support service. Information processing, data processing, filing and reception services can be provided to all areas of the organisation.
* Security and maintenance. These services are essential to the smooth running of the business and to the effective operation of other business functions such as production in particular.
* In some businesses, the administration function takes responsibility for important public relations activities such as customer services.

The research and development function.

The nature of research and development (R&D) varies enormously between businesses. Traditionally, the term research and development is taken to refer to scientific research undertaken by firms producing manufactured goods, high technology products or pharmaceuticals. However, R&D is equally important to firms providing services.

By investigating in research and development a business seeks to maintain competitiveness against its rivals. Competitiveness measures a business’s performance in comparison with rival firms in the same market. A highly competitive firm has some advantage over other businesses. This competitive edge can take a number of forms:

* lower prices
* more advanced and sophisticated products
* a better image with consumers
* a good reputation for advise and after-sales service
* reliability in terms of operation and delivery dates

Types of research:

* basic research
* applied research
* development

The prime function of R&D is to develop new products that can give the firm a competitive edge in the market. This necessary involves the R&D department in close liaison with staff in market research, design and production.

 **Function 1.6: The nature of business activity**

WASTE

GOODS

OR SERVICES

Finance

**BUSINESS ACTIVITY**

Marketing

Administration

Enterp-rise

Capital

Labour

LAND

Research & Development

Production

Human resources

Functional areas of Tesco plc.

Distribution Department

Retail Department

Finance Department

Marketing Department

Company

Secretary

Deputy Chairman

 Chief Executive

Chairman (non executive)

Operations:

 Ireland

Commercial Department

The diagram above shows the key functional areas or departments of Tesco, as one of the leading retailers in the U.K. It is currently the leading supermarket chain in Britain, with a higher market share than its leading rivals, Asda-Wallmart, Sainsbury’s and Safeway.

 I have explained earlier the key functional areas of a typical business and Tesco, as the diagram shows, displays this type of structure. For example, the Company Secretary, Rowley Ager is responsible for Pensions, the Company Secretariat (the administrative staff), the Treasury, Taxation, Site Facilities, Transport and all aspects of Consumer Law.

 The Finance Department, directed by Andrew Higginson, is responsible for all aspects of finance and audit, and also for European affairs. These functions are shown in Figure 1.3 in my introductory section. I have no detailed information on Finance within Tesco other than financial data available from the Company Accounts and from the Tesco and Bized websites……… and these are more relevant to a detailed finance study of Tesco as a company, a topic to be studied in a later Unit.

 The Marketing Department, directed by Tim Mason, is responsible for all aspects of marketing , Customer Service, Advertising, Market Research, Clubcard, Estates and Metros. Since the early 1990s Tesco marketing strategy has been to become the best in terms of price, quality and service. Objectives are set, and ways found of meeting them, in all aspects of company’s operation.

 The Retail Department, directed by Michael Wemms, is responsible for all retail operations and express stores.

Tesco first ventured into foreign markets when it acquired stores in Irish Republic in 1978, but these were sold in 1986. The 1990s produced a much better climate for European expansion. Now Tesco operates 80 stores in Central Europe, and 16 stores in two Far East countries trading both under the Tesco and subsidiary fascias. The 13 Tesco stores in the Czech Republic and Slovakia, 29 stores including 5 supermarkets in Hungary, 31 stores in Poland. Also Tesco plan to open 12 hypermarkets in Thailand and in South Korea over the next three years.

The Human Resources Department within Tesco is responsible for many thousands of employees across the whole spectrum of the organisation. **Tesco employs 154,000 people in the UK and 27,000 in Ireland and Europe.** It does not appear on the organisation chart, which I obtained from Tesco, because this function is somewhat complex and shared between the main headquarters at Cheshunt. Hertfordshire, and the many stores operated by Tesco around the country. For example, there are two Tesco superstores in Leicester, at Hamilton and Beaumont Leys, both of which have a Human Resources officer in charge of personnel administration.

The Commercial Department, directed by John Gildersleeve, responsible for all commercial operations and technical services.

The Distribution Department, directed by Philip Clarke, responsible for Supply Chain and all distribution operations. Distribution Director responsible for products delivery, logistics and transport. **Its purpose is to ensure that Tesco stores have the right products delivered against agreed delivery schedules and in good condition, enabling the stores to provide a consistently high level of customer service. Tesco products are sent to stores from distribution centres around the country. Tesco runs 13 centres and a further six centres are run for Tesco by contractors. A typical centre covers 300,000 square feet and handles some 50 million units a year. The centres work around the clock, seven days a week, providing 2,500 deliveries daily, amounting to 19 million cases per week. Tesco employs 6,800 people in distribution (excluding the staff at the contractor-run centres), and has about 1,000 tractor units and 2,000 trailers in its national vehicle fleet.**

The Operations department, directed by David Potts, responsible for operations of Tesco stores in Northen Ireland & the Republic of Ireland. In May 1997, Tesco completed an agreement with Associated British Foods to purchase all their supermarkets in the north and south of Ireland. The purchase price was £641 million, giving Tesco a further 110 food stores and a leading position as a food retailer on both sides of the Irish border.

I have considered each of the major functions of Tesco separately. However, it is the effective interaction of business functions that is essential to the success of an organisation in attaining its objectives.

As an example, Tesco has recently introduced a customer-oriented website on the Internet. Company has developed within this service facility a direct order system via E-mail – called “Tesco Direct”. Customers can order their produce/product for home delivery.

There are now many thousands of such deliveries but these all depend upon the successful interaction of the major business functions outlined earlier.

In other word, -

* Marketing - responding to the initial enquiry, receiving and processing an order, distributing the product to customer.
* Administration – adding the customers details to the IT system, passing on details to other departments within the business.
* Finance – investigating the financial status of the customer, offering credit terms if appropriate, invoicing for payment.
* Distribution – receiving details of order and meeting the customer’s demands, liasing with marketing over delivery dates, rescheduling other production as required.
* Human resources – at a store or warehouse level – ensuring sufficient employees are available to meet the delivery requirements of the order, arranging overtime payments if necessary.

Hence these functions help meet the objectives successfully. All Tesco’s organisation structure works as links of a chain, if one link falls down, all the organisation will experience difficulty. For example, most important department of Tesco, I consider, is Distribution department. If this department fails, products will not be delivered to the store, so customers will go to another store. Tesco’s success is built on the good work of each department.

E4

Organisational structure

In many small firms, the owner may have a very hands-on approach and may be responsible for getting customers, hiring any extra labour and acquiring other inputs and taking all financial decisions. As organisations grow, however, their structure takes on a greater significance and those at the top have to pay more attention to its formal structure and presentation. The various business functions will show an increasing degree of specialisation as an organisation expands and people will be employed to manage and take decisions in specialist areas.

In general, an organisational structure sets out:

1. Major roles and job titles, showing who is in control of the business as a whole and who manages its major business functions within departments.
2. The level of seniority of people holding different positions and their respective positions in the organisation’s overall hierarchy.
3. The working relationships between individuals, identifying relationships in terms of superiors and their subordinates and indicating who has authority to take certain kinds of decisions and who are responsible for carrying out the work arising from those decisions.
4. The extent to which decision making is concentrated in the hands of people at or near the top of the organisation or handed down to those at lower levels of management.
5. The broad channels through which information is communicated throughout the organisation, indicating the route by which instructions flow down the hierarchy and how information flows back up the hierarchy.

## Organisational charts

Organisational charts are representations of the job titles and the formal patterns of authority and responsibility in an organisation.

Business may produce organisational charts for several reasons. First, it is important that a company reviews its organisational structure on a regular basis to take account of any changes in the business environment. A formal organisational chart helps the company to identify where changes need to be made and to decide the relationship between any new sections or departments and the rest of the organisation. Business also produce organisational charts because they allow a company to review its structure and to identify areas where cost saving changes and improvements can be made. Organisational charts are useful when changes take place in the company. It can be updated to take account of any informal developments in its structure that have been good for the company. A revised organisational chart is particularly useful for informing people about the new structure of the company after mergers or take-overs.

The organisational chart can also be used during an induction period to give new employees a useful overview of the company and their own position within the structure in terms of their authority and the managers to whom they are responsible. Although an organisational chart has several uses, it should not be taken as giving an exact description of how the organisation actually operates. It does not give the exact nature of job responsibilities or indicate what levels of cooperation may be necessary between departments.

Managing director

Research and development director

Finance director

Marketing director

Production director

Human resource director

Production manager

Plant manager

Quality control manager

Production control manager

Assistant plant manager

Supervisor:

materials

Supervisor:

materials

Supervisor: buildings

Supervisor: mechanical

Supervisor: electrical

Section manager

Section manager

Section manager

Supervisor

Supervisor

Supervisor

Supervisor

Supervisor

Supervisor

Operatives

Operatives

Operatives

Operatives

Operatives

Operatives

**Function 1.7: Line authority in a production department.**

**Chain of command** - is the line of command flowing down from the top to the bottom of an organisation. It passes down the management hierarchy, from director and senior management levels to those in middle and junior management positions and eventually to employees in supervisory jobs who, for example may have authority over assembly line workers or staff providing services to the organisation’s customers. Organisations with a long chain of command - with a hierarchy made up of many levels of management - are said to have tall organisational structures.

**Span of control** - refers to the number of subordinates a manager is responsible for and has authority over. Organisations with a long chain of command will tend to have narrow spans of control. Organisations with a short chain of command tend to have wider spans of control. This produces a flat organisational structure because it has a hierarchy with fewer levels of management.

**Flat organisational structures:** are generally desirable, there is a limit to the number of subordinates who can be placed under one superior. Even very experienced managers who have the qualities and personalities that promote loyalty and hard work can only be responsible for so many employees.

**Tall organisational structure** : some organisations have ***many* *levels*** and grades of staff with a tree-like management structure and strong patterns of vertical communication. This means that there are many different grades of staff between people lower down the organisation and the person at the top. Tall organisations suffer from problems with bureaucracy, as information needs to be directed through the correct channels before appropriate action is taken.

The main features of such a structure are as follows:

1. At each level there are several staff responsible to a person at the next level up. The process is repeated until the top of the organisation is reached.
2. In a limited company the person at the top is the Managing Director who is ultimately responsible for the whole organisation.
3. As the levels within the organisation are ascended, the number of people at each level decreases and this gives the organisation a pyramidal structure.

In an organisation with flat structure there are ***fewer levels*** or grades of staff and much more emphasis on communication across the organisation. This is more likely to be the structure of a small business where everyone knows each other and works together more as a team.

In some situations, however, a relatively ***wide span of control may be acceptable*** if:

1. The potential disadvantages of a wide span are outweighed by the costs of employing the extra managers needed to produce narrower spans of control.
2. Junior employees are engaged mainly in routine work and as a result the manager is required to make relatively few decisions.
3. Managers are willing to reduce the pressure on their own time by delegating more decision making and they can identify staff who are likely to respond well to the extra responsibility.
4. An effective range of financial and non-financial motivational factors produces a committed group of people who need very little supervision.
5. The group within the span are highly skilled or talented and are given a great deal of scope to be creative and imaginative in their work.

### Line structure

In a line structure, a company is usually organised into functional departments, each headed by a senior manager, below whom there is a chain of command. This indicates that there is a line of authority and responsibility as one goes down the structure.

