

How training and development supports business growth

Introduction

Tesco is the largest British retailer and is also the world's third largest grocery retailer with outlets across Europe, USA and Asia. The business began in 1919 with one man, Jack Cohen, selling groceries from a stall in the East End of London. Jack bought surplus stocks of tea from a company called **T.E. Stockwell**. T.E. Stockwell and **Cohen** combined their names to brand the tea Cohen originally sold – **TESCO** tea. In 1929, the first Tesco store opened in north London.

Tesco has expanded since then by a combination of **acquisition** of new stores, retail services and by adapting to the needs of **consumers**. Tesco has net profits (before tax) of around £3 billion. Tesco's primary aim is 'to serve the customer'. Keeping existing customers happy is important, as they are more likely to return. This is more cost effective for the business than acquiring new ones.

In the UK Tesco now has over 2,200 stores ranging from the large Extra hypermarket style stores to small Tesco Express high street outlets. Tesco's original product range of grocery and general merchandise has **diversified** to include banking, insurance services, electrical goods as well as telephone equipment and airtime. This move towards 'one stop shopping' means customers can meet all their purchasing needs from one place. Tesco has also expanded its customer base through its Tesco.com website which attracts one million regular users.

As the company has grown, so has its **workforce**. From one man and a stall, Tesco now has approximately 280,000 employees in the UK and over 460,000 worldwide. To serve its widening markets it needs flexible and well-trained staff that can recognise the needs of the customer.

Tesco's employees work in a wide range of roles in both store and non-store functions, such as:

- Customer Assistants on the shop floor either directly assisting customers or preparing orders for delivery to customers who have ordered online
- Department Managers leading a team of Customer Assistants
- Warehouse employees who help catalogue and store clothing, food or **brown goods** in Tesco Distribution Centres or in stores
- Office-based staff working in a range of functions at Head Office, including Finance, Purchasing, Personnel or Marketing
- Logistics staff who plan and carry out the distribution of products to stores.

Tesco recognises that increasing knowledge, improving **skills** and **job satisfaction** of employees are all vital to the continued growth of the company. This case study looks at how Tesco provides **training** and **development** opportunities for its employees.

Identifying training needs

Tesco's aim to expand and diversify requires the business to have the right people, in the right place, at the right time. Many factors affect **workforce planning**:

- The opening of new stores in new locations means that Tesco must adapt to different demands made by consumers. For instance, stores in highly populated diverse areas may need to sell a high proportion of speciality goods to meet the requirements of its customers, so selecting that stock requires a clear understanding of the customer profile in that area.
- In-store and non-store based posts may require different technical skills and **competencies**.
- Employees with a wide skills range who can work flexibly are more productive for the business.



CURRICULUM TOPICS

- Workforce planning
- Training
- Development
- Appraisal

GLOSSARY

Acquisition: where one business takes over another e.g. by purchasing a majority of shares.

Consumers: the user of a product, who may or may not be the buyer of it.

Diversify/Diversified: undertake activities in different and unrelated markets and products from those activities undertaken in the past.

Workforce: the group of people who work in a company, industry, country, etc.

Brown goods: electrical goods such as TVs, DVD players etc.

Skills: specific abilities, attributes and techniques.

Job satisfaction: the degree of contentment and pleasure that an individual gains from their work.

Training: activities designed to improve the competence and ability of individuals in order to better enable an organisation to meet its objectives.

Development: activities designed to further the personal needs of individuals.

Workforce planning: involves estimating future human resource requirements and ensuring the firm has the right number of people, in the right place, with the right skills at the right time.

Competencies: areas of activity in which a firm is particularly strong, e.g. research and development, product innovation.





GLOSSARY

Critical success factors: specific aims such as reaching target sales and consumers to make the product successful.

On the job training: training undertaken whilst in the course of doing the job.

Off the job training: training undertaken away from the workplace, e.g. block release at college.

Shadowing: involves the employee working alongside a colleague or manager, watching them to learn what to do.

Coaching: providing feedback and support for staff to help them improve their performance in their role. The coach is often a line manager but the skills can also be found among colleagues.

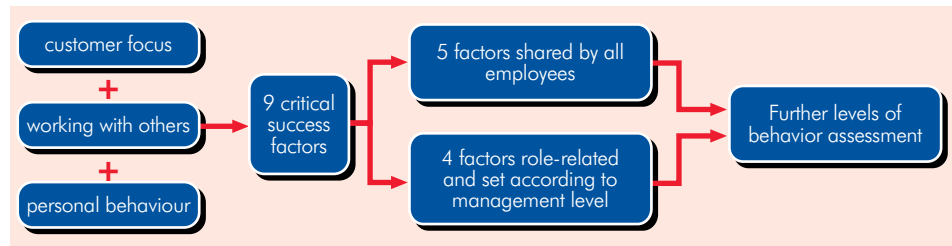
Mentoring: providing guidance and training for a new recruit. Often the mentor is a colleague, a fellow employee.

Job rotation: where employees have the opportunity to move into different departments for a short time and acquire new skills in each. This broadens their skills across different business activities.

Secondment: employee goes to another workplace for a temporary period.

Tesco employs people from a wide range of backgrounds and all employees have the opportunity to grow and develop. Tesco regularly evaluates the performance of its employees in order to anticipate any possible skills shortages. This helps managers and employees decide whether they have the correct knowledge, skills, understanding and resources to carry out their job effectively. Through annual reviews and career discussions, employees are able to apply for training suited to their needs. For example, managers in stores, Distribution Centres and Head Office can spend a week in a store together, learning about each other's work. This makes each part of the Tesco operation more robust.

