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BUSINESS STRATEGY AND THE ENVIRONMENT: TESCO PLC'S DECLINING FINANCIAL PERFORMANCE AND UNDERLYING ISSUES

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CASE DESCRIPTION

The case presents a teaching tool which requires students to: 1) analyze the financial performance of Tesco Plc over the last four years; 2) compare Tesco's market position with key competitors; 3) identify and evaluate Tesco's business strategy; 4) evaluate the causes of Tesco's decline in performance; 5) develop recommendations to address declining performance; 6) identify and evaluate the Human Resource strategic role in addressing and supporting performance. The case is suitable for a business strategy or human resource strategy class. The case is appropriate for use at the undergraduate or masters level. Students should have some familiarity with business and human resource management strategy before being assigned to the case. Students might be assigned to work individually or in teams on the project. Individuals or groups may be required to present their research to the class for discussion and comment. Six to ten hours outside of class should be required to complete the case study exercise. Classroom discussion should be between two to three hours.

JEL: L81, L21

KEYWORDS: Retail Trade, Financial Performance, Business Strategy, Human Resource Management Strategy

CASE INFORMATION

The Grocery Retail Sector

The United Kingdom (UK) supermarket industry is dominated by the 'big four' supermarkets including Tesco, ASDA, Sainsbury's and Morrisons. Together, they accounted for over 75% of retail grocery sales in the UK in 2013 (Grocery News, 2014). The high-end supermarkets, Waitrose and Marks and Spencer and discounters, Aldi and Lidl are making significant shifts in market share, facilitated by their clear brand image, focus on the target customer and transparent business strategy.

Tesco Plc

Tesco began trading in 1919 when Jack Cohen started selling surplus groceries from a stall in the East End of London. The Tesco brand first launched in 1924 when Cohen bought a shipment of tea from a Mr T. E Stockwell. The initials and letters were combined to form Tes-co and in 1929 Mr Cohen opened the first Tesco store in Burnt Oak, North London. Tesco became a private limited company in 1932. In 1947 Tesco Stores (Holdings) Ltd floated on the stock exchange with a share price of 25p. In 1968 Tesco opened its first 'superstore' in Crawley, West Sussex. In 1974 Tesco opened its first petrol stations, and would become the UK's largest independent petrol retailer. By 1979 total sales exceeded £1bn, and within three years sales had doubled to more than £2bn. In 1987 Tesco successfully completed a hostile takeover of supermarket rival Hillards for £220m. In 1992, the company launched is slogan 'every little helps', followed by the Tesco Value range in 1993. The Tesco Clubcard scheme launched in 1995 and in 1995 Tesco became the UK's biggest retailer. Tesco overtook rival Sainsbury's as the UK's largest food retailer. In 1996 Tesco introduced 24-hour retail trading in stores. Tesco expanded overseas in Poland, the Czech Republic, and Slovakia. In 1997 Tesco appointed Sir Terry Leahy as Chief Executive Officer. Leahy began his career with Tesco as a marketing executive in 1979. Leahy was previously appointed to the board in 1992. Tesco.com was launched in 2000 and the supermarket continued to expand its range of products, which now includes clothes, electricals and personal finance products. In 2004 Tesco entered the broadband market. In 2006, Tesco announced plans to open stores in the US under the name 'Fresh and Easy' and funded by existing resources. By 2006 Tesco operated in 12 countries (see Table 1).

