Managing Organizational Change: Leadership, Tesco and Leahy's Resignation

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Abstract

The central issues here are the consequences and the impacts of the announcement of the resignation of Sir Terry Leahy, the CEO of Tesco, from the organisation in March 2011. The announcement on the 8th of June 2010 that Leahy, Tesco’s chief executive officer and one of Britain’s most respected businessmen, would be retiring after transforming the organisation into the world’s third biggest retailer, has generated a groundswell of reactions. The impact of this change, as well as how to manage the change resulting from his resignation is part of the concern of this report. Another concern of this investigation is to locate the leadership style of Terry Leahy in the overall achievements and organisational culture of Tesco since he became the global chain’s CEO in 1997. Another dimension of this study is to look at the dynamics of the transitional power structure in place at the organisation, as well as the reactions of customers and the staff of Tesco in the wake of this change process and transition.

For about half of a century or more, experts in organisation studies, management and leadership have indicated that the phenomenon of change is unavoidable in ascertaining the performance as well as wellbeing of contemporary organisations. Thus, organisations and companies have to change to conform to the new demands of their environment. Reasoning along this line, Armstrong (2009) asserts that change is the only thing that remains constant in organisations. In the same vein, Kotter (1990) agrees that organisations and companies are in a constant flux of change. The inevitability of change is a permanent feature of organisations particularly as they gear up to adapt to new business environments, challenges, innovations and approaches (Mullins, 2010; Senge, 1999; Kanter, 1999).

Reiterating the significance of change to organisational performance, A. P Sloan, in his important book, My Years with General Motors (1967), wrote incisively that the circumstances of ever-changing markets, products and services are capable of breaking any business organisation if that organisation is not prepared for change. Thus, change occurs as new insights and strategies are formed through experiences, experimentations and feedbacks. This is the case with Tesco as it is currently embroiled in managing change occasioned by the announcement of the resignation of Terry Leahy. Therefore, change can affect all facets of the operation as well as functioning of the organisations strategically and structurally.

Organisational change has been defined by Kanter (1992:11) as ‘‘the shift in behaviour of the whole organisation, to one degree or another’’. Within this frame of thought, change entails the dismantling or restructuring of organisational structures, hierarchies, culture and strategies to facilitate new flexible working patterns, as well as to accommodate potential problems arising from resistance to change (Czerniawska, 2005; Lewin, 1951; French et al., 1985). Although change is an inevitable process of organisational structure, it does elicit resistance from the people, particularly in terms of their working condition, anxiety, fear of the unknown, and issues arising from managing such change in organisations on the heels of new methods consequent upon change. However, whatever is the consequences of change, it is inevitable, as well as the fact that it affects all facets of the operation, functioning and wellbeing of organisations (Senior and Fleming, 2006).
Tesco is currently faced with organisational change resulting from the announcement on the 8th of June 2010 that Sir Terry Leahy, the company’s outgoing CEO and the person largely responsible for the transformational leadership that has greeted Tesco since he became its CEO in 1997, will be resigning. Leahy’s departure will potentially mark a watershed in the company’s organisational culture, leadership model, entrepreneurial yield, level of productivity and above all change management occasioned by the transfer of leadership from Terry Leahy to Philip Clarke, who becomes Tesco’s CEO in March 2011. The way the power transition is handled, as well as Philip Clarke’s leadership/management style will go a long way in bringing confidence back into the minds of customers, employees, shareholders and other stakeholders of Tesco plc in the wake of the leadership change. This will also define to a large extent Tesco’s future organisational structure.

Organisations perform better and more effectively when they interact with their external environment, which it is part. Senior and Fleming support this viewpoint as they reason that change is synonymous with organisational development (2006). However, it is pertinent to consider the forces that inform or trigger organisational change. According to Mullins (2010: 752)), the factors that trigger change are as follows:

1. Uncertain economic
2. Globalisation and fierce world competition
3. The level of government intervention
4. European Union social legislation
5. Political interests
6. Scarcity of natural resources
7. Rapid developments in new technologies and the information age

Another management scholar, Kanter (1999) has identified some vital points that trigger change in organisation; these factors are enshrined in the following:

1. Information technology
2. Globalisation
3. Industry consolidation

Other factors that elicit change in organisations include the following factors:

1. Rapid pace of change
2. Interdependence of economies
3. Emerging nations in the comity of nations
4. New and diverse organisational practice

5. The need to maximise economies of scale.

Types of Organisational Change

1. Planned Change

2. Incremental Change

3. Evolutionary Change

4. Reactionary Change

5. Unplanned Change

6. Strategic Change

7. Operational Change

8. Transformational Change.

TESCO: A Brief Profile

Tesco was founded by Jack Cohen (6th October 1889-24th March 1979). Cohen was a British businessman and entrepreneur. He was son of Polish-Jewish immigrant and tailor. Growing up, he had to join his father in his tailoring business as apprentice, but in 1917, had to enlist with the Royal Flying Corps (RFC), as canvas maker. As soon as Cohen was demobilised in 1919 after the First World War, he set up a store in Hackney, East London, where he established himself as a stall holder. He had to accomplish this with his demobilisation money, which he used to purchase NAAFI stocks. Thereafter, Cohen became the owner of a number of stores around London, and subsequently engaged in wholesale business. In the nick of time, Cohen created the Tesco business name in 1938 – formed from T.E Stockwell’s first three initials as well as the first two letters of his name. Tesco’s first store was opened in Burnt Oak, London, in 1929, while the second store was opened in 1931 in Becontree, East London. Subsequently, by 1940, Cohen had owned hundreds of Tesco shops around London and its environs; and by 1948, had started the American style self-service.