Each person in the line has authority over those below, while being responsible for making sure that the work handed down to them from their immediate manager is completed. This applies even if the subordinate does not personally undertake the actual work.

*Advantages:*

1. It is hierarchical structure which is simple to understand - staff know precisely where they are in the structure, who can allocate work to them and to whom they are responsible.
2. Managers have a clear understanding of the roles of people when allocating work and spend less time monitoring work because subordinates are not distracted or confused by instructions from other sources.
3. A well-established line authority makes it possible for work to be delegated further down the line - this can be valuable when superior is seeking to widen the experience subordinates and develop their management or supervisory skills.

*Disadvantages*:

1. It can involve a very long chain of command - instructions may take a considerable time to filter from the top and impact on production, which can be an important drawback if the organisation operates in a rapidly changing market.
2. The flow of information back up a long chain to management may be a lengthy process, causing a considerable delay before problems are identified and tackled.
3. Individuals might only respond to requests from the superior, creating inflexibility in the organisation which may be totally unnecessary if co-operation with other managers does not effect working relations with their superior.

### Line and staff structure

A line and staff structure combines both a line authority and what is known as staff authority. The term staff authority refers to those staff, usually at a relatively senior level, whose are of work often involves dealing with different departments. Someone with the relevant staff authority can provide services and advises to those in the line of authority of other departments. Managers with staff authority do not have the power to control or give instructions, but rather the authority to deal with different departments and to offer advice or support services in relation to problems or exploiting new opportunities. However, since those with staff authority are appointed because of their expertise, experience and good personal skills, their advice, though not binding, is likely to be very persuasive.

*Advantages***:**

1. Staff authority enables the expertise and experience of specialists to be utilised more fully across the organisation.
2. By having access to all areas of the company, managers with staff authority, communications between departments are at director level, and so any inter-departmental communication has to pass up the chain of command in one department to director level and then down the other before it reaches the appropriate level.
3. Staff authority prevents individual departments from being too inward looking - departments remain aware of their interdependence and their role in seeking to achieve the organisation’s objectives.

*Disadvantages***:**

There is a risk that staff authority may diminish the authority of individuals in the line management, particularly if those with staff functions acquire informal power and authority.

### Matrix structure

In a matrix structure, a senior manager heads a division or team of specialists drawn from different departments. These specialists are also located in departments where they are part of a line authority; they are therefore subject to two sources of authority.

In a matrix structure the simple chain of command found in a line structure is replaced by a very large number of reporting relationships as individuals report to managers in more than one department or function.

A matrix structure may be used for just some of an organisation’s activities or it may cover the whole work of the organisation. It is often used for organising and managing project teams, where people with specialist skills, perhaps from different levels in the hierarchy, are brought together to solve complex and urgent problems. Project teams may be created to deal with issues which arise every now and again or they may be an ongoing feature of the organisational structure.

Some aspects of marketing, however, may be handled by an ongoing project team drawn from other departments, although the membership of the group may change as different marketing issues arise.

*Advantages***:**

1. It promotes increased co-ordination between departments because it cuts across departmental boundaries - it encourages greater flexibility and creativity, produced by the cross-fertilisation of knowledge and skills.
2. It allows for the involvement of relatively junior staff, giving them valuable experience in a wider field for the expression and application of their particular skills.
3. Staff lower down a line structure can also gain valuable management development in a project team, preparing them for promotion to higher management positions.
4. The involvement of specialists from different areas reduces the risk of resources

being wasted on projects with no future - in non-matrix structures an idea originating in, say, the marketing department may be pursued for a long time before it comes to the attention of production which might find that it is simply not practical.

*Disadvantages***:**

* The existence of a matrix structure and project teams can lead to confusion as individuals are involved in a large number of different relationships creating a complex pattern of authority and responsibility.
* A line manager may resent a subordinate receiving instructions from managers based on other departments, especially if they are at a lower level of management.
* This also raises questions as to who has priority over the subordinate’s time and what information arising out of the work of the project team should also be reported through the line authority. This can be a potential source of conflict and relations may also be strained if the subordinate suffers from divided loyalty.

## Centralised structure

Organisations are centralised when the majority of decisions are taken by a few people at the top of the organisation and little decision making is delegated to those further down the organisational structure.

Even if many important decisions are delegated to subordinates, some aspects of the business are always likely to remain totally under central control. In general, senior managers or a centralised department takes responsibilities for: major financial issues, wages and salaries, manpower planning and personnel records, purchasing.

*Advantages***:**

1. Senior management have more control of the business, eg budgets.
2. Procedures, such as ordering and purchasing, can be standardised throughout the organisation, leading to economies of scale and lower costs.
3. Senior managers should be more experienced and skilful in making decisions. In theory, centralised decisions by senior people should be of better quality than decentralised decisions made by others less experienced.
4. In times of crisis, a business may need strong leadership by a central group of senior managers.
5. Communication may improve if there are fewer decision makers.

## Decentralised structure

Complete decentralisation would mean subordinates would have all the authority to take decisions. It is unlikely that any business operates in either of these ways. Even if authority is delegated to a subordinate, it is usual for the manager to retain responsibility.

Some delegation is necessary in all firms because of the limits to the amount of work senior managers can carry out. Tasks that might be delegated include staff selection, quality control, customer relations and purchasing and stock control. A greater degree of decentralisation - over and above the minimum which is essential - has a number of advantages.

*Advantages*:

1. It empowers and motivates workers.
2. It reduces the stress and burdens of senior management. It also frees time for managers to concentrate on more important tasks.
3. It provides subordinates with greater job satisfaction by giving them more say in decision-making, which affects their work.
4. Subordinates may have a better knowledge of ‘local’ conditions affecting their area of work. This should allow them to make more informed, well-judged choices.
5. Delegation should allow greater flexibility and a quicker response to changes. If problems do not have to be referred to senior managers, decision-making will be quicker. Since decisions are quicker, they are easier to change in the light of unforeseen circumstances which may arise.
6. By allowing delegated authority, management at middle and junior levels are groomed to take-over higher positions. They are given the experience of decision making when carrying out delegated tasks. Delegation is therefore important for management development.

## Delayered structure

Delayering involves a business reducing its staff. The cuts are directed at particular levels of a business, such as managerial posts. Delayering involves removing some of these layers. This gives a flatter structure.

Delayering is likely to play a major role in a policy of decentralisation as the removal of management layers allows authority for decision making to be shifted to a lower level in the organisation.

*Advantages***:**

* The savings made from laying off expensive managers. It may also lead to better communication and a better motivated staff if they are empowered and allowed to make their own decisions.
* However, remaining managers may become demoralised after delayering. Also staff may become overburdened as they have to do more work. Fewer layers may also mean less chance of promotion.

## Management style

Management style refers to the approach that an organisation takes in setting objectives for its employees and the way it manages relations between superiors and subordinates.

Management or leadership styles can be categorised as:

**Autocratic:** Amanager that adopts an autocratic management style takes entire responsibility for decisions and, having set objectives and allocated tasks to employees, expects them to be carried out exactly as specified. Employees are told exactly what, how and when work must be started and finished. It is the kind of management style often associated with a corporate culture centred almost exclusively around production. Power is focused at the top, and the centralised decision making is geared to getting the goods out of the factory and to customers. Little regard is paid to any non-monetary needs of employees; they are not consulted or involved in decision making.

**Democratic:** A democratic management style seeks to involve employees in the decision-making process, either by consulting them directly or through their representatives. This approach reflects a corporate culture which is more human resource centred and recognises the organisational benefits from meeting its employees’ non-monetary needs - such as a need for job satisfaction and a sense of belonging. A consultative approach is particularly important if an organisation is planning to change product design or working conditions, methods and practices.

**Laissez-faire style:** This style gives people complete freedom to organise and carry out their work. It is a very person centred approach. A laissez-faire approach may still impose some constraints, such as completion dates for certain key tasks or the earliest and latest arrival times for a flexible hours working day. There is no formal structure for decision making as decisions are taken by a variety of processes depending upon the nature of the problem, the opportunity to be explored and the individuals involved.

**Consultative style:** Leaders consult with others before decision are made. There will be a group influence in the final decision, even though it is made by the leader.

Deputy

Chairman

Chairman

(non executive)

Chief

Executive

Marketing

Director

Finance

Director

Retail Director

Commercial Director

Distribution Director

Head of

Operations

Ireland

Company

Secretary

Section

managers

Section

managers

Section

managers

Section

managers

Section

managers

Section

managers

Section

managers

Supervisors

Supervisors

Supervisors

Supervisors

Supervisors

 Supervisors

Supervisors

Operatives

Operatives

Operatives

Operatives

Operatives

Operatives

Operatives

As diagram above shows, Tesco has many levels of staff: directors on the top, and step by step to employees on the bottom, therefore I can think that Tesco is a hieratical organisation, where each individual knows who he must report to. Communication in a complex organisation such as Tesco will be dependent on the organisational structure, but this will be discussed later in my section on “Communication”.

I can see that Tesco has a centralised and decentralised form of organisation because people on the top, who control the company, take the majority of decisions and also the company’s Head office is centralised at Cheshunt in Hertfordshire.

Tesco is very big organisation and has very many stores in different places – this fact shows that Tesco is a decentralised organisation, with much decision-making delegated on a regional and individual store level.

From the information I have managed to access I believe/consider that Tesco has a very good democratic and consultative management style. It is a very successful firm, as seen earlier, it is now the U.K. market leader with positive leadership from above and a notable corporate culture.

The directors present their annual report to shareholders on the affairs of the Group together with the audited consolidated financial statements of the Group for the 52 weeks.

The principal activity of the Group is the operation of food stores and associated activities in the UK, Republic of Ireland, France, Czech Republic, Slovakia, Hungary, Poland and Thailand. A review of the business is contained in the Annual Review which is published separately and, together with this document, comprises the full Tesco PLC Annual report Accounts.

#### Culture

Culture in organisations is often described as the set of values, beliefs and attitudes of both employees and management that helps to influence decision-making and ultimately behaviour within them. Each organisation has a unique culture. This is what makes studying business behaviour so fascinating. The business culture helps to determine how things get done in firms and defines, quite simply, how the company works. The fact that organisations are themselves organic, composed of workers constantly interacting with each other and their environment, suggests that the culture in firms is not static and constant – the way firms operate can change, either intentionally through management action or more likely through natural evolution.

#### Corporate culture

Corporate culture is a set of values and beliefs that are shared by people and groups in an organisation. A simple way of explaining corporate culture might be to say that it is the ‘way that things are done in a business’. The corporate culture of a business can influence decision-making. It also encourages low level managers to behave like entrepreneurs. Business leaders are able to create a corporate culture to achieve a corporate objectives and strategy of the company. It is important that the corporate culture of a business is understood by all the people that work in the organisation. It is usually transmitted to new members and reinforced informally, by stores, symbols and socialisation, and more formally through training.

*Advantages of a strong corporate culture.*

* It provides a sense of identity for employees. They feel part of the business. This may allow workers to be flexible when the company needs to change or is having difficulties.
* Workers identify with other employees. This may help with aspects of the business such as team work.
* It increases the commitment of employees to the company. This may prevent problems such as high labour turnover or industrial relations problems .
* It motivates workers in their jobs. This may lead to increased productivity.
* It allows employees to understand what is going on around them. This can prevent misunderstanding in operations or instructions passed to them.
* It helps to reinforce the values of the organisation and senior management.
* It acts as a control device for management. This can help when setting company strategy.