Table 1: Tesco Market Presence

Market	Number of Stores/Customers Per Week	Date of Entry and Trading Formats
UK	3,378 stores/ 38 million customers	1929 – full range of formats
Customer Insight Sector Dunnhumby	350 million people in 28 countries	1989
Hungary	200+	1995 – full range of formats
India	Franchise agreement	2008 signed a franchise agreement with Trent Ltd, part of the Tata group, to supply Star Bazaar with exclusive access to Tesco retail expertise.
Ireland	146	1997 – full range of formats
Malaysia	49+	2002 - hypermarkets
Poland	450+ stores / 5 million customers	1996 – full range for formats
Slovakia	150+	1996 – full range of formats
Thailand	1,700+ stores / 12 million customers	1998 – full range of formats
Turkey	190 / 1.3 million customers	2003 – full range of formats
Financial Sector - Tesco Bank	7 million customers access products	1997 - Offer a range of personal banking products, principally - mortgages, credit cards, personal loans, savings.
Czech Republic	300+	1996 – full range of formats

This shows Tesco Plc's market presence, number of stores and customers per week in each country including the date of entry and different trading formats. The first column shows the country or sector. The second column shows the number of stores in each country and customers per week where the data is available. The third column show the date of entry to each country or sector, including different trading formats.

Tesco now has five store formats: Extra stores which are large out of town hypermarket stores, Superstores and Tesco Convenience stores, split into Metro stores and Express stores (See Table 2). In addition to this, Tesco owns 12 Homeplus stores (non-food), 722 'One Stop' convenience stores and 34 Dobbies Garden Centres. Tesco now operates a variety of trading formats, designed for different shopping patterns.

In 2007 Tesco launched 'Fresh and Easy' in the US, California, Nevada and Arizona, at the same time the country was about to enter recession and the subprime mortgage crisis, massively impacting consumer shopping habits, shifting sharply towards price sensitivity (Hsu, 2012). The small-format stores, modelled on the UK format, with self-service checkouts. Tesco intended to open 1,000 stores with projected breakeven by 2009. However, by 2009 only 199 stores had opened in northern California (Goodwin, 2009). By 2012 Tesco had pulled out of the US market, writing off £1.2 billion. Customers complained about small portion sizes and short expiry dates. The traditional conservative customers failed to warm to the idea of self-service checkouts. US customers were also confused about brand positioning. Fresh & Easy stores were smaller than many of the US supermarkets. The customer expectation was that Tesco would focus on the basics: essential food and grocery items and low price points. Instead Fresh & Easy opened in upper working-class areas, products and marketing seemed to be aimed at more affluent shoppers.

Table 2: Store Format and Shopping Patterns

Store Format	Number of Stores in the UK	Shopping Patterns
Hypermarket	247	Customers wishing to shop a range of categories, food and non-food, alongside additional services such as coffee shops and restaurants.
Superstore	482	Customers' main, weekly, food and grocery shopping. Family's needs can be met in one convenient time-saving trip.
Metro	195	Offers the choice and value of the superstore for workers and residents in town centres.
Express	1672	The Express petrol forecourt and convenience store format serves customers wishing to purchase little and often.
Homeplus	12	Customers wishing to shop a non-food range.

This show the range of store formats, the number of stores in the United Kingdom within each format and the shopping patterns associated with each store format.

In 2008 Tesco bought a number of Somerfield stores on remote islands in Scotland, giving Tesco a presence in every single postcode area in the country, with the exception of Harrogate in North Yorkshire. In 2009 Tesco Bank was launched as a joint venture with Royal Bank of Scotland to create Tesco Finance. In this period of time, Tesco grew the hypermarket format and continued to invest heavily in land procurement, amassing a huge land bank. According to the Guardian, Tesco has land and buildings stored in the land bank, large enough to build 15,000 homes. Tesco store 310 separate sites in England, Scotland and Wales vacant of Tesco stores, the majority of which is undeveloped. The Competition Commission inquiry found no evidence that the land holdings of the major supermarkets impacted on competition.

In 2010, Tesco has announced that its CEO, Sir Terry Leahy, was due to step down in March 2011 after 14 years, leading the UK's biggest supermarket Group. During his leadership period, he oversaw the acquisition and launch of supermarket chains in Poland, Turkey, Thailand, Japan and the US, moved Tesco into mobile phones, banking, and developed marketing intelligence database that is its Clubcard loyalty scheme. Leahy's focus was three-fold: 1) the customer; 2) reaching the number one spot in UK grocery retailing; 3) identifying and developing new long-term growth in non-food, service and international expansion (Sefton, 2010).