Tesco plc is a British internationally recognised grocery and general products retail chain, which has its headquarters at the Tesco House in Chestnut, Hertfordshire. At present, it is United Kingdom’s largest supermarket. Tesco is the highest private sector employer in the United Kingdom (Tesco Annual Report, 2009). Tesco is one of the top retailers in the world; in 2009, it was recorded that it has over 320,000 employees all over the world, as well as has over 2,320 stores worldwide. At the beginning of the last decade, Tesco expanded its reach by setting up branches in Asia, which includes Malaysia, China, and Taiwan, among other Asian countries. It also widened its European market by venturing into Turkey and Czech Republic.
In 1995, Tesco overtook Sainsbury’s as the highest UK superstore. This catapulted its market shares from 15.4% in 1988 to about 29% in 2004. In the nick of time, Tesco acquired the famed convenience superstore, T&S plc close to 900 stores around the United Kingdom. The last decade also witnessed other dimensions of growth for Tesco. This includes Tesco’s experimentation with e-commerce, diversification of products and services provision that included opening clothing brand and others. Tesco is currently dominating the United Kingdom’s grocery market with a huge 30% share. Tesco is stores are littered in 13 countries in the world. Building upon Ian MacLaurin’s achievements in the 1970’s and 1980’s, Leahy envisioned Tesco to be a superstore that takes the satisfaction of its customers as its primary focus, as well as the need to offer “every little helps” it can. This was the genesis of transformed Tesco. Tesco under the leadership of Sir Terry Leary has witnessed immense transformation and success that have brought the organisation to its current status as the third largest superstore in the world – just behind America’s Superstore, Wal-Mat and France’s Carrefour. In what shall follow, we shall be offering the specifics of Tesco’s rise.

Sir Terry Leahy was born on the 28th of February 1956 in Liverpool. Leahy joined Tesco in 1979 after graduating from University of Manchester Institute of Science and Technology with second class (upper) honours degree in management sciences. As Leahy graduated, he joined Tesco as marketing executive in 1979. After joining Tesco in 1979, Leahy rose through the ranks to become its CEO in 1997. Since Leahy assumed the helm of affairs at Tesco, the organisation has witnessed tremendous expansion. This singular move by Leahy is responsible for the transformational nature of his leadership at Tesco plc.

**Changing the Time: “Every Little Helps”, Leahy’s (Transformational) Leadership Style and Tesco**

According to Yukl (2006), leadership is an issue that has for a long time spawned considerable amount of interest amongst people. This view is also shared by Maurik (2001). It is basically for this reason that so many definitions have been proffered regarding the true import of the term: leadership. Bass (1990) sees the multiplicity of definitions on leadership in this way: “there are as many definitions of leadership as there are persons who have attempted to define the concept”. This is why Crainer (1995) sees leadership as a “‘veritable minefield’ in terms of multifarious definitions accorded to the concept. Manion (1988) reckons that the definition of leadership as a concept is elusive. This imprecision about capturing the essence of leadership has created some kind of ambiguity (Janda, 1960). Sometimes, words like authority, management, administration, control, and supervision are mistaken for leadership (Yukl, 2006). However, no matter the case, as one of the twentieth century’s leading writers and theorists on the theme of leadership, Warren Bennis, notes, leadership is like beauty, hard to identify, but you will recognise it whenever you see it (Maurik, 2001: 101).

Armstrong (2009) contends that “leadership is the process of inspiring people to do their best to achieve a desired result. It can also be defined as the ability to persuade others willingly to behave differently” (376). Mullins (2010) echoes the same point made by Armstrong above that leadership as about directing people’s activities to achieve group goal and vision in a manner that motivates, inspires, influences and mobilises. Oriaku and Oriaku (2008) have articulated the dimensions of leadership in this light:

> Leadership is influencing people to get things done to a standard and quality above their norm, and doing it willingly. The role of
a leader is to create followers, the task of a leader is to bring about constructive and necessary change. The responsibility of a leader is to bring about the change in a way that is responsive to the true and long-term needs of all stakeholder. (p. 35)

The act of making people do things in a manner that impacts positively to shared vision and goals is *prima facie* a function of effective leadership occasioned by the leader’s ability to influence people’s attitude. This is akin to a leader instilling sense of shared vision and motivation into his subordinates or followers.