Dynamic/innovative culture

**BUSINESS**

**CULTURE**

Customer driven culture

Bureaucratic

culture

Task culture

Risk averse culture

Technological culture

Person culture

Negative culture

Positive culture

Competitive culture

Power culture**.**

**Figure 1.8: Types of business culture.**

Culture, presented within Tesco plc.

**Tesco has achieved its position as Britain’s leading food retailer by offering excellent value and service to its customers. Underlying its business success is a commitment to upholding certain values, working principles and culture within the organisation, and to seek continuous improvement in its ethical performance. As a measure of its achievement to date, in 1997 the company came top in the Christian Aid league table for ethical commitment.**

**Customers.**

**Tesco must serve its customers by providing the goods they want and the service they expect. By meeting customer needs better than its competitors do, Tesco earns profits and creates value for its shareholders.**

**Customer service is at the heart of Tesco business culture. The base line is quality and value, but customers also look for a shopping environment which is attractive, well planned, and enjoyable. They also expect staff to be helpful, responsive to their needs, and sympathetic to their problems. Tesco is constantly seeking new ways of meeting customer needs. These include introducing Customer Assistants dedicated to helping customers at every point during their shopping, establishing a Customer Service Centre to deal with customer enquiries, providing facilities for customers with disabilities, and organising customer question times when Tesco can hear customers views.**

**Staff.**

**Tesco employs 154,000 people in the UK and 27,000 in Ireland and Europe. It is constantly told by customers that its staff are the company’s best asset. This means that the company must motivate and train its employees to give the best possible customer service, and provide opportunities for all members of staff to develop their talents to the full.**

**The company believes that the welfare and safety of its employees is of paramount importance, and applies high ethical standards to protect workers’ rights and reward employees fairly for their work. Full and part-time staff have had their benefits harmonised, including salaries, purchase discounts, pensions and profit-sharing. The company has a national agreement with USDAW, the shop workers’ trade union.**

**The approach of Tesco to worker welfare goes beyond its own employees. The company insists that its suppliers meet certain employment standards in matters such as fair pay or minimum working ages. Tesco believes it can play a positive role in influencing working practices around the world.**

**Like other large companies, however, Tesco recognises that its wider reputation depends on other things, such as its staff relations, its attitude to the environment, its support to the community, and its relationships with its suppliers. Also, as a leading food retailer, the company must ensure that it provides products, which are safe to eat or use, as well as giving customers advice on matters such as healthy diets.**

##### **Health and safety**

**Tesco customers rightly expect that their purchases will be safe to eat or use. The company applies the highest standards in meeting these expectations and makes special provision for those with special dietary needs. Following government recommendations on the nation’s diet, Tesco was the first retailer to promote healthy eating.**

## ****Environmental policies****

**Tesco is committed to protecting the environment and to using its commercial strength to put its principles into practice. In many cases, the company’s standards far exceed legal requirements. Its environmental policies cover matters such as recycling of packaging, working with suppliers to minimise the use of pesticides, energy conservation, and the siting and design of its stores. Tesco also works closely with environmental organisations in areas relevant to its business.**

**Animal welfare**

**The company aims to set the highest standards of animal welfare in the industry, and has introduced a code of practice on the treatment of animals to which all its suppliers must adhere. The company is also funding research to improve understanding of animal welfare, and will continue to promote and implement high standards in order to improve animal husbandry still further.**

 **Relationships with suppliers**

**Tesco has relationships with thousands of suppliers in the UK and overseas, and works closely with these suppliers in order to ensure that products are of the highest quality and delivered in the best possible condition. By working in close partnership with its suppliers, Tesco is helping them to meet its own high standards, not just in efficiency and product quality, but also in environmental protection, animal welfare and employment practices.**

**The community**

**Tesco is very much part of local communities throughout the UK and is committed to playing a positive role by working with community organisations. The company’s community contribution covers support for education, groups dedicated to helping people with disabilities, and a wide variety of other organisations. The company has introduced schemes which enable its own staff and customers to help raise money for good causes.**

**Each large supermarket retailer in Britain has its own corporate identity and culture. Often these are very similar, yet each organisation seeks to present its own individual image. Of the types of cultures that I have discussed above, I think that Tesco displays many of these differing forms, especially customer driven or customer orientated, task culture, competitive culture, innovative culture and positive culture. It is often said that in business “the customer is King” and this is very true of Tesco, which operates in a very competitive market. It must be very heavily customer orientated as satisfied customers will usually regularly return, but dissatisfied customers may not …. and go elsewhere! It is also very innovative, always encouraging new ideas and products, e.g. the possible introduction of car sales. Tesco used to be a food retailer, but now it also sells clothing, electrical goods, books and stationary, computers, mobile phones, etc. It has a very positive culture as it is always searching for new opportunities for its staff and also its retail products. Its success is now a good indicator of how this blend of business cultures has led to market growth and market leadership.**

E5

Communications

The efficient communication of information is particularly important for organisation that operates in competitive markets. Relevant and accurate information is needed to plan and manage efficient production, marketing, distribution and cost control. Information – whatever it is nature and purpose – must be communicated as efficiently as possible.

 All people in an organisation are part of an **information flow** – they are involved to varying degrees in providing and receiving information. However, there are three main levels at which information is required:

* operational level
* middle management
* senior management.

# Operational level

At the operational level – on the factory floor, in the office or at premises where consumer services are provided – there are charge hands and supervisors who must ensure that work is planned and carried out as efficiently as possible. In a factory, for example, a supervisor giving the task of overseeing the production of a particular item needs to know:

* the quantity to be handle
* the completion date
* the availability of plans and machine capacity
* the operations to be performed
* the kinds of labour needed and its availability
* the materials and components required to produce the order.

The kind of information assists the supervisor in planning and controlling he work and it is essential for decision making at an operational level. Activities at the operational of an organisation produce data that will be processed to provide much of the information required by middle management.

# Middle management

Middle management needs to know how efficiently work at operational level is been carried out and the extend to which any resources under their control are being used to achieve the organisation’s objectives. Much of this information relates to the productivity of labour, the utilisation of machine capacity and the rate at which materials and other inputs are being consumed.

Middle management also needs a great deal of financial information about the costs of the resources consumed in relation to output. This financial data can be used to determine and monitor total costs, revenues, profits and the achievement of business objectives for example, it will be possible to identify any fall-off in productivity or rise in labour costs which might contribute to arise in unit labour costs or to detect the excessive use of materials which might suggest an increased in wastage.

# Senior management

So far, I have mainly considered the need for information that is processed and generated from sources within the organisation. At senior level, however, information from internal sources often has to be supported by information derive from external sources to help managers ensure that the resources and their control are used as efficiently as possible in achieving business objectives. Decision making at senior management level has a major influence on the success or failure of the organisation. Any decisions concerned with controlling the organisation, assessing its performance, planning its future and initiating action must be supported by all relevant information.

Decision making at senior level in areas such as business strategy and planning requires information about broad trends rather than detailed information needed to make many routine decisions on day-to-day matters at lower levels of the organisation. Senior management need information about:

* developments in initial costs and sale trends
* overall profitability, and the respective contribution of each part of the business
* capital requirements, and availability of internal funds and the cost and sources of external capital
* manpower and skills requirements
* forecast of demand of the organisation’s markets
* the impact on business of any changes in the economic, political, social and legal environment.

##  *Superior*

##  *Prep Line manager Prep*

##  *group group*

## *Staff Subordinates Staff*

## *relationships relationships*

##  Figure 1.9: Communication network

# Communication channels and methods

The communication channel refers to the means by which information is communicated. The actual choice of communication channel depends upon a combination of:

* the need for an immediate feedback or response
* costs
* speed and urgency
* the number and location of the people who need the information
* the degree of confidentiality and security required
* the desired degree of formality
* convenience
* the complexity and amount of detail to be conveyed
* the type of information to be communicated
* the need to keep a record of the communication.

 Business information can be communicated in many ways. Methods include:

* written reports
* instruction manuals
* letters, circulars and memoranda
* material posted on notice board
* in-house magazines and newspapers
* sheets of figures
* information on standard forms
* graphs, charts, drawings and photographed
* video, television and other audio-visual techniques
* meetings and interviews
* public address announcements
* electronic mail
* network messaging
* fax
* telephone and voice mail
* pager device
* video conferencing

Whatever communication method is used, the information sent should be relevant and avoid superfluous comments and unnecessary detail. The information communicated to a supervisor on a factory may have to include an exact description of the operations to be carried out. In contrast, much broader information is supplied to middle and senior management. Senior managers may only require general indicators and a broad description of the developments that need to be considered when assessing the organisation’s performance, setting objectives and deciding upon strategies.

## Exception reporting

To ensure tht the information provided to management is relevant, clear and concise and makes effective use of managers’ time, some organisations stipulate that managers are only provided with dada relating to exceptional developments. Middle management, for example, may only receive information connected with performance measurements that deviate by more than an agreed percentage from their targets. The information dealing with exceptional performance should also be supported by brief statements of the internal and/or external factors that may have contributed to any exceptional performance. Exception reporting makes more effective use of the time and skills that middle management devotes to decision making and to initiating and controlling actions.

Downward information flows

A downward information flow describes the provision of information by a superior to an immediate subordinate. It is, therefore, concerned with internal communications as part of a formal communications channels. A downward information flow can cover:

* issuing instructions on the tasks that have to be carried out by a subordinate and setting objectives, such as the target data for completing the work
* requesting information concerning the area of work for which subordinates are responsible
* communicating the organisation’s procedures, working methods and practices and the rules and regulations
* given feedback on subordinate’s performance in relation to his or her objectives and targets
* motivating people and encouraging attitudes that raise productivity and improve quality.

Some information will not come from an employee’s immediate superior but from other parts of the organisations. For example, when employees first start work they receive general information about the structure and goals of the organisation from the personnel department. However, for information that relates to work undertaken by the subordinate, the communication channel should be from superior to immediate subordinate.

# Upward information flows

An upward information flow along a vertical information channel is from a subordinate to a superior. This might be feedback from a downward flow or the communication may originate directly from subordinates. An upward information flow can cover:

* responding to a superior’s request for information on some aspect of work for which the subordinate is responsible
* informing managers about the subordinate’s own performance, problems or their personal ambitions in relation, for example, to promotion or opportunities for developing new skills.
* passing on information about other employees in the subordinate’s section and relations with sections with which there is a direct link
* submitting ideas on improving working methods and solving work problems.

In the interests of effective working relations. Most organisations expect subordinates to report formally through their immediate supervisor or manager. However, they are likely to communicate in formally with managers higher up the hierarchy and in some situations, such as grievance procedure, may go directly to a more senior manager than their immediate superior.

### Horizontal information flow

In addition to upward and downward flows, there are also horizontal information flows between people of the same status. Because many operations within an organisation must work very closely together, there must be formal arrangements for the exchange of information between sections and departments. The production department, for example, must have close contact with the purchasing department when it is considering changes to materials and components or introducing advanced machinery and equipment. Production staff also has to exchange information with employees in requirement, training, marketing and transport.

The quality of information.