Leahy was replaced by Philip Clarke, previously ran Tesco's European and Asian operations and IT. Clarke worked for Tesco for his whole career, following graduation at University. Soon after, Clarke announced £1bn of new investment in stores to develop a new concept within the hypermarket format. Since Clarke's appointment, the grocery retail sector has seen a marked change in consumer shopping habits, caused by the economic downturn and modern lifestyle. Over the last two years, shoppers have switched from the large weekly shop to a convenience model, choosing to stop off at their local stores on the way home from work rather than visit a supermarket. There are a number of specific reasons for the change in shopping patterns: the qualities of the supermarket have now been brought to the local store; consumers are more conscious about food waste as the economy and pockets are squeezed and are therefore opting to do mini-shops; consumer are less responsive to large-scale food promotions on 'unhealthy products' and fresh products on 'buy one get on free' offers which cause waste; consumers use convenience stores for 'top-up' shops to supplement online orders. Data from the Association of Convenience Stores (ACS) shows that 59% of all shoppers visit convenience stores more than once a week.

The majority of the major food retailers have plans to increase the number of their convenience stores, including Waitrose and Aldi. According to the Institute of Grocery Distribution (IGD), the convenience stores market is worth £35.6bn, about a fifth of the total food and grocery market. By April 2018, this is estimated to have risen 30%. The company with the most convenience stores in Britain is Premier, which is owned by the wholesaler Booker and has 2,800 sites, while Bestway has 2,600, Spar 2,400, the Co-operative Group 1,800 and Costcutter 1,700.

The last two have seen a significant decline in Tesco's performance. In 2013, Tesco reported its first drop in profits for 20 years. Tesco's sales are falling faster than any of the main competitors. Morrisons saw a drop in sales of 1.8%, Sainsbury's 3.1%. ASDA saw a rise in sales of 1%. Tesco's are losing market share to upmarket rival Waitrose and discounts Lidl and Aldi. Market share has dropped from 30.1% in 2013 to 28.8% in 2014. Waitrose experienced an increase in sales by 6.8%, Lidl 18.1% and Aldi 27.3%. The retailer's position in the middle of being squeezed both ends – the premium and discount ends of gaining market share.

During 2014 a series of sackings and departures followed, resulting in Laurie Mcllwee (Finance Director) stepping down (Quinn, 2014). Clarke was the only executive left on the board with retail experience. In July 2014 it was announced that Clarke would be stepping down, replaced by Dave Lewis from Unilever. This would be the first time an external CEO would be a helm of the business in over 90 years. In 2014, a whistleblower alerted the new CEO, Lewis, to a shortfall of £263m in the retailer's expected half-year profit (Warner, 2014). The shortfall was caused by Tesco booking income from deals with suppliers earlier than it should at the same time as pushing back costs. Tesco is currently being investigated by the Financial Conduct Authority (FCA) and the Serious Fraud Office (SFO). Four executives have been suspended, including the UK Chief Executive Chris Bush. The company hired Deloitte and its legal firm Freshfields to investigate the cause of the shortfall.

Lewis is now attempting to reverse Tesco's falling sales (Ruddick, Marlow and Rushton, 2014). To try to boost staff morale among the company's 300,000 workers in the UK, Lewis has launched a program called 'Feet on the Floor' that requires staff in Tesco's offices, including the executives, to work in stores once a fortnight (Rickard Straus, 2014).

QUESTIONS

1. What is the Tesco share price history from 2010 to 2014? Identify key fluctuations in the share price and what events might explain the fluctuations?
2. What is the market share trend from 2013 – 2014 across the retail grocery sector? Identify factors which might explain the trends?
3. Where does the majority of Tesco's revenue and profits come from? What do you believe to be at the root of Tesco's decline in financial performance?
4. Has Tesco's business strategy changed in the last three years when new leaders have taken position, and if so, how?
5. How can issues relating to poor financial performance be addressed?
6. What is role of the human resource management function in turning Tesco's performance around?