Leahy’s leadership style is basically responsible for the organisational success of Tesco. This is essentially because Leahy sees Tesco’s transformation as the only variable that would guarantee his leadership making a difference (Useem, 2001). Therefore, for Leahy, transforming Tesco is more of leadership than management. Leahy puts into consideration that the people, which include customers and employees at Tesco to be important in the overall running of Tesco. For Leahy, there has to be a line drawn between management and leadership; he is more concerned with leadership than management. Leahy’s idea about changing the organisational landscape at Tesco is in sync with Bennis’ (1994) contention that management is about doing things right, while leadership deals with a leader doing the right thing. Also, according to Peck and Dickinson (2008), managers are transactional, while leaders are transformational, particularly when they are effective. The latter is the case with Sir Terry Leahy, who takes on board the principle of participative leadership, a corollary of democratic leadership. Hill (2007) asserts that Leahy looks for leadership from Tesco’s customers as well as its employees (12). Before attempting an assessment of Leahy’s leadership style, it is pertinent to discuss the concept of leadership.

In his significant treatise on leadership, *Leadership – Theory and Practice*, Northouse (2007) offers a succinct definition of leadership; he sees leadership as “a process whereby an individual influences a group of individuals to achieve a common goal” (3). Therefore, leadership largely borders on the ability of a leader to drive his followers or subordinates in a manner that enables them to act according to set targets and objectives. This is usually what leadership entails in organisations, where the need to manage change or lead effectively is of prime importance.

Transformational leadership in the Kuhnian sense (Everman 2006: 132), that is with its ontological distinctiveness rests on finding alternative leadership style or model. As Burns (1978) pointed out, at the core of the formulation of transformational leadership is the concept of transformation, a change with variation in performance, productivity and management that brings about break from the norm, as well as marked departure from existing leadership structure. It also brings about motivation amongst the people in a manner that produces leadership by consent rather than coercion. Kotter (1990) sees this as ‘energy surge’ (64). This is a procedure that allows ‘leaders and followers raise one another to higher levels of morality and motivation’ (Burns 1978: 20). This is what has characterised Terry Leahy’s leadership model at Tesco.

The need for business organisation as well as strategic leadership to remain competitive in the marketplace has catalysed researches into leadership in relation to positive change (Paglis and Green, 2002). Organisations are in constant flux of change. Since change is considered a correlate of organisational performance in terms of organisational growth and development, a leader’s capacity to drive this change, to maintain the vision and to lead change as well as to
remain within the confines of organisation’s strategic leadership ethos have precipitated the popular theory of transformational leadership. Transformational leadership is a process by which a leader generates high points of commitment and motivation by creating, communicating and maintaining a clear vision, and frequently, appealing to higher ideas and ethos in relation to organisational development amongst his followers. Thus, transformational leaders have been depicted as “those who inspire confidence, communicate a positive vision, and emphasise their followers’ strengths” (Peterson et al., 2009: 349). Bass (1985) supports the same view about the ability of leaders to arouse sense of collective vision and goal.

Apart from transformational leadership, the second facet of Burns’ theorising is transactional leadership. Transactional leadership is essentially based on a transaction or sheer exchange of something of value that the leader has or controls which the follower wants in return for their services or loyalty. The difference or contrast between transactional and transformational leadership is prompted by the gradual disappearance of “authority” as the yardstick for command; so, if authority and position power no longer work, the alternative is transformational leadership. In the view of Yammarino (1990), the best leadership model is both transactional and transformational; transformational leadership does not erode the importance of transactional leadership, it rather augments it. However, while transactional leadership is relevant to organisational leadership strategy, it does not produce results that are as high as transformational leadership (Bass, 1985).

As opposed to transactional leadership, which is based essentially on managing the current organisational strategic objectives effectively, as well as appealing to self-interests of followers, transformational leadership moves a step higher – by transforming self-interests into goals and objectives of group, including appealing to followers’ sense of commitment, group values and shared vision. Therefore, in transformational leadership as opposed to transactional leadership, instead of followers being rewarded or punished by the leader, their commitment to shared goal is of essence (Politis, 2004: 26). In her article, “Ways Women Lead” published in Harvard Business Review, Rosener (1991) defined transformational leadership as motivating others by “transforming their individual self-interest into the goals of the group” (120). This is at the heart of Terry Leahy’s organisational philosophy, which underpins the success of Tesco. In exemplifying this organisational commitment by Tesco, its mission statement is inhered in “creating value for customers to earn their lifetime loyalty”. This suggests that customers are to be respected and offered value for money (Tesco Annual Report, 2008; Tesco PLC, 2009).

In the modern age of enterprise culture, fierce competition and strategic leadership for profitability in the marketplace, Tesco has to structure its emerging leadership and business model to address flat organisational hierarchy and organic system – both perspectives adumbrate maximum level of communication amongst the rank and file in the organisation (Salaman, 2001; Miner, 2002) for a transformational approach predicated upon success. For Leahy, leadership is about empowering the people to be partners in leading transformational change; it is also about delegated, participative leadership, which ensures everybody’s participation. Essentially, these factors are responsible for Tesco’s success phenomenon.

In capturing this transformational, change-oriented dimension of Tesco following Leahy’s appointment as the chain’s CEO, he had to change the business landscape at Tesco – by redirecting its focus to be people-oriented. According to Buckingham (2005), this is because Leahy had to depend immensely on the memories of his working-class background (4). A disruptive business model challenges the strategies used by existing, often well-established
organisations in the market. Bass (1985) developed on Burns (1978) transformational leadership schema. According to Bass (1985) and Avolio et al. (1991), transformational leaders display four different characteristics that are dubbed the Four I’s; they include the following: (1) intellectual stimulation (2) idealised influence (3) individualised consideration (4) inspirational motivation. Because of the scope of our investigation and literature, we will not explicate these four factors, but Sir Terry Leahy is an embodiment of these factors.