The essential characteristics of an efficient information system are that the right people receive the right information at the right time. The information communicated should be:

* internally relevant to the needs of the recipient
* accurate and concise
* comprehensive, avoiding a time-consuming request for extra information
* clear – it must be presented and communicated without ambiguity or possible misunderstanding.

The person receiving the information must have confidence in the ability of the sender and, therefore have the confidence to take decisions based on the contents of the communication. The person sending the information must be confident that the receiver has the ability to understand, use and take effective decisions based upon the information supplied.

This information system, the communication media and the kind of information provided should be review on a regular basis. The information system should be adjusted to take into account any developments within the organisation such as changes in its organisational structure or management style. This review should also take into account external factors such as advances in information technology.

# Informal communications

Vertical and horizontal information flows should be clearly defined. If individual are not sure about from whom the y should receive information and instructors, this can lead to the growth of information flows which are not part of the formal system. If there are two information flows running at the same time, there can be confusion and a fall in productivity. These informal systems can generate alternative sources of information and create a situation where the different levels of management receive inconsistent, inaccurate or even conflicting information.

Many businesses, however, accept that some tasks would not get completed if they only used formal channels of communications and chains of command. It may be necessary to short cut the formal system if a matter is very argent or a clash of a personalities is creating communications problems. Some informal channels may be tolerated if groups of workers have formed good working and personal relationship outside of the formal channels. Informal channels may even be the most effective way of communicating some kinds of information.

All organisations have a grapevine, which communicates information informally through personal contact between employees both vertically and horizontally throughout the organisation. The grapevine can be a quick way of communicating information to the workforce as a whole as it tends to operate by word of mouth. It can be used to pass on important information before an official announcement and, depending upon the feedback generated, the company may modify its intentions before the formal announcement.

The problem with using the grapevine is that information can get distorted or exaggerated as it is passed on. Proposal to cut a workforce, through 10% natural wastage and 5% redundancies, may soon get changed to 15% compulsory redundancies as it spreads through the grapevine. This may be useful as the actual announcement may prove to be much more acceptable than the distorted version on the grapevine.

# External communications

Efficient internal communications are important, but an organisation’s external communications are vital. Its business prospects will be seriously threatened if it neglects its external communications. An organisation needs to communicate externally with:

* customers and clients
* suppliers of materials, parts, machinery, other physical inputs and business services
* local, national and European authorities that deal with matters such as taxation, planning permission, environmental protection, competition law, investment grants, trading standards, and health and safety
* pressure groups concerned with issues such as consumer protection, animal welfare, environmental matters and the welfare of law paid workers
* the media and the general public on matters that can either damage or enhance the company’s public image.

Organisation must ensure that the quality of their external communications is as high as possible and select the most effective media for communicating information. It is obviously important that organisations maintain effective communications with their customers, and most businesses invest heavily in market research promotion to attract and keep customers.

Many companies now recognise the importance of providing a communication channel which allows customers easy access to the company. Some companies advertise a customer care telephone number or an E-mail address on their packaging or promotional literature. The customer care section will be stuffed by people trained in the kinds of communications skills needed to deal with customers making complains. Larger companies may employ specialists press officers and public relations officers to handle dealings with the media, pressure groups and the general public.

Organisations relying on other companies for materials and components can find themselves in financial difficulties of their external communications lets them down and orders are not placed at the right time. This may led to shortages of parts and materials, and production may be held up. Relations with suppliers may also be affected by poor verbal communications skills which can cause confusion of the exact nature and delivery of an order. It is for this reason that any changes to an order made verbally should be supported by some form of written or electronic confirmation.

### Opened and restricted channel of communications

In most organisations, some internal channels and communication media are open to all employees; stuff at all levels can access the information. Organisations want to provide some information to all their employees. This would include, for example, information on health and safety regulations, environmental management policies, incentive chemist and any response to resent adverse publicity. This downward information flow from the top of the hierarchy would be open to all.

The content of much downward and upward information flow sis fairly routine, and organisation are not too concerned about people beyond the sender and recipient being aware of what is being communicated. However, access to some information and channels of communications may be restricted. Some information is sensitive – and if it becomes known to people other than the intended recipients, it could create either internal or external problems.

Information and communication technology

Both internal and external channels of communication are increasingly supported by information technology, with computers generating and managing information flows. A computer-based information management system provides the mean to communicate, collect, store, summarise, analyse and present information in a way that best suits the controlling and decision making needs of different managers. Inform received by one department or section can be further processed before it passed onto other departments through the organisations computer network.

Computer systems can help organisations:

* react changes in the business environment
* process complex information
* provides administrative support
* increase job certification
* collect information at source
* communicate via the internet.

The Data Protection Act 1984

The Data Protection Act was introduced to ensure that organisations structured and managed the data held on their computers in a responsible way. These are its main provisions.

* Organisations must register the kind of information it keeps on individuals with The Data Protection Agency (DPA).
* Data must be obtained and processed fairly. People should know if the information they give to organisations will be kept on computer and why it is needed.
* Organisations can only collect the kind if information that they have registered with the DPA, and the data must not be used outside of the purpose for which it has been registered.
* The information held on individuals must be accurate and, where necessary, up to date and it must not be kept longer than necessary.
* Organisations must take precautions against unauthorised access to the information they hold on individuals.
* Individuals are allowed access to the personal data held by organisations and, where necessary they can correct mistakes.

In March 2000 the Data Protection Art was extended to cover records kept on a paper as well as information stored on computers and to provide additional protection for the individual. The protection includes new rights to know who holds information on you. It provides a statutory right to know the identity of the person in a business responsible for data protection issues, right to have a photocopy of personal information held by organisations and greater rights to object to anyone holding personal data.

There are also new rules to prevent organisations sending data to a country outside the European Union in an attempt to avoid complying with legislation on data protection. There are new provisions which can lead to individuals being held personally responsible for not abiding by the rules.

Communication within Tesco plc.

An illustration of communication within Tesco plc.

 Board of directors

Marketing Department

Distribution Department

Retail

 Department

Employees in Retail Department

Employees in Distribution Department

Employees in Marketing Department

**Figure 2.0: Example of vertical and lateral communication within Tesco.**

I have analysed the communication within Tesco plc. and now I can say that Tesco uses relevant and accurate information to plan and manage efficient development, marketing, distribution and cost control. Information, vertical and lateral, communicated within Tesco very efficiently at the all levels. Every single person who works in Tesco is sure about from whom he should receive information and instructions.

But apart of internal communications Tesco has very good external communications as well. The company communicates with customers and suppliers very well. The quality of Tesco’s external information is very high. Tesco has many communication channels which allow customers easy access to the company, for example, Tesco advertises a customer care free telephone number and e-mail address on its packaging literature.

**E6**

**Production.**

Production involves activities, which combine inputs in order to bring about the physical changes that eventually produce the desired output – the product. The product may be goods for consumers and households or parts and machinery for other producers and manufacturers. Production can create a physical change through:

* Processing
* Manufacturing
* Assembly
* Craft-based processes.

Value added

A common feature of all forms of production is that they are the means by which organisations add value to their operations. Put simply, all organisations add value to the externally sourced materials and other inputs that contribute to their output. Value added is the difference between the value of an organisation’s output, as measured by sales revenue, and the costs of its inputs bought in from outside which contribute to output.

The relative importance of the input costs incurred by a producer depend upon the nature of the business. Most businesses generally consume a combination of:

* Raw materials
* Parts and components
* Energy
* Business services.

# Quality

Quality has always been an important competitive factor in some markets, but during the 1980s an increasing number of UK producers began to devote more attention to quality improvement. The rise in the spending power of the average household meant that consumers’ choice of goods and services was no longer so dependent on price. At the same time, consumers were being offered a wider choice obliged producers to improve and complete on quality. Because firms producing consumer goods and services sought to raise quality, their suppliers – companies producing materials, parts, machinery and business services – were also forced to improve quality.

A growing number of organizations now operate in markets where product differentiation is rapidly decreasing. For example, advances in technology mean that there is now very little difference between personal computers offered by the different manufacturers in particular price range. A PC producer must therefore strive to gain a competitive advantage by establishing a reputation as a company with high quality and good customer care. Consider training shoes as another example. Manufactures of trainers periodically introduce new features into their shoes in an effort to create a greater degree of product differentiation, but they all remain essentially the same design and product. If the identifying logos are removed, the average buyer might find it difficult to distinguish between brands.

Producers of both consumer goods and consumer durables must therefore place more emphasis on quality when marketing their products.

The increasing importance of quality can also be seen in the market for consumer services. The main features of services provided by airlines, banks and fast food chains are often virtually identical, and product differentiation can only really be achieved by improvements in quality.

Another factor in changing business attitudes to quality was the success of Japanese manufacturing companies. It was perceived that quality played an important role in helping Japanese companies succeed in European and US markets. By the end of the Second World War very little manufacturing capacity remained in Japan, and in the immediate post-war period Japanese products generally had a reputation as being cheap but inferior quality versions of products manufactured by US and European producers. However by the early 1980s Japanese companies had become closely associated with high-quality products for which they were able to charge premium prices. In the early 1980s, Japan had 18 per cent of the world trade in the manufactured goods, substantially more than the UK’s 5 per cent share.

# Quality control

 Quality control involves an organisation using some kin of inspection system for identifying materials, parts, components and finished products which do not meet the company’s specifications. Inspection or testing may be carried out at various stages of production to ensure that faulty items do not remain in the production chain.

 The operative or inspection department may check every item or just a sample of production. Processing industries, such as the brewing and chemical industries, also test regular samples of their products. Quality inspection is supported by highly sophisticated monitoring, measuring and testing equipment. This allows organisations to make adjustments to machine settings and control devices to improve quality.

 There are some drawbacks to a quality inspection system. Using an inspection system to control quality encourages employees to take it for granted that some output is bound to be defective. Less attention is paid to preventing errors and defects in the first place as they will be picked up later by the inspection system.

 A quality control system must ensure that there is regular contact between those departments that have a particular interest in quality matters. The marketing department, for example, may identify issues raised by customers, while the design research and development departments should work with production on developing the product so that current defects are eliminated when work is being processed.

# Quality assurance schemes

A quality assurance scheme is the means by which an organisation implements its commitment to quality. It helps firms to do the job properly the first time, because the scheme is designed to prevent failures rather than detecting errors once they have occurred. In this way a quality assurance scheme (QAS) differs radically from quality control systems which involve inspection procedures at various stages of production. The design of a QAS recognises that defects do not just happen; they are caused by people.

# Assuring quality

Once an organisation has identified the reasons why people are responsible for defects and errors, it can develop a system which eliminates the causes of defects. In this way, quality is assured. There is no single format for a QAS, and an organisation chooses a system which is most appropriate to its particular product or service. What it must do is to insure that every stage of production (or in the provision of a service) that materials, equipment, methods and procedures are used in exactly the same way, every single time.

All employees should be aware of what is expected of them, and should know how their own particular performance has to meet certain clearly identified requirements.