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TEACHING NOTES

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CASE DESCRIPTION

The case presents a teaching tool which requires students to: 1) analyze the financial performance of Tesco Plc over the last four years; 2) compare Tesco's market position with key competitors; 3) identify and evaluate Tesco's business strategy; 4) evaluate the causes of Tesco's decline in performance; 5) develop recommendations to address declining performance; 6) identify and evaluate the Human Resource strategic role in addressing and supporting performance. The case is suitable for a business strategy or human resource strategy class. The case is appropriate for use at the undergraduate or masters level. Students should have some familiarity with business and human resource management strategy before being assigned to the case. Students might be assigned to work individually or in teams on the project. Individuals or groups may be required to present their research to the class for discussion and comment. Six to ten hours outside of class should be required to complete the case study exercise. Classroom discussion should be between two to three hours.

GENERAL COMMENTS

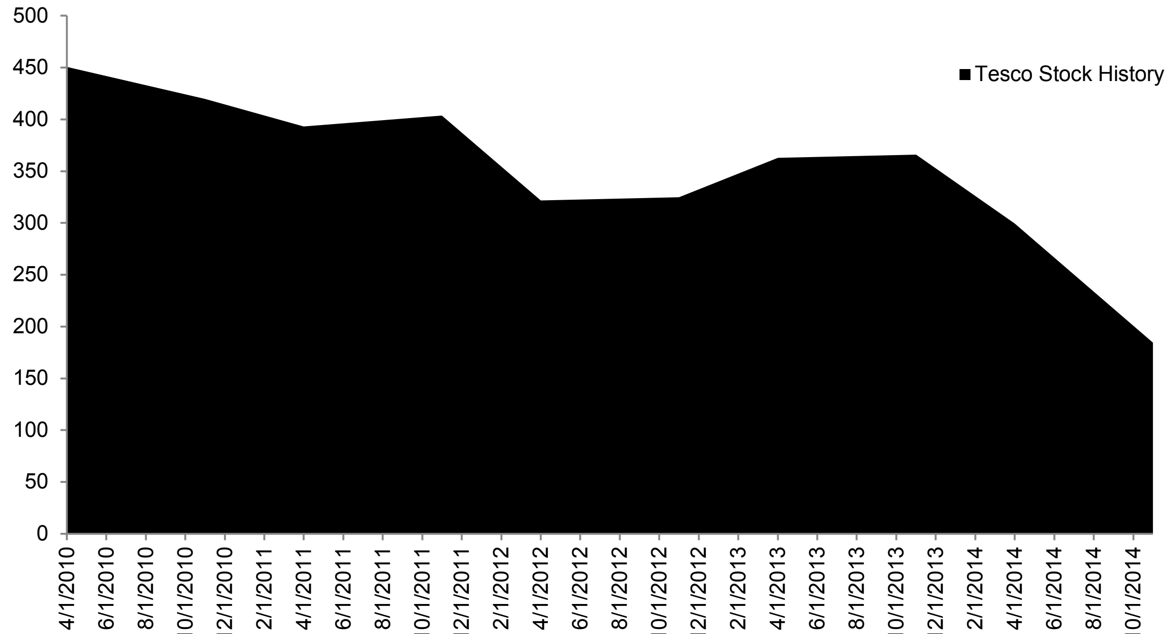
This case requires students to use research skills, analytical, evaluative and synoptic skills. It requires students to research information for a variety of sources, including, *inter alia*, company and business websites, journals articles and text books. The students then need to make decisions about what they believe to be the key drivers of business performance, weighing up and considering numerous factors. The case study requires students to think about the relationship between business and human resource management strategy and the functional areas of the business. The subject of alignment is not explicitly mentioned, albeit the implicit expectation is that students will refer to the importance of alignment in their discussion.