Terry Leahy’s leadership guiding purpose and values are within the confines of the following factors:

1. A major factor that sets Leahy leadership apart is his leadership core values and philosophy verged on customer satisfaction and partnership. Leahy sees the customers as an extension of the corporate image of Tesco. This is achieved by making sure the following points hold sway:

   a. Communication: This has to do with making sure the issues and concerns of customers are part of the re-engineering process of Tesco. By this token, the views expressed by customers are not disregarded.

   b. Negotiating with the people for best solutions

   c. Effective conflict resolution among staff and customers

   d. Flexibility and compromise in dealing with complaints and queries

   e. Gaining synergy by involving everybody

   f. Genuine interest in the welfare of customers

2. Another distinctive quality of Leahy’s leadership is his ability to make what he described as “developing our staff” (Hill: 12) for leadership positions. This is part of leadership his watchword. By this, Leahy means the empowerment of all and sundry in the organisation. He does not believe in vertical leadership structure, which in his opinion is autocratic; he rather believes in flat management structure that empowers everybody. According to him,

   “This is why we don’t settle for one leader; we want thousands of them. To get them, we devote a great deal of time, energy and money to developing our staff, with one in ten being targeted for training and promotion” (12).

This is very crucial in human resource development and planning for effective and productive operation of organisations.

3. Leahy also believes in what he called the concept of “local leadership”, which means the type of management style that is close to the customers.

4. Leary’s style has been spoken of as being enshrined in the triangulation of dedication, being down-to-earth and realistic (Gwyther, 2010) in making sure Tesco’s organisational vision is attained.
5. Leahy’s leadership is also participative. Accordingly, leadership style is predicated on “what leaders do and how they act” (Browning, 2007), which impact on organisational leadership and development.

6. Low prices of products are another business strategy that addresses Leahy’s leadership style. Leahy maintains that their products are low-priced but not cheap in quality. …

7. “Every little helps” has come to be Tesco’s watchword. It encapsulates every business activity at Tesco, which it could offer to satisfy the expectations of its organisational ethos.

**TESCO Success Story Phenomenon: Engaging Paradigm Shift**

The concept of “paradigm shift”, a theory that was first given serious consideration in Thomas Kuhn’s seminal book, *The Structure of Scientific Revolution* (1962) is about shift from business as usual to thorough change of business environment. In organisational studies, it amounts to radicalisation of situations and organisational culture. Though a scientific heritage, the concept of paradigm shift has been appropriated by diverse disciplines to address significant and revolutionary break from the old and the tried in organisational culture and practice. To this end, as Kuhn stated, the process of development with regard to paradigm shift is typified by breaking the barriers stemming from rigidity of operational paradigm as well as strategic methods in order to lead in a visionary way. Thus, paradigm shift advocates a movement or process that engenders fresh, innovative and transformational landscape in organisations and businesses. It is in this respect that it has been viewed in the Kuhnian approach that “paradigm shift is revolutionary in the fullest sense of the word” (Sosteric 2005: 37). Therefore, Tesco’s success story as the largest retailer in Europe, and third in the world is a form of paradigm shift initiated under the auspices of Sir Terry Leary. Leahy’s leadership as well as management styles that have necessitated this development are explained below.

A) Establishment of Fresh & Easy

Tesco is not afraid of taking business risks in order to break new grounds. This is responsible for the establishment of another grocery superstore in the United States of America known as Fresh & Easy; this is Tesco’s American brand. Fresh & Easy is located in the Western part of the United States of America. Fresh & Easy has its headquarters in El Segundo, California; it also has branches in Nevada and Arizona. Currently, there about 150 stores of Fresh & Easy located around the Western part of the US. And there are ongoing attempts to widen the operational strength of this grocery store to other parts of the country.
Fresh & Easy witnessed some initial glitches at the beginning, but Philip Clark is poised to consolidate on the efforts made by Leahy to bring to fruition Tesco’s international expansion commitment (Hill, 2005).

B) Tesco Clubcard

Tesco clubcard is a kind of customer loyalty card. It is used to motivate customers as score points that translate to using it to buy some goods after a period of time. Tesco was the first supermarket chain in the United Kingdom to start using customer club card for smooth running of business and for incentivisation of customers: hence their loyalty to Tesco is compensated.

C) Diversification of Business Operations
Tesco is known for its ability to diversify its business operations away from dealing in only groceries and food related goods, which were originally the provenance of its business operation. Tesco has gone into the provision of non-food items and other range of services.

D) Mortgages and Other Services

Tesco has gone into other services apart from its primary products and service provision: grocery retailing and merchandising. One of such is its entrance into the mortgage industry by lending money through one of its arms called Tesco Personal Finance.

E) Internet Shopping Service

In 1995, Tesco introduced the Internet shopping service in the UK, soon afterwards other superstores followed suit. This again gives Tesco strong competitive edge in terms of the rate of turn over.

