Three Main Sectors Of Business Organisations In Tesco

Most types of business organisations can be divided into 3 main sectors: the private sector, the public sector and the voluntary sector. The private sector is the largest of these in the UK with (Office of National Statistics , 2020) writing that 27.55 million people were estimated to be working in the private sector for December 2019, which was 192,000 more than for a year earlier. The private sector includes 4 main types of ownership, namely sole traders, partnerships, private limited companies and public limited companies.

Sole traders are businesses owned by one person who is responsible for all company decisions and is the most popular type of business ownership in the UK. In 2019 there were approximately 3.5 million sole traders, accounting for 60% of small businesses (Department for Business, Energy & Industrial Strategy , 2020). The popularity is likely due to the advantages that come with being the single owner of the business, including being able to quickly make all company decisions as there is no need for lengthy board meetings or conflict between opposing ideas. However, because there are no other business partners it is hard to ensure continuity of the business should the owner fall sick or require leave. This is where partnerships can become a useful type of business ownership.

A partnership is a type of ownership where 2 or more individuals share responsibilities and profits while working together in running the business. Because there is more than 1 owner, tasks can be shared out between the partners with each specialising in their areas of expertise, generally leading to a higher quality and more efficient output. However, like sole traders, partnerships also operate with unlimited liability meaning that they are personally liable for any losses and their personal assets may be at risk (Korchak, 2017).

In order to overcome this, businesses can choose to become a limited company by registering with the Companies House and so operate as a separate legal entity to its directors and shareholders. Because of this, shareholders have limited liability meaning they are only at risk of losing whatever investments they had made, so their personal possessions are not at risk. The 2 main types of limited companies are called public limited companies (which usually have plc after their name) and private limited companies (which usually have ltd after their name). While both public and private limited companies have limited liability, the main difference is that shares in private limited companies are typically owned by friends and family while public limited companies trade their shares to the public on the Stock Exchange. However, limited companies also have to cope with a much higher amount of regulations and paperwork than sole traders or partnerships, which usually incur higher costs from having to hire accountants and admin staff.

Unlike private sector businesses, organisations in the public sector are not owned by private individuals but rather by the government and usually exist to provide a service to the general public. In the UK, some examples of public sector organisations include the NHS, the Armed Forces and waste management companies. There were an estimated 5.44 million people employed in the public sector for December 2019, which was 79,000 more than for December 2018 and an increase of 15,000 from September 2019 (Office of National Statistics , 2020).

The voluntary sector covers organisations who place a primary focus on benefitting society

rather than on creating profits. Any profits made in these businesses are usually reinvested into either the business or into the community. UK examples of voluntary sector organisations include Heart Foundation, the RSPCA and The Salvation Army.

Tesco is the largest UK retailer with a market share of 26.9% (See Figure 1.) and is committed to being “the champion for customers, helping them to enjoy a better quality of life and an easier way of living.” (Tesco PLC, 2020)

Tesco offers a wide range of products and services from groceries and clothing to financial services such as insurance and banking. As well as trying to create value for customers to earn their loyalty, Tesco have also included making a positive contribution to the communities where they operate as one of their core values (Tesco PLC, 2020). One of their methods for achieving this is by working with local charities and food banks to provide food for the needy. In the UK, Tesco management inform local charities as to how much surplus food they have via the FareShare FoodCloud app which has led to donations of around 2 million meals per month to 7000 charities and community groups (Tesco PLC, 2020).

The largest supermarket chain in the UK, Tesco has over 340,000 employees working in the 3,700 stores around the UK and a total of over 450,000 employees working worldwide in its 6,800 stores (Tesco PLC, 2020). Their stores are located in 13 other countries, including Thailand, Turkey and India. Having a vast number of employees can lead to low morale among workers as they may feel unimportant in the company which can lead to poor productivity for the company. Tesco try to counteract this by holding informal meeting and project spaces for employees to collaborate with each other and management (Tesco Careers, 2020).

Because Tesco have provided many opportunities for employment and therefore boosted the local economy, they have gained a positive corporate image from the general public, earning a 73% positive rating from YouGov (YouGov, 2020). This likely to lead to greater customer loyalty and therefore larger sales for the company.

Tesco’s annual revenue came to nearly £53 billion in the 2019/2020 financial year in their UK and Ireland market, with a net profit of £2.2 billion (See Figure 2).