QUESTIONS

Question 1: What is the Tesco share price history from 2010 to 2014? Identify key fluctuations in the share price and what events might explain the fluctuations?

Solution 1: The share price history can be obtained via a number of different websites, including Tesco Plc. The share price history from 2010 to 2014 can be seen in Figure 1. Overall, the trend is consistently downwards, falling from £450.70 on April 23rd 2010 to £184.45 on November 7th, 2014. In 2013, Tesco reported its first drop in profits for 20 years. At this point, Tesco's sales were falling faster than any of the main competitors. This resulted in a drop in share value of 20% to £363.00. Following the announcement of the accounting practices under investigation in 2014, the share dropped again to £184.45.

Figure 1: Tesco Plc Share Price History 2010 – 2014



This shows Tesco Plc share price history from 2014-2014. The vertical axis shows the share price in pounds (£), the horizontal axis shows the period of time in quarterly increments.

Question 2: What is the market share trend from 2013 – 2014 across the retail grocery sector? Identify factors which might explain the trends?

Solution 2: The market share trends show the growth in premium brands (Waitrose) and discounters (Aldi and Lidl). The 'middle' market grocery retailers (Tesco Plc, Sainsbury's) have lost market share primarily to polar opposites (see Figures 2 and 3). German discounters Aldi and Lidl have seen the most significant movement in market share, increasing year-on-year by 27.3% and 18.1% respectively.

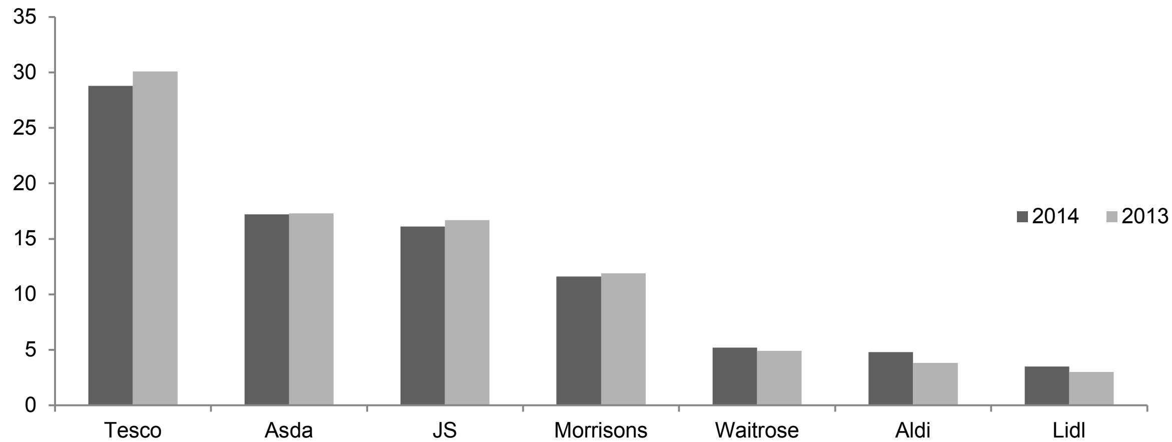
The case study description notes "*The grocery retail sector has seen a marked change in consumer shopping habits, caused by the economic downturn and modern lifestyle. Over the last two years, shoppers have switched from the large weekly shop to a convenience model, choosing to stop off at their local stores on the way home from work rather than visit a supermarket*." Alongside this, price conscious consumers are choosing to shop at the discounters, taking advantage of the cheaper prices. The prices are facilitated by lower cost models, less capital expenditure and a reduced range of products which enables up to 50% discounts on equivalent products in Tesco, Sainsbury's and ASDA. Aldi and Lidl stock a high quantity of own brand products which enables them to compete on price. In the UK, Aldi has won the Supermarket of the Year by Which? for two years in a row (2012/13), and in 2013 Aldi won the Grocer of the Year Award. Consumers that want to shop for high quality ranges will go to supermarkets like Waitrose and Marks and Spencer, known for quality and service. All of these factors have influenced the trend which shows that the retailers that sit in the 'middle ground' are losing their stronghold in the UK retail grocery business.