F) Telecommunication

Currently, Tesco has its telephone communication system that it offers primarily to its customers and other members of the public. In 2006, Tesco entered into joint business venture with O2. This saw the birth of Tesco Mobile phones. Thus, Tesco is a mobile telephone operator in the UK, Slovakia and even in Ireland. Tesco offers this service through O2’s network. This service is also brought to Tesco’s customers at a reduced rate.

G) Insurance

Tesco has also widened its entrepreneurial scope to include insurance services which it offers to its loyal customers at a subsidised rate to honour their loyalty to Tesco plc. This is a way of motivating Tesco customers.

H) Electronics - Technika

Technika is the brand name for electronic goods that are exclusively offered through Tesco stores. Repairs and maintenance of theses products are also offered by Tesco to its customers through Tesco Electronic Helpline. Through Technika, Tesco supports its loyal customers by making affordable, good electronic products available to them.

I) Introduction of Petrol Stations

Tesco is in partnership with Shell BP and other providers of fuel in the UK to bring this product close to its customers. By doing this, Tesco’s customers could buy fuel easily without going to other place, thereby reducing their logistic costs.

Assessing Leahy’s Resignation: Implications, Prospects and Organisational Culture

As it has been stated in different writings on leadership and management studies, employees constitute the most vital aspect of an organisation. Barclay’s (2009) view corroborates that the people – the human resources of an organisation, are the main aspect that is usually affected during change. The human resource is a fundamental part of the organisation; without it, an organisation could do little or nothing in terms of productivity, creativity and
leadership. This is because researches have proved that organisations require human resource to function effectively (Pettman, 1975; Price, 1977; Gardener, 1982; Pfiffer and Viega, 1999). Therefore, in the context of the change process at Tesco on the heels of Leahy’s resignation, the employees need to be incentivised as well as motivated to work in concert with the emerging leadership under the auspices of Philip Clarke. In this connection, the new leadership and management structure at Tesco needs to explain to the employees that their wellbeing will be guaranteed under new leadership. The people also have to be clarified on the safety of their employment. More than anything, the employees have to be empowered to be stakeholders in the organisation as was the case under Terry Leahy.

In consonance with the above, Barclay (2009) has commented on the importance of empowering employees for effectiveness and accelerated productivity:

“There are many procedures that focus on either the organisation as a whole or how management should work with their employees to make change. This means that there are normally two perspectives for focusing change. The first one is to focus on how to change an organisation from the organisational level. To do this, attention must be placed on the whole process involved in the organisation. The second one is to focus the change on the people within the organisation. The second is usually more effective due to the fact that an organisation is not an entity in itself, but a collection of people” (3).

In the same direction, we shall be discussing first the internal implications of this change process as well as the prospects involved for the organisation; thereafter attention will be focused on the external dimensions of these variables.

Internal Factors:
1. It has been argued that the taking over of Tesco in March 2011 by Philip Clarke, Tesco’s International and IT director will be a smooth transition as well as evolutionary, rather reactionary and radical, since he has been an insider since his school days. Philip Clarke has worked with Tesco for upwards of thirty years, during which time he has seen and partnered in bringing Tesco to its current state as one of the world’s biggest supermarket chains.

2. One of the crucial factors the emerging new Tesco has to put into consideration for smooth transfer of power is to create what Armstrong (2009) calls sense of “ownership” among its employees so that they feel that they are part of the change process. This will in the final analysis instil sense of inclusiveness in the people, as well as commitment.

3. The change process will run smoothly if credible change agents are involved.

4. There should be good communication arrangement and strategy in place to accommodate latent resistance to the seamless transfer of power at Tesco.

5. There should be room for total quality management (TQM).

6. People management is another area that needs serious attention. Managing people is traditionally based on the triangulation of communication, leadership and change, which impact on smooth change management.
External Factors:

1. Since the announcement on the 8th of June 2010 that Terry Leahy will be retiring, there have been enormous reactions on all fronts of Tesco business environment. One of the first areas to feel the heat generated by Leahy’s resignation is the stock market, which witness a sharp drop in the value of Tesco’s shares. This is illustrated below in the diagram:

From the above, it is evident that Tesco’s share value dropped significantly on the heels of the announcement on the 8th of June 2010. But to stem the tide, Tesco needs to bring confidence back in the minds of its customers and the public. This will again raise its share value in the stock market.

2. There should be re-engineered customer service mechanism in operation for sustenance of Leahy’s transformational leadership style that saw Tesco’s unprecedented rise in the last one and a half decade.

3. Selective perception (Mullins, 2010: 756)) is another way of resisting the change process organisationally. When people look at change from diverse, warped perspectives, such change could not be transformational or may be counter-productive.

4. Tesco needs to be in the vanguard of a learning organisation (Senge, 1990). A learning organisation is constantly in a business to adapt to new and challenging organisational practice for high productivity yield and performance.