**Product Evaluation and Quality Assurance within Tesco plc.**

**What product evaluation and quality assurance in Tesco plc.**

**Tesco products are continually monitored and tested for their quality and customer acceptability; this is product evaluation. Tesco staff and management procedures are also monitored to ensure that they maintain the highest standards; this is quality assurance.**

 **Why does Tesco carry out product evaluation?**

**Product evaluation is carried out for a variety of reasons. These include:**

1. **testing new products under development**
2. **testing existing products when a change of supplier is being considered**
3. **testing Tesco products against those of competitors**
4. **to update information on the packaging**
5. **to monitor quality and safety standards.**

 **Changing of packaging information**

**Even when a product remains the same, packaging information may have to be altered because of a change in legal requirements, changes in nutritional concepts, or advances in food preservation and cooking. For example, a product might have its packaging altered to indicate that it could be suitable for microwave cooking. It will therefore be necessary to test the product in company’s laboratory. Here Tesco inserts fibre optic probes into the product. This allows us to monitor the temperature of the product whilst it is cooking, in order to ensure that it reaches a high enough temperature for it to be consumed with safety.**

 **Tests on existing products**

**Quality control tests are conducted regularly on all existing own-brand products at Head Office, in Consumer Advice Centres, and in specialist laboratories. These include tests on food safety.**

 **Consumer Advice Centre**

**The purpose of five Consumer Advice Centres in Sandhurst, Shoreham, Southport, Cheshunt and Perth is to carry out practical research with customers into new and existing products. Each centre is staffed by two consumer service officers who are qualified home economists. Their most important role is to conduct consumer acceptability tests and sensory analysis. Over a four-day period, six to eight products will be tested.**

**Their role also includes being available to the customer for any queries concerning diet, health and nutrition, PR work at a local and national level, quality control, and giving talks and demonstrations to local community groups.**

**Organising a taste panel**

**Market researchers will recruit customers who are shopping in the store. These customers take part in the test only if they fulfil the recruitment criteria that have been established for the product being tested. For example,Tesco might ensure that all participants are heavy users of the product, or a product aimed at children will be tested on children only.**

**As far as possible, consumers test Tesco products against a benchmark. This other product is normally the market leader; testing against it allows us to ensure that product matches or exceeds this quality standard. Products are tested "blind" and identified by codes so that consumers do not know which one is the Tesco product and which one is the benchmark.**

**The questionnaire is designed so that consumers give scores for various questions, such as their opinion as to the appearance of the product; they are also asked to tell us what they liked and disliked about the product.**

 **Sensory analysis**

**Sensory analysis is a more technical evaluation of a product which is carried out by consumer service officers who have been specially trained to analyse the product using uniform objectives and technical descriptions. They will evaluate the product and forward a description of it to Head Office for use in the final report.**

 **What is done with the data?**

**Data from sensory analysis, questionnaires and customer comments are collated and subjected to statistical analysis at Head Office which will lead to a product either passing or failing the tests. If it is failed, the product is reformulated according to the comments made by customers in response to the questionnaire. Products are then re-tested and will be launched only when they achieve a pass result.**

**Implementing of quality assurance**

**Quality assurance is implemented at all levels in Tesco. Everyone is "focused" on giving the customer the best possible shopping experience in terms of service, quality, availability, price, car parking facilities and store design. This "focus" is set in Annual Trading Plan and is implemented through various departmental objectives and through specific training programmes. Tesco invests large amounts of money in training, so that Tesco can achieve specific objectives, for example First Class Service initiative.**

**Usually each initiative has a sponsor, normally a Main Board member. It is the directors and managers who brief the teams, and then it is up to individuals to "buy in" to an idea. Tesco has found that this process works well as it is not prescriptive and it allows people to implement new ideas in their own way.**

 **Setting standards for quality**

**A common tool for creating "benchmarking" standards is called SWOT analysis. This stands for "strengths, weaknesses, opportunities and threats" and it provides a useful way of evaluating quality standards. Standards cannot exist in isolation, and SWOT allows comparison with competitors to be taken into account. Tesco therefore uses SWOT a good deal for specific products, for example in evaluating a new range of merchandising or evaluating a new process provided by a supplier.**

**Tesco Packaging design.**

**Tesco has many "Own Brand" products, and in order to promote its own brand correctly Tesco has its own Packaging Design Department. Products sell for a variety of reasons; in the first instance, the visual appeal of a product is important to attract customers to the product initially, as it is only after the first purchase that the customer is attracted because of the quality of the product and its value for money.**

 How does Tesco add value to its product?

Usually value for product depends on one very important key – quality of the product, better quality – more tests are done – bigger value, but Tesco tries to keep prices **lower than all other national supermarkets. Tesco adds value to its products by means of buying it from contractor for lower price, testing it, and selling it for higher price.**

C1

# Success of the business in meeting its objectives.

**Tesco is one of Britain's leading food retailers and has 586 stores throughout Great Britain. In Europe Tesco has 41 stores in Hungary, 32 in Poland, 13 in the Czech Republic and Slovakia, 33 in Northern Ireland, 76 in the Republic of Ireland and 1 in France, to prove that business meets its objectives successfully I’ll present some diagrams and company’s financial records.**

**Turnover and profits of Tesco in 1997-1998**

**The turnover and profits for the year ending 28th February 1998 were as follows:**

1. **Group Turnover (incl VAT) - £17.8 billion (£17,800 million), an increase of 18.7% on the previous twelve months. This figure is for 53 weeks compared to 52 weeks for the previous year and includes the newly acquired businesses in Northern Ireland and the Republic of Ireland. On a comparable basis with the previous year, excluding the Irish acquisitions, turnover was £16.4 billion, and increase of 9.2%**
2. **Profits on ordinary activities before tax, integration costs and disposal loss - £832 million, an increase of 10.9% on the previous twelve months.**

**Changing of company's financial fortunes 1992-98**

**The changes in the company's financial fortunes are shown in graphs 1 and 2**

 **Graph 1,2: Group turnover and operating profit 1992-8
Graph 3: Share earnings and dividends 1992-8**

 **Profits share**

**In 1998 the profits from Tesco after tax were £505 million. About 50% of the profits were distributed to shareholders as dividends. Subsequently approximately £250 million was retained by the company for investment in new stores and improving their service to customers.**

**Changing of share price in recent years**

**Between February 1997 and February 1998, the Tesco share price rose from 349p per share to 517p. It reached a peak in the period of 539p. In the year 1998-9, the price continued to rise, being 586p on 21st April 1998, and having peaked at 603p at the previous stock market high.**

**Market share of Tesco**

**In February 1998, Tesco had 15.2% of the UK retail food market. The company's share has increased consistently since 1992 when it held 10.4% of the market.**

 **Graph 4: Market share growth 1992-8**

**Turnover, profits and market share of Tesco in 1999-2000**

##  Profit and loss account

This year was another successful trading year for Tesco plc. Total sales increased by 9.8% to £20,358m and underlying pre-tax profit increased by 8.4% to £955m. Adjusted diluted earnings per share rose 8.6% to 10.18p. A final dividend of 3.14p per share is proposed, making the full year dividend 4.48p, an increase of 8.7% over last year.

UK retail sales have grown 7.4% to £18,331m. Like-for-like sales were 4.2% which consists of volume of 3.2% and inflation of 1.0%, with new stores continuing to perform well, contributing 3.2% to sales.

UK operating profit increased to £993m up 8.1% on last year. Tesco’s UK operating margin remained broadly flat at 5.9% in a year when Tesco made substantial investments in price.

Company change programmes continue to deliver increasing levels of efficiencies enabling us to invest for customers and grow profits.

Sales in the rest of Europe accelerated with total sales up 18.8% to £1,527m and contributed an operating profit of £51m, up 6.3%. Sales in the Republic of Ireland in local currency are up 6.1%, reflecting the benefits of company’s store rebranding programme. In Central Europe sales are up 76.8% at constant exchange rates. Tesco 11 new hypermarkets across the region have all traded strongly since opening.

Business in Thailand has seen good growth and the three new stores have contributed to sales of £357m up 96%. In South Korea, Tesco Homeplus achieved sales of £140m in the period since acquisition. In the Asian region Tesco made a small operating loss of £1m.

Tesco Personal Finance has now been trading for nearly three years and share of losses this year are £4m compared to a £12m loss last year.

Tax on underlying profit has been charged for the year at an effective rate of 27.4%.

CHRISTMAS & NEW YEAR TRADING STATEMENT
 Monday 15 January 2001

GROUP SALES GROWTH CONTINUING TO ACCELERATE

Group sales for the seven weeks ending 6 January 2001 increased by 15.4%. This growth was driven by excellent performances from all four elements of Tesco strategy: a strong core UK, increasing non-food sales, rapidly developing international stores and expansion into retailing services.

OUTSTANDING UK GROWTH UP 10.5%

Total UK sales for this seven weeks, covering Christmas and the New Year, were up 10.5%. Compared to last year this period included one extra day's trading over the New Year. Like-for-like sales were up 6.9% driven by excellent sales volumes of 7.3%. This performance reflects determination to deliver the best offer for customers as Tesco continue to cut prices. Overall deflation was -0.4%.

STRONG INTERNATIONAL PERFORMANCE

In 2000 Tesco opened 32 stores internationally adding over 3m sq. ft. of new trading space. This represents an increase in International trading space of over 45% on the previous year. International sales were up 50% over the Christmas and New Year period as a result of existing stores maturing and new store openings.

RECORD NON FOOD PERFORMANCE

Company’s strategy of offering excellent value in non-food to customers was a resounding success this Christmas. Tesco achieved sales in all areas including 14,000 DVD players and 8,000 widescreen televisions.

TESCO.COM SALES QUADRUPLE

The roll-out of Tesco.com to cover 90% of the UK population helped drive the performance over Christmas with sales up 400% on last year. To meet this demand Tesco.com recruited 400 new staff, allocated 10,000 additional delivery slots and delivered 30m products.

Some examples of meeting its objectives by Tesco plc.

**Product promotions**

Objective: to give customers a broad range of strong relevant promotions in all departments of the store.

Examples: hundreds of MultiSave, Link Save and Special Offer promotions in all stores every month.

**Product range**

Objective: to give customers what they want under one roof.

Examples: constant development of new and exciting food products; introduction of clothing, CDs and videos.

**Pricing**

Objective: to be competitive especially with regard to the basic lines.

Examples: Value Lines and Unbeatable Value pricing, giving low prices on key brands and own-brand products.

**Customer Service**

Objective: to provide customers with outstanding, naturally delivered personal service.

Examples: baby changing facilities, no quibble money back guarantee, "one in front" queuing policy.

**Store design**

Objective: to provide an environment that is easy and pleasant to shop in.

Example: store layouts, fixtures and ambience improved to ease customer flow and make shopping more enjoyable.

**Store refurbishment**

Objective: to upgrade existing stores to the standard that is expected from Tesco.

Example: existing stores improved to include recent innovations.

**Communications**

Objective: advertising should appeal to all social and economic groups in a relevant and friendly way. Example: recent television ads.

C2

How the organisational structure, culture and management style of the business affects its performance and operation and helps it to meet its objectives?

I have analysed each of the major functions of Tesco separately. However, it is the effective interaction of business functions that is essential to the success of an organisation in attaining its objectives.

## Marketing

**Advertising.**

 Tesco uses advertising in the press, on the radio as well as on television to support the company’s marketing by making the public aware of the products and services available in its stores.

**The Tesco logo.**

The Tesco logo is a vital part of its image. By 1995 many versions of the logo had evolved and company’s corporate identity was not focused. Company therefore began to use one single Tesco logo that is the same everywhere, on stores, letterheads, posters, lorries....