Due to Tesco being such a large company it has many key stakeholders, which is anyone with an interest in the business and can either affect or is affected by their actions. One of the main stakeholder groups for Tesco is its owners. The owners have shares in Tesco meaning that the better Tesco perform in sales and profits, the larger dividends they will receive. Therefore, they will be very interested in Tesco’s performance and will want them to succeed. Similarly, the suppliers will also have a large stake in Tesco as they will likely rely on contracts with Tesco as a major source of income. If Tesco begin to perform poorly and decide to introduce cost cutting measures by using cheaper suppliers, they will lose out on a major customer which could lead to the suppliers losing money.

Tesco have stated that they have further cost reduction opportunities that allow them to offset to increase their profit margin (Dyer, 2019). Tesco have recently become quite focused on cost cutting for example in 2019 when closed food counters in 90 stores across the UK (BBC News, 2019). Therefore, I feel that their previous experience will be helpful to achieving the above aim as they will have specialised employees to ensure their strategies are a success. I also believe that the size of Tesco will be helpful in their goal to reduce costs as they are able to benefit from

economies of scale. By buying products from suppliers in bulk, they will be able to negotiate lower prices and hence help to increase their margin. Because Tesco operates worldwide in several different countries, I believe that this will also help them to reduce costs as they can save on labour costs by sourcing from countries where the national minimum wage is lower. For example, in India the minimum wage is roughly £1.81 an hour compared to £8.72 in the UK. By sourcing products from India instead, Tesco can reduce costs as suppliers can offer cheaper products due to the lesser costs of labour.

The BBC is a public service broadcaster incorporated under the Royal Charter which sets out their mission and public purposes. Their mission is “to act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain' (BBC, 2020). The BBC’s role is to strive towards their mission and public purposes and the Board is responsible for ensuring that they adhere to these public purposes, while the general day to day running is overseen by the Executive Committee. One of their public purposes is to support learning for people of all ages, which is supported by their free study resource BBC Bitesize which is designed to help students ranging from primary school to GCSEs.

The BBC employs a total of over 22,000 people and operates mainly within the UK although BBC Studios Ltd was created in 2015 which supplies BBC channels and programmes to over 100 countries outside the UK. As with Tesco, the large number of employees can result in employees feeling unmotivated which can lead to poor productivity, as was the case in 2011 where under-performing employees had cost the company over £50 million a year (Plunkett, 2011).

The BBC brought in a total income of £4.8 billion (See Figure 3.), of which £3.69 billion came from television licence fees. However, they suffered a loss £69 million (BBC, 2019), likely due to the coronavirus pandemic leading to a lack of door to door enforcement of licence fees.

One of the main stakeholder groups in the BBC is their customers. Customers will want the BBC to produce high quality content for them as they will want to gain the most value from their licence fees. Should the BBC begin to perform poorly it is likely that customers will instead use streaming services such as Netflix as an alternative. The local government will also want the BBC to perform well as they bring in such a large income and so will bring in more taxes to the UK.

One of the BBC’s public purposes is “to reflect the United Kingdom, its culture and values to the world”. The BBC has stated that they strongly focus on their mission which includes serving all audiences and so I believe that their general culture and approach to their mission will help them achieve this aim. The BBC is the world’s leading public service broadcaster and so is widely known worldwide. Therefore I believe their size will be an immense help in achieving this aim through their BBC World Service, which reaches a weekly audience of around 279 million people around the world (BBC, 2020). On the other hand, I think that because they are largely based in the UK it will be a hindrance to reach other countries and target their audience. In order to overcome this, they could perhaps set up more offices abroad in order to reach a wider market.

The Red Cross is the UK body of the International Red Cross and Red Crescent Movement. It is a not-for-profit organisation that gives aid to people in disasters and emergencies as well as

tackling health inequalities within the UK. Their vision for the future is “a world where everyone gets the help they need in a crisis”, along with their mission “to mobilise the power of humanity so that individuals and communities have the capacity to prepare for, deal with and recover from crisis”. They provide care and support roles for victims of disaster, for example providing first aid and rescue teams in the aftermath of the recent explosion in Beirut (Red Cross, 2020).

The Red Cross has a total of 32,500 volunteers and 3,500 staff within the UK and a total of over 17 million member across 191 countries (Red Cross, 2019), particularly in Syria, Bangladesh and Lebanon. In 2019 The Red Cross brought in a total income of £244.9 million and spent £197.5 million on charitable activities and another £49.6 million on fundraising costs, for example on television advertisements (Red Cross, 2019).