According to Beardwel et al. (2004) Organisational culture is the blueprint that outlines an organisation’s values, beliefs and modus operandi. In the thinking of Armstrong (2009), organisational or corporate culture crystallises in set of rules, beliefs, attitudes, assumptions and paradigm that may not have been expressed but shape the manner in which employees in an organisation behave and things get done. This mode of operation is what Eldridge and
Combie (1974) refer to as “unique configuration of norms” for organisational approach to issues. Thus, organisational culture is the unseen code of conduct of an organisation.

The implication of sustaining the organisational culture in place at Tesco under the aegis of Sir Terry Leahy as Philip Clarke takes over the mantle of leadership will impact on continuous high productivity which Tesco is known for. Changing this organisational landscape will trigger adverse reaction on the part of customers, as well as the employees. This is because any transition is deemed to be a carrier of what Toffler (1970) characterised as “future shock”, panic as a result of transition or change.

Managing Change: Contextualising Tesco, Resisting Change and Adopting a Change Model

No matter the reason for organisational change, the crucial question that organisations and firms ask is how do they manage change for smooth operation of organisational goals and objectives, as well as to remain competitive in the marketplace of global economy? In the thinking of Armstrong (2010), “change management is defined as the process of achieving the smooth implementation of change by planning and introducing it systematically, taking into account the likelihood of it being resisted” (424). Beardwell et al. (2004) see change management as the efforts companies and organisations make in order to achieve less resistance as they carry out the implementations of the organisations’ objectives and ethos.

In the thought of Doherty and Horne (2002), managing change, especially planned change, which could be strategic sometimes, involves three fundamental elements that include the following: context, content and process. The context here entails the business environment, the content refers to what actions are required to take by the organisation experiencing or anticipating change, while the process deals with how these actions will be undertaken and implemented. Planned as well as strategic change is usually evolutionary, rather than reactionary. Therefore, as Penger and Tekavcic (2008) assert Organisational victory is not about forecasting and subsequent trends; it is all about anticipating impending divergences from the existing pattern and thereby taking pre-emptive steps in that direction (304). It suffices to say that what is happening at Tesco in the wake of Leahy’s imminent resignation involves how to manage change that is a correlate of this state of affairs. Thus since this change will take a while – from June 2010 to March 2011, the management at Tesco needs to plan the actions and process that need to be institutionalised (through planning) in order to contain the impacts of this transition. In that regard, we shall be considering some change models and approaches that could be utilised both conceptually as well as practically to attain smooth transfer of power from Sir Terry Leahy to Philip Clarke.

In a bid to manage change for smooth organisational transition, scholars which include Lewin (1951), Kotter and Schlesinger (1979), Kotter (1996), Thurley (1979), Beer et al. (1990), Bandura (1986) and Beckhard (1969) have come to articulate diverse strategies to manage change. In view of the volume of literature, we shall be exploring Kotter’s (1995) strategies for managing change or for transformational leadership in detail. Kotter’s approach is in consonance with encountering least resistance to the change process as Tesco changes the baton of leadership from Sir Terry Leahy to Philip Clark in 2011. Kotter (1996) in his book, Leading Change, identified the eight-step model; the model, as well as the phases to implement it is as thus:

a. Creating or establishing sense of urgency
b. Forming a powerful coalition – assembling influential change agents

c. Creating and sustaining a vision – this is a lodestar for directing the change process

d. Communicating the vision – this is about making information available to all stakeholders so that they don not feel alienated

e. Empowering others – this is agreement with making share all and sundry gets involved in the change process by giving them tasks to perform

f. Creating as well as planning for short-term win

g. Consolidation of improvements and high performance

h. Institutionalisation of new approach that add value to existing organisational culture and performance.

The above model needs to be adopted; failure to do that could result in less organisational performance or even friction or crisis. This could also affect adversely the level of Tesco’s performance and productivity. According to Kotter and Schlesinger (1979), the reasons why people resist change are encapsulated in the following:

1. Parochial self-interest: This could come if people feel unsafe in the wake of change – they would therefore seek self-interest in order to maximise their stake in the organisation

2. Misunderstanding: If people misunderstand the position of emerging leadership either through lack of communication or total disregard of their inputs, their interests will be threatened thereby eliciting unfavourable reaction against the organisation

3. Low tolerance to change: Employees as well as Tesco’s customers could be anxious about the process of change; this could reduce their level of patience in the final analysis.

4. Different assessment of the situation: People assess situations differently, especially if they do not know what is happening in an organisation through effective communication medium. If this happens as Tesco is geared for change, it will affect its performance adversely.

As Nadler and Tushman (1980) opined, the people will react radically if they are faced with unpredictable, difficult situations as a result of organisational change. This is because the smooth, hitch-free management of change affects organisations in three dimensions (Pettigrow and Whipp, 1991): content, process and context. These three areas subsume all facets of organisational wellbeing.

According to (IBTimes, 2010), since Philip Clarke is an insider, who has been with Tesco for nearly three decades since he started with Tesco as shelf-stacker after studying economic at Liverpool university. Clarke is currently Tesco’s international and IT director. The change will be seamless and complementary (Wood and Wearden, 2010; IBTimes, 2010) since Clarke will be extending the dreams initiated by Leahy by his commitment to touring Asia (Japan) to widen Tesco’s market; this is in consonance with Leahy’s dream for the organisation – internationalisation of its operation. Also, as Leahy himself expressed, Clarke will be “finishing the job” he has started: they have worked in close relationship for a long
time; and do agree on key organisational issues most of the time. This will be possible because Clarke has got immense experience and hands-on knowledge of how things work in Tesco.