 The new logo has the company name in red, the underlining in blue and the background white. However, given the cost of this change Tesco did not immediately change every logo for the sake of it, but gradually as old items were replaced, repaired, repainted, reprinted or re-designed. This means that it is taking about three years for the new logo to completely supersede all other versions.

**Chef’s Club.**

The Chefs' Club is an initiative which brings the best advice on food and drink to customers and aims to make shopping more enjoyable. Tesco is working with some of the country's top chefs and other experts who want to share their passion for good food and drink with customers.

**Tesco Packaging Design.**

Tesco has many "Own Brand" products, and in order to promote its own brand correctly Tesco has its own Packaging Design Department. Products sell for a variety of reasons; in the first instance, the visual appeal of a product is important to attract customers to the product initially, as it is only after the first purchase that the customer is attracted because of the quality of the product and its value for money.

**Tesco Product Promotion.**

Product promotion is the responsibility of the Tesco public relations team. The team is always involved at the planning stage of any new product or service, and its brief is to generate extensive and appropriate coverage for the new product.Tesco has three key objectives for any product promotion; these are:

* to reinforce the Tesco brand values of quality, choice, price and service
* to maintain the Tesco image as a market leader through its products and services
* to manage product issues - both positive and negative.

### Distribution

### ****Purpose of the distribution department****

### **Its purpose is to ensure that Tesco stores have the right products delivered against agreed delivery schedules and in good condition, enabling the stores to provide a consistently high level of customer service.**

 **Tesco products are sent to stores from distribution centres around the country. Tesco runs 13 centres and a further six centres are run for Tesco by contractors. A typical centre covers 300,000 square feet and handles some 50 million units a year. The centres work around the clock, seven days a week, providing 2,500 deliveries daily, amounting to 19 million cases per week. Tesco employs 6,800 people in distribution (excluding the staff at the contractor-run centres), and has about 1,000 tractor units and 2,000 trailers in its national vehicle fleet.**

 **How does Tesco keep each store supplied with what it needs?**

**The key to the distribution system’s ability to supply each store’s needs are the advanced use of IT at all stages of the distribution system. Information from stores about their sales and requirements is sent to Tesco Head Office and from there to the distribution centres. The centres run a computer system that has been specially designed to fit with Tesco working practices and to maximise efficiency).**

 **How does Tesco achieve maximum efficiency in its distribution centres?**

**Computerised information arrives via printers in the warehouse offices. The system feeds this information directly to the staff on the warehouse floor via radio links mounted on the fork-lift trucks. The system helps to control the movement of stock and the activity of staff. Thus when a person has finished a particular job, the computer decides which would be the most efficient job to allocate next to that person, based on his or her current position in the warehouse.**

**Also, in the past, Tesco’s operations have been slowed down at peak times by the need for product identification and purchase-order matching. Now each goods-in checker is equipped with a scan gun which can scan the outer case code of each product and radio the information back to the Head Office computer, which matches a delivery with its purchase order in an instant. As well as easing bottlenecks, this system enforces accurate outer case coding, which Tesco believes to be essential to future developments in its distribution system.**

### ****Human Resources****

 **People are fundamental to business and the way company recruit, develop and reward people is the key to success. Human Resourcing in Tesco is therefore influential, leading edge and proactive to ensure continued success.**

 **Human Resources at Tesco is divided into a number of central areas which focus on the design and research of Tesco HR policies and a number of front line HR professionals that work in partnership with company’s Line Managers to deliver the business plan.**

 **Promote management development**

**Tesco does this by providing opportunities for everyone to increase their learning, thus enabling Tesco to thrive in a constantly changing and competitive market place. Tesco does this by:**

1. **designing training packages which equip people with the knowledge, skills and experience needed to reach high standards of performance, and equipping trainers to coach others thus maintaining excellent quality standards.**
2. **enabling training to be delivered in the workplace by people who know how to do the job themselves.**
3. **exploiting new methods of learning, and thereby providing a supply of general business managers for the future.**
4. **developing effective working relationships with colleagues and suppliers through listening and challenging, and designing products which inspire them.**

 **Research and development of effective corporate human resource policies**

**Tesco does this by:**

1. **being constantly aware of UK and European employment legislation, and translating it into policy that maintains a balance between cost effectiveness, fairness, developing relationships with people, and company’s business aims.**
2. **researching and developing people involvement strategies; this involves analysing staff research, which includes both large-scale corporate surveys and specialist staff research.**
3. **providing updates on employment law.**
4. **scanning and benchmarking other organisations, in order to import best practice and maintain a competitive stance.**
5. **ensuring specific policies, for example regarding the employment of disabled people and equal opportunities.**
6. **achieving external recognition, to ensure that Tesco is seen as a quality employer.**

 **Developing selection standards and implement corporate entry programmes**

**Two crucial roles for the Human Resources Department are:**

1. **developing selection standards which will enable managers to select the best people who will continually increase value for customers.**
2. **implementing corporate programmes in order to ensure that the company's manpower requirements are met.**

**Tesco does this by:**

1. **designing recruitment and selection processes which will equip managers with the skill and knowledge to select the best.**
2. **training managers to maintain selection standards, and to select using the most reliable and leading-edge processes.**
3. **developing corporate competency frameworks which enable managers to select the right people, who have the skills the business will need in the future.**
4. **developing corporate entry programmes to ensure that corporate manpower needs are met in terms of skills and numbers.**
5. **developing and implementing Tesco employment branding and marketing strategy in order to ensure that Tesco is seen as a quality employer which attracts the highest calibre candidates.**
6. **developing a pool of Excel graduates providing a supply of managers with broad business experience.**
7. **developing at a national level links with leading education/industry establishments, and planning initiatives whereby managers can develop links with education at a local level.**

 **Reward Development**

**Reward Development researches and develops rewards and organisational design strategy which enable Tesco to recruit, motivate and retain the best. Tesco does this by:**

1. **sourcing and analysing pay and benefits data to enable Tesco to keep remuneration and benefits packages competitive.**
2. **continually shaping innovative ways of rewarding staff, thereby enhancing the value of the reward package and increasing staff retention and stakeholding.**
3. **developing performance management processes and tools which will improve performance and encourage motivation in staff**
4. **providing advice and if necessary challenging organisational design, thereby ensuring a maximum return on corporate reward spend and creating organisational structures which will deliver business goals.**

 **HR professionals**

**HR professionals operate out of the Line, working as part of the senior management team in order to influence and implement HR strategy. They work closely with the central HR departments and line managers to deliver key aspects of company’s business plan:**

1. **Develop the best**
2. **Recruit the best**
3. **Retain loyal and committed people**
4. **Live the values of the company**
5. **Transfer HR skills effectively to the line.**

Hence these functions help meet the objectives successfully. All Tesco’s organisation structure works as links of a chain, if one link falls down, all the organisation will experience difficulty. For example, most important department of Tesco, I consider, is Distribution department. If this department fails, products will not be delivered to the store, so customers will go to another store. Tesco’s success is built on the good work of each department.

 As an example, Tesco has recently introduced Customer-Oriented Initiatives, such as:

#### ***Loyalty cards***

####  Clubcard was test-launched in October 1993 and was rolled out nationally in February 1995. Clubcard has transformed the retail grocery sector and has brought Tesco closer to its customer. At the heart of the programme is one of the most sophisticated customer databases in Europe.

 Clubcard is a magnetic "swipe" card obtained free in store. The checkout assistant swipes the card prior to scanning the customers shopping. For every £1 spent, one point is earned. Each point is worth 1p. When shopping at the originating store, the till receipt advises:

* Points earned from that shopping trip
* Points accumulated during the quarter.

The points earned are recorded on a central computer and are converted into money-off vouchers every quarter.

 Customers can earn Clubcard points at:

* Tesco stores
* Tesco petrol stations
* B&Q
* Energi - through Norweb
* Tesco Personal Finance
* Tesco Home Shopping.

In addition Clubcard has recently been extended to Ireland and to the Tesco Vin Plus store near Calais.

***Home shopping***  Many people today, both single people and couples, are working longer hours and do not want to spend part of their leisure time making a trip to the local supermarket. To help people save time on shopping, Tesco has introduced Home Shopping, a service which makes use of information technology so that people can do their shopping via the Internet from their home computer. This was first introduced on CD-ROM in July 1996, and Tesco followed this up by becoming the first UK food retailer to offer an Internet-based home shopping service in November 1996.

***Personal Finance*** In 1997, Tesco decided to extend its customer offer to include personal financial services. In partnership with the Royal Bank of Scotland, Tesco is providing new ways of banking and other services to its customers.

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C 3.

# The impact of ICT on internal and external communications

# Importance of ICT

 IT is vital to Tesco because every aspect of its operation is controlled or monitored by IT - stock, distribution, payroll, accounts, and so on. For example, when an item has its barcode read at the checkout, the system not only logs the price onto the till, but also logs the financial transaction between Tesco and the customer and the fact that the stock has been reduced by one item. On the distribution side, instructions from the mainframe computer are sent directly to fork-lift truck operators at depots by radio links.

All stores are connected to the mainframes at Head Office via the Tesco Network. There are a large number of different applications that stores use both independently and via the mainframe connection. For example there are Personnel and Scheduling systems in-store, and access to electronic mail via the mainframe.

 IT capacity

Tesco has a three-level architecture with mainframe, middle system servers and PC clients. Their main frame has a 6 million Mb storage capacity (equivalent to 6 million 500-page books!). Their private digital network to 600 stores has a capacity of 11.5 Mb. They use some 100 Tesco-written computer applications and over 200 PC packages.

How much does Tesco spend on IT each year?

Last year, Tesco spent about £133 million on IT, that is about 1.4% of turnover.

How does that compare with other companies?

A recent independent survey of Europe's leading 500 companies in all commercial and industrial sectors placed Tesco 112th overall in Europe in terms of IT spending, but 3rd in the list of European supermarkets, and 1st amongst British supermarkets. [Source: Information Week 19-20/12/97].

How many on-line card authorisation requests does Tesco receive each day?

Over one million on-line card authorisation requests are dealt with every day.

 Internet site

The Internet site receives 250,000 hits per week and was used to launch Tesco’s home shopping service and the Tesconet Inertrnet Service provider. The internet site has proved to be a great success, with the introduction of Tesco Direct, the home ordering and delivery service. Such “home shopping” is becoming increasingly important as more and more customers gain access to the internet via home PCs. Sainsbury’s, one of Tesco’s great rivals, has also now launched its own home delivery service via the internet.