Figure 2: Market Share Data Oct 2014 vs Oct 2013

Grocery Retailer	October 2014 Market Share	October 2013 Market Share	% Change
Tesco	28.8%	30.1%	(3.6%)
Asda	17.2%	17.3%	1.0%
J Sainsburys	16.1%	16.7%	(3.1%)
Morrisons	11.6%	11.9%	(1.8%)
Waitrose	5.2%	4.9%	6.8%
Aldi	4.8%	3.8%	27.3%
Lidl	3.5%	3.0%	18.1%

This shows the market share between 2013 and 2014 of the seven largest grocery retailers in the United Kingdom (UK). The first column shows the retailer, the second column displays the market share in 2014. The third column shows the market share in 2013. The fourth column shows the percentage change between 2013 and 2014.

Figure 3: Retail Grocery Market Share Fluctuations 2013-2014



This shows the market share fluctuations between 2013 and 2014 of the seven largest grocery retailers in the United Kingdom (UK). Tesco Plc has had the most significant movement downwards, losing market share to Waitrose, Aldi and Lidl.

Question 3: Where does the majority of Tesco's revenue and profits come from? What do you believe to be at the root of Tesco's decline in financial performance?

Solution 3: Despite Tesco's growth internationally, the lion share of the business still comes from the UK. Figures 4, 5, 6 and 7 chart Tesco's performance over the last three years. Between 2011 and 2012 (see Figures 6 and 7) UK sales were over £47 billion, followed by £48 billion in 2012/13. Over the same period, the trading profit was over £2.4 billion (2011/12) and £2.2 billion (2012/13). The sales performance in the UK was similar in 2013/14 at over £48 billion. Trading profit saw a downturn of 3.6% year-on-year at just over £2.1 billion. Tesco's interim performance in 2014 indicates sharp fall in trading profit of 55.9%. The Asian and European markets have proved volatile over the three year period. In comparison to the UK market, the Asian market accounts for approximately 15% of group sales and 27% of group trading profit. The European market accounts for 18% of group sales and 10.8% of group trading profit.

There are a number of reasons for Tesco's decline in financial performance, including external forces driving down sales and profit and internal strategic business decisions. The UK market is underperforming, driven by the economic downturn, increasing fuel prices, growing strength of the high-end brands and discounters. During Clarke's time at CEO, Tesco launched a significant capital expenditure program to re-model hypermarkets to become destination shops, introducing Giraffe restaurants, coffee shops, buying into to 49% ownership of Harris and Hoole and Euphorium bakeries (BBC News Business, 2013). The business strategy behind the introduction of extended services was to encourage customers to visit destination shops, utilizing additional facilities such as dining out. However, the tide was turning in 2012/13 as more and more consumers switched to high street shopping, more regular convenience store shops and retail supermarkets operating a discount price focused business model.

Figure 4: Tesco 2014 Interim Performance Results

	Group			UK	Asia	Europe	Bank
	TY £m	LY £m	Growth %	TY £m	TY £m	TY £m	TY £m
Sales (inc. VAT)	34012	35582	(4.4%)	23566	5078	4847	521
Sales Growth %				(2.6%)	(8.4)	(9.3%)	4.6%
UK LFL (exc. Petrol)				(4.6%)			
Revenue (exc.VAT)	30473	31914	(4.5%)	21031	4766	4155	521
Revenue Growth %				(2.8%)	(8.4%)	(9.3%)	4.6%
Trading Profit	937	1588	(41.0%)	499	260	76	102
Trading Profit Growth %				(55.9%)	(17.2%)	38.2%	15.9%

This shows Tesco Plc's interim financial performance. The first column lists the performance areas. The data includes the company group performance. This is broken down into United Kingdom, Asia, Europe and Tesco bank is columns five to eight.