Leahy’s Democratic Leadership and New Face of Tesco: towards a Contingency/Situational Theory of Leadership
Fiedler and Chemers (1974) asserted that contingency theory of leadership is anchored in leader-match theory, which entails that it tries to match leaders to appropriate situations, circumstances and events. Contingency theory espouses no one right way to lead will fit all situations. In Everard et al. (2004: 155), this approach states that there is no perfect way to lead an organisation; rather situations determine the way to lead at a given time. In addition, there is a serious correlation or affinity between situational and contingency theory of leadership. Both suggest that sets of structure to lead depend on the problem at hand. Contingency theory is a class of behavioural theory that claims that there is no best method to organise or lead an organisation. Instead, the optimal course of action is contingent (dependant) on the internal and external factors or circumstances. Thus, contingency approach to leadership stresses contextual factors as significant influence on leader success.

In spite of different positions on contingency theory, ranging from Fiedler’s model that emphasises individual leadership to Hersey and Blanchard’s situational theory (1972) that stresses follower maturity, an extension of Blake and Mouton’s (1964) Managerial Grid Model, the point being stressed is that there is a break from Weber’s bureaucratic model and Taylor’s scientific management paradigm – both (that is Weber and Taylor) largely neglected the impacts of the environmental factors as well as encouraged vertical management structure, a departure from flat management arrangement. The shift from the Taylorist framework is characteristic of Vroom and Yetton’s (1973) participative contingency theory as well as Northouse (2004), amongst others in this mould. However, no mater the position one takes on contingency or situational leadership, the hallmark is that it is predicated upon leader-match theory, meaning that it matches leaders to appropriate situations or environment (Browning, 2007: 190). Northouse (2004) echoes the same point: “It is called contingency because it suggests that a leader’s effectiveness depends on how well the leader’s style fits the context” (109).

The leadership colouration at Tesco following Leahy’s resignation is in a state of transition. Philip Clarke needs to consolidate the participative, democratic style of leadership initiated by Sir Terry Leahy if he wants to build on his success story. In Lewin’s (1951) theory of leadership style, he opined that a democratic leader involves all and sundry in the leadership process by seeking their opinion in the running of such organisation, as well as involving them. This is characteristic of Leahy leadership style. Tesco under Leahy’s tenure experiences democratic model of leadership. This is because Leahy got everybody involved in achieving transformational change that characterised Tesco at the moment.

As Rajan (2002: 33) points out, diverse leadership styles are needed to cope with disparate state of affairs. In this regard, for example, the autocratic style of leadership is reasonable if an organisation is in turmoil and needs to achieve a swift overhaul; this style of leadership could be counter-productive when the organisation is in a better state organisationally. This is the case with Tesco; its style is in consonance with leadership style being “fluid” (Browning, 2007: 189) to suit situations. Debates could arise as whether Leahy’s style would work in different circumstance(s), but there is no doubt that he is a perfect situation match for
the Tesco revolution and transformation. The remit of this study limits more investigation in this direction.

The most popular theorist on contingency model of leadership is Fred Fiedler whose model is anchored in individual leadership that stresses “situational contingency”, rather than traits factors. Fiedler’s model helps the transition from traits and personal features of leaders to behaviour and style (Fiedler and Chemers, 1974). Fiedler’s contingency model is based on two variables: (1) Least Preferred Co-worker thesis and (2) Situational favourableness. Starting with situational favourableness, Fiedler et al. (1976) and Northhouse (2004) make the same point that there are three major facets of situational favourableness: (a) Leader-Member Relations (b) Task Structure and (c) Position Power. This model correlates with Leahy’s style of leadership. There is a healthy relationship between him and the people, this is could be substantiated from the way he carries everybody along the path of participation and what Hill (2007) has identified as “‘local leadership”. Also, there is a great deal of delegated power in place at Tesco; this point dovetails with Northouse second thesis of task structure. Everybody is on the plough to make the best out of Tesco. The organisational chart is relatively flat. This creates sense of oneness and inclusion. The third thesis deals with position power. Leahy’s core value of respect for everyone stretches to making sure the welfare as well as interest of employees are guaranteed through organisational learning and development of staff, as well as assigning them role in the organisation. We are using Northouse (2004) approach because it has a great deal of correlation with our method of looking at the leadership structure at Tesco, which is arguable part of its rise and transformation. The second part of Fiedler et al. (1976) and Northhouse’s (2004) model is the Least Preferred Co-worker (LPC) thesis, which prompts a leader to think of all the people with whom he/she has worked with as well as allows s/he to score these workers by using a scale of 1 to 8. A low LPC score portrays task orientation, while a high LPC suggests the leader has human relations orientation. Leahy is high in human relations orientation; this is exemplified in his likeability factor with regard to public image, so he should score high.