**Tesco own Internet site. Home page.**

ICT systems used by Distribution Department

 **IT has revolutionised all aspects of the selling, ordering, distribution and analysis of Tesco products. The operation of Tesco large distribution centres is a highly complex business. In recent years new computer systems have revolutionised distribution operations, allowing more effective stock control procedures, increasing productivity and making the best use of time, space and labour.**

**The base system used to control the distribution operation was purchased from Dallas Systems and customised to Tesco requirements. There are two particularly important sub-systems, known by the acronyms DCOTA and DCAMS.**

**DCOTA (Distribution Centre On-board Terminal Access) is a system which sends information by radio directly to the special terminals in the trucks of the fork-lift truck**

**drivers at the distribution centres. The system controls the movement of stock and trucks in order to make the most efficient use of time and space, automatically matching up locations and trucks. As soon as one assignment is finished, the next brief will be transmitted to the truck-mounted terminal, showing the driver where to go next. Every warehouse location has a check number prominently displayed on the racks; this number is entered by the driver each time he visits a location, enabling the computer to check that each pallet has been placed in the correct slot.**

**DCAMS (Distribution Centre Assignment Monitoring System) is the system that monitors how far each job has progressed, and the deployment of staff. It is available to supervisory staff via hand-held radio frequency terminals, enabling them to predict and pre-empt problems by re-deploying staff and, if necessary, changing work priorities.**

**Radio frequency communications are also used in the checking in of goods.**

**Ordering by stores now relies heavily on IT, using Sales Based Ordering. Data is received by the distribution centre from the Head Office mainframe system, and then passed to the warehouse systems described above.**

 **These mainframe computers are among the largest in Britain. The mainframes are either IBM or compatible (Amdahl), running IBM operating systems. There are mainframes situated in two separate locations.**

**The loss of a whole mainframe would have serious effects, and for this reason company has two mainframes to provide backup capacity. In the event of a disaster which involved the complete destruction of one of the computer centres, the other could re-establish these vital systems within 48 hours. The backup procedure is tested regularly each year.**

**The backup systems for the distribution depots include specialist routines that allow depots to switch between computer sites, and are at the leading edge of data processing technology. If a complete computer centre were lost, IT communication with all affected depots would be re-established within six hours at the most.**

**Goods are now ordered from suppliers using a system called Electronic Data Interchange (EDI). Orders for goods are transferred to the suppliers electronically using a service called INS-TRADANET. The use of EDI keeps suppliers precisely informed of Tesco requirements for company’s stores. It allows Tesco to run the business more effectively and efficiently because of its speed and accuracy. It is both quicker and more cost-effective than telephone, post or fax, and eliminates errors due to loss, or to wrongly printed orders.**

**EDI is also used for:**

1. **sending sales forecasts so that suppliers can anticipate demand and reduce lead-times for stock to reach the stores**
2. **securing the best payment terms and discounts for Tesco**
3. **simplifying the invoicing process, so that invoices are generated automatically and postage and paperwork are eliminated**
4. **working internationally, to eliminate time and language differences.**

ICT systems used in Management.

**Management Information is data stored electronically for use by business executives at all levels to support their decision making. This type of information is typically historical, and needs human interpretation before a decision is made. Tesco is planning to introduce a new system, called Data Warehouse, which will give much greater analysis and flexibility, and will further enhance the ability of managers to make informed decisions.**

 **The sections below describe Tesco’s current Management Information environment, and the planned Data Warehouse, broken down into four topics: Business use, Technology, Data and Analytical tools.**

 **A) Business use**

***Current Management Information***

1. **Access to summarised data at pre-defined levels**
2. **Most decisions made at a macro (e.g. regional level)**

***Planned Data Warehouse***

1. **Access to in-depth information for informed decisions**
2. **Decision made at micro level, e.g. in store**
3. **Use of balanced score carding for suppliers, stores, etc. with supporting details**
4. **Use shopper behaviour to influence new lines, promotions, and product ranging.**

 **B) Technology**

***Current Management Information***

1. **Mainframe, text-based reporting and analysis**
2. **Downloaded to local PCs for in-depth analysis and graphics**

***Planned Data Warehouse***

1. **Specialised hardware and software to manage data (the 'Information Warehouse')**
2. **Information from the Information Warehouse to be accessible from anywhere within Tesco and available also to designated outside users, e.g. suppliers, agencies**
3. **Cost of computer hardware and software is "scaleable", i.e. Tesco can add processing power and storage capacity at reasonable cost and in manageable chunks to keep pace with the information needs**
4. **Dedicated NCR machine and peripherals.**

 **C) Data**

**Over 10 million customers, over 60,000 products and 586 stores**

***Current Management Information***

1. **Data held on mainframe, PC or on paper**
2. **Internal data analysed using SAR reports and MAS analysis tool (see below)**
3. **External data received by EDI or on paper**

***Planned Data Warehouse***

1. **Data collected from Tesco operational systems and external sources, and stored centrally to provide one consistent source of information**
2. **Data is stored on customer behaviour, product performance, branch performance supplier performance, depot performance**
3. **Data held at lowest level to enable ad hoc groupings,
e.g. salt sales in stores by the seaside last Easter.**

 **D) Analytical tools**

***Current Management Information***

1. **Mainframe based**
2. **FOCUS - report generator**
3. **SAR - report viewer**
4. **MAS - Tesco-written multi-dimensional analysis tool**
5. **PC Lotus suite - spreadsheet and database applications**

***Planned Data Warehouse***

1. **A simple interface with the information using the score card concept, with top level measures and capability to "drill" to the level of information required to support decisions**
2. **IT populate the Information Warehouse and users control their reporting requirements**
3. **Logical access to information, with user choice of level, groupings, stores, products, measures, and other parameters**

**ICT systems used in store operations.**

**IT is essential to the running of a modern store. It is used for planning, monitoring and auditing store operations. In fact, the logistics of running a major store would be severely hampered without IT, and the expansion to Superstores and Hypermarkets would have been difficult without modern IT developments.**

**Tesco stores vary greatly in size, from small Express stores covering 2,500 square feet to giant hypermarkets covering 120,000 square feet. The product range depends on the size of the store, and varies from 2,000 lines in a small store up to about 40,000 lines in the biggest. Computerised Store Merchandising and Planning systems ensure that Tesco get the right products to the right store, and get the right amount of space on each shelf within a store. This allows Tesco to get optimum sales for the space allocated to the product, and gives the customer the most appropriate range of products.**

 **A store can monitor what has been sold through the scanning operation at the checkout. The introduction of barcodes and scanners not only allows items to be checked out more easily, but it provides information that is constantly fed back to the store's computer for the monitoring of sales, both in terms of stock depletion and money taken.**

 **Barcodes and scanners provide several benefits to company’s customers:**

1. **As purchases are no longer entered manually into a cash register, accurate pricing is guaranteed.**
2. **The scanning till is faster, reducing the time for which customers have to queue by about 15%.**
3. **Produce is now weighed at checkouts, removing the need to queue twice (once for weighing and once at the checkout) as used to happen.**
4. **Improved promotions may be offered, such as Multisavers.**
5. **The customer gets an itemised till receipt giving details of the product purchased, price, weight (if weighed), total cost and method of payment. It also shows the store telephone number, plus details which will trace the sale quickly if a customer has an enquiry.**

 **Tesco benefits as much as the customer from the new systems. Notably:**

1. **Improved transaction accuracy: operator error is removed; fraud is limited as there is no opportunity to enter a lower price on the keyboard.**
2. **Improved customer service - customers are important!**
3. **Improved productivity. There is no need to label each item with its price, which can now be displayed on the shelf edge near to the product. Removing separate weighing stations removes the need for a manned point in the produce department; customers move through the checkout faster.**
4. **Selective promotions can be initiated.**
5. **Stock levels can be reduced as the exact quantity held is always known and re-ordering can be made more accurate**
6. **Wastage of perishable goods is reduced, as they too can be ordered more accurately.**
7. **Monitoring sales analysis and the effectiveness of promotions provides valuable information for Tesco buyers and also the company's suppliers.**

 **Every product has a unique number, the European Article Number or EAN. This number is allocated to each product by the Article Number Association, which oversees the operation of the numbers for all businesses in the UK. The number can be found below the bar code. The bar code is a representation of that number in a binary form that can be read by a scanner. The scanner uses a laser and measures the difference in reflection to the laser of the bars and spaces.**

**The EAN and barcodes normally consist of 13 digits, although there may be only eight on smaller products. The first two digits are a national code, representing the marketing country. The next five digits identify the supplier of the product and the following five identify the product itself. The final figure is a "check digit" based on the other twelve numbers, which allows the computer to validate the code.**

 **The introduction of IT in shopping has been matched by banks. This has resulted in new developments in payment. The simplest of these is that cheque details can be printed out by the till, based on the information used to produce the receipt. Credit card vouchers can be printed similarly, and credit card details read electronically from the card.**

**A further advance has come with Electronic Funds Transfer at Point of Sale (EFTPOS). This allows Tesco to transfer money from a customer's bank account or credit card account automatically. Two developments that have come from this are the debit card and "cashback".**

**Debit cards are a means of purchasing without cash or a cheque. Unlike cheques, there is no limit to the amount a customer can spend with a debit card as the transaction is automatically checked at the customer's bank and, providing there are sufficient funds in the customer's bank account, the payment is then guaranteed to Tesco. Unlike credit cards, the customer pays at the time of the sale.**

**The facility to give customers up to £50 in cash also comes from being able to check the customer's bank or credit card account, and has proved a popular innovation with customers, who are saved the necessity of a trip to a bank or cashpoint.**

 **Within a store there are two crucial systems that enable Tesco to sell products. These are the front-end system, called ProgreSS, and the replenishment system, SBO.**

**The ProgreSS system holds pricing details of the 60,000 different products that Tesco sells, their description, and details of any special offers on them. It records details about each sale, not just the amount of each item sold, but whether the price has been reduced, the amount of money tendered and the change given. It also controls Clubcard processing, registering the points earned on the card. Whilst the system manages the main grocery tills, it also has the ability to be aligned to specific business functions. So different "personalities" are used within the garage, pharmacy, hot chicken counter and pizza areas.**

**The system is also used to control the back office and cash areas. During a normal day's operation the system will transmit batches of information to the mainframe systems at Head Office. This is primarily sales data, but also includes details on reduction sales and Clubcard details, together with daily totals and so on. In return it receives price changes, and new and delisted product information.**

**The ProgreSS system runs on an RS6000 machine.**

**The stock replenishment system is called Sales Based Ordering (SBO). As its name implies, it orders new stock on the basis of what has been sold. It also manages in-store stock control and the central ranging and ordering process.**

**Whilst there are some 60,000 products sold by Tesco, even the biggest hypermarket will stock only about 40,000 of them. Some Express stores will stock only 2,000 lines. The system keeps track of what products are stocked and how much is in the store, and is then able to use this information, together with the sales data, to calculate how much more should be ordered. Most products have to be calculated every day, on a one or two day lead time (the time between ordering and delivery).**

**The SBO system also manages the recording of all store-based stock movements (for example damaged goods, out-of-code waste, transfers to other stores), stock count scheduling and validation. The stores also use the system to influence their orders, for example factoring up expected sales of ice cream when a hot spell is forecast.**

ICT systems used by Customer Service Centre.