A key stakeholder for The Red Cross is their donators as they will be keen to see how their money is being used. This is of particular importance as of late due to increasing trend of Britons giving less to charity after recent scandals, for example the Kids Company scandal in 2015. In 2018, 57% of public gave money directly to charities compared to 60% in 2017 and 61% in 2016 (Brindle, 2019). The Red Cross have attempted to overcome this by displaying how they use their donations in their annual accounts. Another key stakeholder would be government, as they will want The Red Cross to perform well as they are not required to provide large grants to the charity and can instead spend their money elsewhere.

The Red Cross has developed a corporate strategy for the next 10 years called Strategy 2030 which is intended to place a focus on the impact. While their overall objective is “refusing to ignore people in crisis”, Strategy 2030 states that one of their goals is to “ensure people are safe and are able to survive and recover whenever disaster strikes”. The Red Cross nearly always collaborates with other bodies such as the Red Crescent Movement (based in Muslim countries) in order to combine funds and manpower. Because they have worked together in the past, I believe that their usual methods will help them to achieve their goals. As the largest humanitarian organisation with over 17 million volunteers, The International Red Cross and Crescent Movement is able to put large amounts of people towards tasks, increasing how quickly and efficiently they can provide aid during a crisis and so their size is very helpful in achieving their objectives. Their large scope is another useful feature in helping them achieve their objectives. Because they operate in 191 countries abroad, they are able to quickly react when disaster occurs and can reach those in need quickly.

Large organisations such as Tesco require a formal and efficient organisational structure in order to effectively manage the business’s employees and activities. As is commonplace with large corporations, Tesco operates under a hierarchal organisational structure which means the company decisions are made by a few members at the top of the chain of command and are passed down through the layers of management. The structure gets wider towards the lower levels in the hierarchy giving the organisation the structure of a pyramid. Within these layers there are several departments, each with their own specialist knowledge, skills and resources. The departments differ between organisations but most (including Tesco) contain a Finance, Marketing, Production, Human Resources and a Sales department although this is not an exhaustive list. In order to be a successful company, the departments must work closely together and share information, strategies and decisions. A visual example of how departments collaborate in a hierarchal structure can be seen below in Figure 4.

Ideally the departments will work together in order to achieve their company objectives. For

example, in order to achieve their objective of improving customer loyalty, Tesco introduced The Tesco Clubcard. As (Turner, 2006) writes in Food Journal, the Clubcard revolutionised customer loyalty for Tesco but to ensure it remains a useful asset the Marketing and Finance departments must collaborate to analyse the data. The Marketing department must study trends in customer buying habits in order to launch targeted marketing schemes, but they must also work with the Finance department to ensure that additional marketing schemes are within their budget. However, this scenario could lead to conflict between the departments as the Marketing department may want to push for extra funding in order to hit departmental targets while the Finance department may be keen to save money or delegate it elsewhere. Conflict between the departments may then lead to reduced communication which can have other knock-on effects such as uninformed decision making and missing deadlines. The Human Resources department is another important office in ensuring Tesco meets its objective of profit maximisation as they are responsible for effective workforce planning, which can increase the likelihood of Tesco achieving its aims if done well. An example of effective workforce planning is when Dace Lewis took over Phillip Clarke as CEO of Tesco in 2014, who was hired from his accomplishments of growing Unilever Indonesia by an average of 30% a year while in his Managing Director position during the early 2000s (NFU, 2014). Lewis turned out to be a successful hire and was responsible for turning Tesco around after the accounting scandal he had inherited from Clarke (See Figure 5).

Recently however, it has become difficult for departments to work together due to the coronavirus pandemic which restricts how often in-person meeting and face to face discussions can occur. It also limits how hard copies of information can be passed between employees which greatly reduces communication speed. On the other hand, technology can be utilised to overcome these obstacles with the use of online conferences replacing standard meetings. Documents can also be scanned and emailed to other employees providing that they possess the technology required.

As discussed above, Tesco works under a hierarchical structure which provides employees with a clear career path within the company. Tesco advertise many of their jobs internally through their intranet Tesco Careers which can motivate employees to increase their productivity in order to gain promotions and progress their career. However, Tesco has a very tall hierarchical structure, meaning there are many layers of management with lots of subordinates at the lower levels. This can have the affect of demotivating employees as they feel unimportant in the company and can lead to higher employee turnover which is expensive for Tesco due to recruitment and training costs. The retail industry has one of the highest turnover rates, with (Jahshan, 2016) stating that over a quarter of employees in the retail sector have either changed jobs or are considering a change. Therefore, I believe that Tesco should keep their hierarchal structure but should begin to decentralise authority to subordinates. The increased responsibilities should motivate employees to perform well and hence increase staff retention, reducing costs and increasing the company profit margin.