It is arguable that Tesco’s leadership success is equally contingent on the Blair-Gordon economic situation in the United Kingdom in the wake of the deregulation policy that empowered private organisations to make marked financial success, particularly in the supermarket industry; this period also marked confidence in the minds of consumers – thereby impacting positively on Tesco’s success. It is however arguable that Tesco would have performed differently under different circumstance, but its leadership success and style is strongly built upon the situation of the moment. In addition, the above discussion regarding fitting Tesco leadership theoretical model within the parameters of Northhouse (2004) model, which is a follow-up to Fiedler’s et al. (1976) and Fiedler and Chemers (1974), brings to focus an analysis of Tesco’s SWOT, as well as Porter’s generic strategy in relation to the factors that helped galvanised Tesco’s success story phenomenon.

**TESCO in the Balance: Accounting for SWOT and Generic Strategy**

In his *The Rise and Fall of Strategic Planning*, Mintzberg (1994) avers that SWOT analysis ushers in strategic insights into business planning as well as distils fragmentary facts and figures into articulate whole for robust strategic and marketing planning. In the same vein, in the view of Valentine (2005) SWOT analysis is about the depiction of an organisation’s internal environment with regard to its strengths and weaknesses and scouring its external background in terms of opportunities and threats.
A major strength Tesco has under its belt is that it is largely customer focused. As Leahy took over the leadership of Tesco in 1997, he vowed to “serve housewives of the world” with utmost courteousness and commitment (Buckingham, 2007). This largely responsible for Tesco’s commitment to training and development of staff to ensure this commitment, as well as constant dedication to incentivising customers so that they don not feel not cared after.

Tesco has total organisational commitment to partnering with employees – this is done by making available packages and opportunities that would bring out the best possible sense of loyalty and dedication in its staff. This is a major source of strength as staff are constant font of organisational solidarity to achieve maximum performance in the face of stiff competition from other retailers like Marks and Spencer, Sainsbury’s and ASDA among others. In addition, Leary is also not interested in taking other directorship in other companies; he is completely dedicated to Tesco and how it constantly could be in the lead. This again is a source of strength (HavingTheirCake.Com, 2010).

Tesco is also strong in the area of business diversification. This is exemplified in its branching out to other areas of business like non-food items, which statistically is an area in the United Kingdom’s business environment that could fetch well over 75 billion pound annually. Also, Tesco’s commitment to online buying and services is again an area of immense strength; this has seen it get into petrol station business as well as mortgage industry (Morrison, 2002). Tesco’s business ideal to internationalise its business reach has been a constant source of strength. The establishment of Fresh & Easy in the United States of America, as well as its urge to open branches in Japan as Philip Clarke takes over in 2011 is a case in point.

In terms of weakness, Tesco is known for high cost in logistics and operations; it is also incurs much cost in terms of overheads and other services that it provides in order to be in the lead. This is again a major source of weakness that could cripple the organisation in the future. Tesco’s frequency in changing middle management as well as the resultant adverse consequences of that as every manager wants to initiate and possibly finish their own organisational pattern, could affect the organisation’s performance.

Concerning the opportunities Tesco could go for, this is in the area of consolidating its ideal of cost leadership. Tesco is traditionally committed to low cost of its products and services in comparison to other retailers in the United Kingdom. According to Porter (1980), this is a way in which organisations could achieve competitive advantage. To achieve competitive advantage, Tesco needs to differentiate itself (as it has done, by going international), as well as its reduction of costs. These two approaches will place Tesco in cost leadership, product and services differentiation and focusing (Porter, 1980). This is represented below in the diagram:

The above graphically captures Porter’s (1980) generic strategy. It is one of the methods of evaluating organisations’ competitive advantage when considering its SWOT, as well as other variables for organisational growth.

Although it is on record that Tesco has set a high standard for itself, and has made remarkable progress since the tenure of Leahy, it needs to be careful of being overtaken by other organisations (retailers) like ASDA, Sainsbury’s, and Morrison among others in the similar business. This view is shared by Bridgewater and Egan (2002) as well as (Shannon, 1996). On top of this, most of Tesco’s business success happened under the labour government, which saw massive rise of entrepreneurship and individual business in the United Kingdom; this might be different under the current Conservative government. The conservative government that is in coalition with Liberal Democratic Party is obsessed with cutting costs and credit facilities; this could affect customers buying power, which might be adverse to retailers that include Tesco. This could be a threat to Tesco consolidating its current dwindling performance in the face of the power transition sweeping across the organisation.

**Conclusion**

From the foregoing, it is understandable that managing change at Tesco resulting from the announcement on the 8th of June 2010 that Sir Terry Leahy will be retiring from Tesco in March 2011, as well as the dynamics of power transition involved is a matter of organisational re-engineering. As Philip Clarke takes over next year, there will be some operational, organisational, strategic and leadership restructuring and refocusing that have to be engendered for smooth transfer of power in order to elicit least resistance possible from the people. In doing this, appropriate mechanism and strategies to manage this change need to be in place for seamless change process to take place. This is because traditionally, managing change comes with a lot of transformation in the area of organisational culture, performance, productivity and structure. It is to this end that the impacts or consequences that this transition will bring to the wellbeing of Tesco have to be put into sharp focus so as to maintain the momentum of transformational leadership pioneered by Sir Terry Leahy since becoming the CEO of Tesco from 1997.

**References**