 **The centre provides a central customer service operation for the company; it handles requests for information and customer enquiries. It also handles the management and administration of Tesco Clubcard, and the processing of orders for the Baby Catalogue and the Home Shopping service.**

**The scale of the operation, and the efficient organisation of staff to provide exceptional customer service, requires the extensive use of IT both in telephone and information systems.**

**To give you an idea of the scale of company operation, Tesco employs over 400 staff, both full and part-time. The Clubcard loyalty scheme has over 10 million customers. In a typical week Tesco get 100,000 telephone calls, 5,000 letters, and 1,500 e-mails from customers, and company generates 7,000 outbound letters to customers.**

**Tesco uses IT to manage 100,000 calls a week, both to organise the calls efficiently and to provide information on the timing and length of calls for planning and monitoring purposes. Among the systems Tesco uses are:**

**ACD - Automatic call distribution (Meridian)**

**This system manages the way calls get routed to Customer Service Centre staff. Calls into the centre are distributed to ensure that call queues are managed effectively. Real time monitoring facilities provide information on service levels.**

**Call forecasting and scheduling system (QMax)**

**The distribution of calls varies significantly throughout the week. This system is used for forecasting when calls are likely to be made. The information is then used to schedule staff availability so that they are there to take the calls.**

**IVR - Interactive voice response**

**This is a menuing system on the telephone to filter out those calls that can be handled without an operator. The customer selects various options so that calls can be transferred directly to the appropriate service or person.**

 **There are many ways in which IT provides and organises information for Tesco. For example :**

1. **Customer services have systems to assist in logging customer enquiries, handling responses and tracking progress on outstanding issues.**
2. **Tesco has an addressing system, based on the Post Office Address File, that enables accurate addresses to be captured quickly.**
3. **Tesco has a knowledge base on an intranet to help staff deal with customer queries. This contains frequently asked information about the company’s stores, products, services and policies, as well as general information about nutrition and healthy eating.**
4. **Management reporting is used extensively to provide information to the business on customer concerns. Tesco is now looking at new technology as a way of pro- actively reporting on any serious issues that emerge requiring close, urgent attention.**

 **Orders from Home Shopping customers may be received over the telephone, by fax or via the Internet. These are collated by store and go through a delivery scheduling system which plans the most efficient delivery route, and are then transmitted to the stores for packing and delivery.**

**The Clubcard system enables staff to deal with customer queries related to the service. This involves managing a large number of routine calls with regard to changes of address, lost cards, and so on. IVR systems are used to intercept these routine calls so that they can be handled automatically.**

# A1

Alternative approaches which might enable the business to better meet its objectives.

**The retail grocery market is intensely competitive today and no serious contender can afford to rest on its past achievements. This should encourage Tesco to pioneer many new ideas. By listening and responding to customer needs, Tesco will continue to bring in new ideas and services. Its latest venture, with the Royal Bank of Scotland, launched in November 1997, is to offer customers competitive financial services through its stores. It is fifty years since Jack Cohen opened his first self-service shop, and we expect Tesco stores in fifty years' time to be as different from those we know today as Tesco’s current stores are to the stores of fifty years ago.**

 **Non-food retailing** is a major part of Tesco strategy. Tesco is increasing competition and offering customers real value and choice in all areas from sportswear to software, electricals to spectacles. By introducing these ranges to more of company’s stores Tesco also offer customers the convenience of shopping for great value non-food along with their food and household goods.

 More choice in-store includes many new lines for the home and garden, motoring and leisure, fashion and cosmetics. Opticians, mobile phones and health and beauty are examples of departments that have been expanded to meet customer demand. Tesco relaunched its clothing range to offer better value, quality and choice.

 In this year Tesco should continue to bring its customers big names at competitive prices. Last year, for example, Tesco sold 14-inch Bush TVs and Vodafone, Orange, One 2 One and Cellnet mobile phones at record low prices. Film and batteries came down by 30% and cuts of between 15% and 50% are being made on stationery, pet accessories, video tapes, CDs and DVDs and many other popular products.

 **The convenience of shopping for non-food alongside food is what Tesco should offer customers.** At the start of the year Tesco already had 90 stores trading with full non-food offer in the UK. During the year Tesco should increase this as much as possible through extensions, refits and new store development programmes.

Through these programmes Tesco will have more Tesco Extra stores including its newest at Newcastle upon Tyne. It is Tesco’s first UK store to be designed and built to hypermarket blueprint, using many of the elements which Tesco has found to be successful in European and Asian stores. It has given to the company the opportunity to introduce a much wider range of non-food products to the UK, giving its customers even more choice when they shop at Tesco.

**Through innovating and investing** for its customers Tesco is leading the way in new forms of retailing. Tesco is the largest on-line grocer in the world, and through the rapid development of its e-business Tesco is now offering customers real choice and value on the internet.

Tesco.com is new 100% subsidiary company that runs company’s e-commerce business, which is an important part of company’s future strategy. Tesco should ensure that it has a real focus, the relevant resources and can move quickly.

 Grocery home shopping business offers customers shopping on-line choice, value and convenience. Hundreds of new customers are registering every day and Tesco has the capacity to grow this business at a significant rate.

On the internet Tesco is not constrained by space as the store can be as large as you like. Company’s Internet customers now have an exciting range of non-food offers beyond food shopping - just a few clicks away. Tesco’s new book store offers a choice of 1.2 million titles, with 50% off top lines and Tesco has an entertainment store selling over 300,000 CD, video and DVD titles.

**Tesco’s European business** is focused on the Republic of Ireland and the four Central European countries of Hungary, Poland, the Czech Republic and Slovakia accessing a population of 68 million people. In Ireland the business is progressing well as Tesco near completion of rebranding programme. And in Central Europe Tesco continue its rapid hypermarket roll-out opening 11 stores and 1.3 million square feet in the year.

Regional focus and market leadership is a key objective of Tesco’s strategy in Central Europe. Tesco is the only retailer in all four countries - Hungary, Poland, the Czech Republic and Slovakia. Company’s portfolio now includes 19 hypermarkets totalling two million square feet of retail space. Tesco is meeting and stimulating demand in these markets as customers begin to recognise the better choice, quality and value that Tesco offers.

Tesco is pursuing an active programme of store openings which will take the company to 69 hypermarkets by the end of 2002, and will make the company the market leader across the region.

The hypermarket blueprint is the focus of Central European activities. At 100,000 square feet or more, hypermarkets give Tesco the space to offer customers extensive food and non-food ranges at outstanding prices.

Tesco is learning all the time. The format is internationally transferable and adaptable to different regions, and part of the success has been to supplement UK skills in grocery retailing and customer service with international expertise.

In the Republic of Ireland Tesco should continue to make good progress. Without the benefit of any new stores, sales increased by 6.1% in the year. Cumulative sales growth since acquisition is now 20%, moving market share to 23.3%.

Ireland and Central Europe are already a significant part of the Group employing 27,000 people which will grow even further as Tesco move forward.

**Asia** is the second international region where Tesco is expanding. The Tesco Lotus business in Thailand now has 17 hypermarkets and is well on the way to market leadership. In South Korea, through Tesco’s partnership with Samsung, Tesco now has two outstanding hypermarkets which are among the highest turnover stores in the Tesco Group. Now Tesco should open its store in Taiwan. These three markets will give to the company access to 130 million people.

In South Korea, a country where 50% of households own a PC and 78% a mobile phone, the retail industry has huge growth potential. In 1999 Tesco invested £142m in a partnership with Samsung, which brought two world-class hypermarkets operating under a top retail brand as well as a number of sites that Tesco will now develop. Tesco should t expand more hypermarkets in next years.

Tesco now should move rapidly towards global sourcing, which will enable company to buy quality products at the best prices and deliver them at the lowest cost. Tesco has already set up three sourcing centres in Hong Kong, India and Thailand. These now source 30% of Tesco non-food products (excluding Health and Beauty). Tesco should move this higher in next years, with the opening of a fourth sourcing centre in Central Europe.

As a student from Russia (I live in Kazakstan) I would like to see Tesco further expand its activities in Eastern Europe, and therefore why not Russia? At the present time there is nothing similar to Tesco on the Russian market, so I think Tesco won’t have any problems to get into it.

It is difficult to suggest alternative approaches for Tesco’s strategy because the firm is evidently doing very well. I would suggest however that Tesco continues to seek markets overseas to further develop its growing global presence.

As mentioned above, Tesco has been very successful over recent years, and it is therefore quite difficult to suggest “Alternative strategies”.

However, from my I might suggest the following:

* Expansion overseas – e.g. Russia.
* Increase market share – e.g. merge with Safeway. If Walmart took over Asda, why can’t Tesco take over Safeway, for example.
* Expand into new market / product – e.g. cars, travel.
* Rewards to staff, introduce a widespread – bonus or share ownership (if Tesco doesn’t do it yet)

# A2

Evaluation of the effects that the alternative approaches might have on the structure and functions of the business, and how it achieves its objectives.

Alternative approaches, suggested in A1 can affect the functions of the organisation and how it achieves its objectives very much, but they won’t really affect structure of the organisation, because Tesco’s organisation structure is very good and there is no point of changing it.

## Expand to Russia

If Tesco expands to Russia, in general, it is going to be only benefit to the company. Of course first Tesco will have to spend some money to build and open new supermarkets, but it is not going to be very difficult because there are no other companies like Tesco. Big advantage of expanding Tesco into Russian market is that straight way after it Tesco will definitely become a dominant firm on market, because there are not very strong competitors and very soon Tesco can become a monopoly on the Russian market. Disadvantage of expanding is that Tesco can get failure as well. Russian prices and British prices are very different, so if Tesco retails goods, which are more expensive then in others stores, not many people will by it.

## Increase market share

Every single organisation wants to increase its market share, and the best way of doing it is to merge or take over another company. And I suggest that Tesco also could increase its market share by merging another retailer, for example Safeway. Safeway is not as big as Tesco, so it is not going to be very difficult to merge it or take it over. The advantage of the merger is that Tesco will increase its market share very much (by 10%) and two dominant firms of UK’s market joined together can easy become a monopoly. The disadvantage of it that it is not very easy to do, because now Tesco has 35% market share, and if it merges Safeway, Tesco’s market share will be increased up to 45%. But British law says that firm which has 45% of market share is monopoly, so competition commission won’t be happy about it and it will never agree with this merge.

## Expand into new market

Non-food retailing now becoming a major part of Tesco strategy. As I said before, Tesco is increasing competition and offering customers real value and choice in all areas from sportswear to software, electricals to spectacles. But still, I think Tesco didn’t get into one very perspective market – cars. Cars are very important in our time and there is a very high demand for cars in the UK. I think for Tesco it is won’t be very difficult do get into this market, because Tesco is known as cheapest retailer in the UK, therefore people will continue to by everything from Tesco, and cars as well. But it could be easy and could be not, because currently there are many different firms on this market, and what I think is that there are could be some barriers to entry.

## Rewards to staff – introduce a widespread

At the present time, many successful firms introducing new types of rewarding to staff. What I suggest is that Tesco also should introduce a widespread of rewarding to staff, for example employees could be awarded an annual bonus, which they can take in cash, vouchers or shares. The advantage of this type of payment is that if employees take shares, they will be interested in good work of the company and if they take vouchers, they will have to spend all salary in Tesco stores. So I think that it is very good way of rewarding with all benefits to the company.

## Affects of the alternative approaches

As I mentioned before, alternative approaches, suggested in A1 can affect the functions of the organisation and how it achieves its objectives very much, but they won’t really affect structure of the organisation, because Tesco now has very good organisation structure with very good consultative and democratic management style.

If Tesco expands to Russia and merges Safeway, there are will be “Operation – Russia” department in the organisation chart. More people will be involved to work for Tesco, so Human Resources department will become bigger. After expanding to Russia Tesco easy can expand to other countries of Soviet Union such as Kazakstan, Uzbekistan, Kirgiztan and so on. It also will definitely help Tesco to prove itself as very strong multinational firm.

List of resources

1. The main resource was Tesco’s own web site: www.tesco.com.
2. I asked Tesco for some information and they sent me it.
3. Web site: www.bized.ac.uk
4. Business for Vocational A level – book.
5. Newspapers