Figure 5: Tesco 2013/14 Full Year Results

	Group			UK	Asia	Europe	Bank
	TY £m	LY £m	Growth %	TY £m	TY £m	TY £m	TY £m
Sales (inc. VAT)	70894	70712	0.3%	48177	10947	10767	1003
Sales Growth %				(0.1%)	2.7%	(0.4%)	(1.8)
UK LFL (exc. Petrol)				(1.3%)			
Revenue (exc.VAT)	63557	63406	0.2%	43057	10276	9221	1003
Revenue Growth %				(0.1%)	2.6%	(0.6%)	(1.8%)
Trading Profit	3315	3525	(6.0%)	2191	692	238	194
Trading Profit Growth %				(3.6%)	(5.6%)	(27.7%)	1.6%

This shows Tesco Plc's full year results in 2013/14. The first column lists the performance areas. The second, third and fourth columns presents the group results, including the current year results, previous year results and percentage change in performance.

Figure 6: Tesco 2012/13 Full Year Results

	Group			UK	Asia	Europe	Bank
	TY £m	LY £m	Growth %	TY £m	TY £m	TY £m	TY £m
Sales (inc. VAT)	72363	71402	1.3%	48216	12317	10809	1021
Sales Growth %				1.8%	5.9%	(4.9%)	(2.2%)
UK LFL (exc. Petrol)				(0.3%)			
Revenue (exc.VAT)	64826	63916	1.4%	43088	11443	9274	1021
Revenue Growth %				2.0%	6.0%	(5.6%)	(2.2%)
Trading Profit	4353	3969	(13.0%)	2272	661	329	191
Trading Profit Growth %				(8.3%)	(10.3%)	(37.8%)	(15.1%)

This shows Tesco Plc's full year results in 2012/13. The first column lists the performance areas. The second, third and fourth columns presents the group results, including the current year results, previous year results and percentage change in performance.

Table 7: Tesco 2011/12 Full Year Results

	Group			UK	Asia	Europe	US	Bank
	TY £m	LY £m	Growth %	TY £m	TY £m	TY £m	TY £m	TY £m
Sales (inc. VAT)	72035	67074	7.4%	47355	11627	11371	638	1044
Sales Growth %				6.2%	10.5%	7.7%	27.1%	13.6%
UK LFL (exc. Petrol)				0.0%				
Revenue (exc.VAT)	64539	60455	6.8%	42248	10793	9826	628	1044
Revenue Growth %				5.3%	10.5%	7.93%	26.9%	13.6%
Trading Profit	3761	3714	1.3%	2480	737	529	(153)	168
Trading Profit Growth %				(1.0%)	21.8%	0.4%	17.7%	(36.4%)

This shows Tesco Plc's full year results in 2011/12. The first column lists the performance areas. The second, third and fourth columns presents the group results, including the current year results, previous year results and percentage change in performance.

Question 4: Has Tesco's business strategy changed in the last three years when new leaders have taken position, and if so, how?

Solution 4: There have been two new Chief Executive Officers since Sir Terry Leahy's departure in 2011. First Phillip Clarke took over, followed by Dave Lewis in 2014. During Leahy's time, Tesco pursued an international growth strategy, entering new markets such as Tesco banking and customer insight and significant investment in land and property throughout the UK. During the time, Tesco developed a 'broad church' product strategy, developing a Value range and finest range and introducing a vast array of non-food items. This leads to the questions: can a grocery retailer be all things to all people? Following Leahy's departure, Clarke took over. Clarke pursued a strategy of investment in hypermarket superstores, destination shops. Arguably Clarke has too little time to demonstrate his potential as CEO as the decision to invest in out of town destination shops was seen as a fundamental mistake. Clarke was quickly replaced by Lewis, an 'outsider' from Unilever. Lewis has been measured in his response, explaining that he will take time to survey the business and understand what the underlying issues are in relation to poor performance. Lewis's immediate concerns are governance and auditing, with the announcement of an investigation by the Financial Conduct Authority and the Serious Fraud Office (Warner, 2014). However, he immediately recognized the need to be 'customer-centric', focusing on the target customer market (This Money, 2014).

Question 5: How can issues relating to poor financial performance be addressed?

Solution 5: Tesco's previous CEO, Sir Terry Leahy recently commented: the company had *"focused too much on what it isn't, rather than remembering what it is ... w*hat it is, is a very big brand in the centre of the market, and clearly if you're weak in the centre you can get attacked from all sides … but if you're strong in the centre and doing what you do well, it's a good place to be – you can attract customers from all parts of the market." (The Guardian, 2014). Strategic models that take an external perspective and internal perspective are useful in defining strategic approach and market position. Porter's (1998) competitive analysis is probably the most widely used model for strategic analysis, identifying five fundamental forces which provide insight into the relationships and dynamics of the industry. This external perspective can see the ease of substitution in the retail grocery market and change in consumer trends which demand a more responsive strategic approach.

Management Today (2014) reported three strategic responses to turnaround the current performance issues:

1. Identify the target customer
   "Tesco's major strategic problem is that it is currently unclear about who it should target – the supermarket is caught somewhere between the more upmarket offer of Sainsbury's and Waitrose and the discounters Aldi and Lidl. These discount rivals have put intense pressure on the UK's major supermarkets in the last few years, and critics say Clarke failed to cut prices early enough to compete with the German discount brands."

2. Brand identity
   "In recent years, Tesco has been confused about its brand management and identity ... Tesco's proposition, particularly in pricing, is muddled and confused ... Tesco doesn't necessarily need to have the lowest prices to recover – instead its pricing needs more clarity, predictability and transparency."

3. Management strategy
   Tesco has experienced significant changes in leadership and management. During 2014 a series of sackings and departures followed, resulting in Laurie Mcllwee (Finance Director) stepping down (Quinn, 2014). Clarke was the only executive left on the board with retail experience.

What is clear is that the organization needs to look internally to understand what the brand is in 2014, what is wants to be in the future and establish a clear market position. Alongside this, the leadership and management team need to fully understand the market forces and how these shape the environment and business. Where will future market growth come from? What will be the future cash cow? Where are the rising stars and to what extent will these grow further? (Henderson, 1969).

Question 6: What is role of the human resource management function in turning Tesco's performance around?

Solution 6: Over the last ten to twenty years the role of human resource management (HRM) in the wider business has shifted significantly. We now see language such as strategic partner and change agent (Ulrich, 1997), synergists (Caldwell, 2001) and HR leader (Ulrich and Brockbank, 2005). The language and roles types signal a move away from 'traditional' personnel roles to a more pro-active, strategic role where HR can make a real contribution to the organization. From the perspective of Ulrich (1997) HR needs to focus on activities which support the strategic direction of the business, including strategic planning and scanning the environment. In Ulrich and Brockbank's (2005) later model, the idea that HR plays a key role in corporate governance and acting as the organization's conscious is introduced.

Lewis is in a position where corporate governance and accounting practices are at the very forefront of his review of Tesco. Here. HR can play a key role in working with functional areas to ensure corporate responsibility is at the heart of the business, ensuring the business operates in a responsible, sustainable, accountable and transparent way (CIPD, 2014). It is important to restore competence, integrity and confidence within all stakeholder groups.

Lewis has demonstrated the importance in focusing on the UK market with his new 'Feet on the Floor' initiative, seeing all head office personnel working in stores on a fortnightly basis to re-engage with the core business and get to grips with the business at the frontline (The Guardian, 2014). Lewis has also discussed the need to invest resources into to UK supermarkets in order to improve service levels and stock availability. Alongside this, the capital expenditure on hypermarket superstores has stalled, shifting the strategic focus away from the destination shop to the core offer. HR can engage with the resource and capability agenda, aligning the organizational strategy with the HR strategy, policies and practices to facilitate capacity and capability, particularly across the core business.

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