The Tesco Leadership Framework focuses on three key themes to guide appropriate behaviour in employees. These link to nine **critical success factors**, which break down further into various levels of assessment. This framework helps to identify those employees with the potential to be the 'best leaders of the future'.



Tesco sees it as a priority to develop leadership at every level in every part of the business. In the last year over 2,900 managers, of which 85% were internal promotions, were appointed in the UK and thousands more employees promoted. One in every 10 Tesco employees takes part in development activities and as many as one in 30 are on its Options programme.

Before undertaking training and development, employees identify gaps in their knowledge and skills. The gaps identified are logged in a Personal Development Plan. Employees and line managers decide how they will fill these gaps by training or development activities. Tesco's training and development programmes enable all employees to develop the skills they need to get on in their careers.

Training

Training is the acquisition of knowledge and skills in order for a person to carry out a specific task or job. Training benefits employees in several ways:

- It increases their sense of ownership in the business.
- They become more organised, productive and flexible and are better able to meet the needs of internal and external customers.
- New skills and abilities in areas such as decision-making can empower staff, which makes them more effective.

Tesco's business image also benefits as customers are more confident in the competence and knowledge of staff. This in turn helps Tesco grow.



Tesco has a flexible and structured approach to training and development, which adapts to individual employee needs. This allows people identified as having the potential and desire to do a bigger or different role to take part in training to develop their skills and leadership capability.

Tesco offers employees both **on-the-job training** and **off-the-job training**. On-the-job training methods at Tesco include:

- **shadowing** – a person already in the job shows the employee how to do it
- **coaching** – a manager or designated colleague will help trainees work through problems and inspire them to find solutions
- **mentoring** – a more experienced member of staff acts as an adviser
- **job rotation** or **secondment** – the trainee has the opportunity of covering their target role, taking full responsibility on a temporary or limited basis.





For the employee, on-the-job training is directly relevant to their work, they get to know the people in their area and feel part of the team faster. On-the-job training also has several advantages for the company:

- It is cheaper than off-the-job training.
- Managers see progress and can help when problems arise to resolve them quickly.
- The employee is still working during training so is more productive.
- The employee puts learning into practice.

Off-the-job training is often more appropriate for training in specific new skills or for developing the individual, in areas such as team-building, communications (for example, making presentations), or organisation and planning. It usually involves attending external courses run by professional training organisations or qualified Tesco training staff. The A-level Options programme for developing new recruits into managers provides detailed **induction** training from day one. This enables new employees to meet other trainees and learn about the company and the business objectives rapidly. With a rapid training schedule, they are able to develop to their first level management position whilst working as a Team Leader in a store within six months.

Month 1 – visit and work in all parts of a store to familiarise themselves. The new manager is allocated a 'buddy' – an experienced member of staff who they can go to with problems.
 Months 2-4, – practise their knowledge and skills in real situations and identify any skills gaps
 Months 5-6 – undertake a placement as a Department Manager
 Months 6-12 – take on their first manager role
 Month 12 – review progress with their manager and discuss future development.

Development

Development is about helping the person grow and extend their abilities. Tesco takes a shared responsibility approach to training and development. The trainee is primarily responsible for his or her development. Both the trainee and the line manager contribute to the programme by:

| Trainee | Line manager |
|--|---|
| <ul style="list-style-type: none"> • identifying and agreeing development needs • attending workshop and development days • collecting evidence of achievements • using the feedback they receive to improve performance and review their development plans. | <ul style="list-style-type: none"> • helping to put together the Personal Development Plan • coaching and guiding the trainee as needed • review performance regularly to ensure the trainee gets the best from the training • providing feedback |

Tesco employees are encouraged to ask themselves strategic questions in order to assess their skills and ability to progress:

1. Do I know how?
2. Can I do it now?
3. What are my current skills?
4. What do I need to achieve a higher position?

Tesco's Options programme provides a long-term strategy for development. It offers, for example, workshops focusing on both leadership behaviours and operating skills. The employee's Personal Development Plan includes Activity Plans, a Learning Log (to record what the key learning points of the training were and how they are going to be used) and a 'Plan, Do, Review' checklist to monitor when plans are completed. This allows trainees to carry out their own analysis of progress.

Personal development helps to produce long lasting competencies. This means employees become more positive, productive and valuable to the organisation in the long term. Recruiting new staff is more expensive than retaining existing staff, so for Tesco, retaining staff is extremely important. Development also helps increase the level of employee **motivation**. Motivation theorists suggest that if people are given the skills to do their jobs well, the support to grow their abilities and greater responsibility, this makes them more effective in their roles. Tesco requires staff who can be flexible and who can adapt to change. It also needs to ensure it has the right calibre of staff to build its management team of the future.

GLOSSARY

Induction: the initial process of learning to fit into an organisation.

Motivation: attracting a person to do something because he or she wants to do it.





GLOSSARY

Evaluate: weigh up. Assess the worth.

SMART objectives: framework for constructing objectives in a way that meets a business aim.

360 degree feedback: feedback comes from subordinates, peers, and managers in the organisational hierarchy, as well as self-assessment, and in some cases external sources such as customers and suppliers or other interested stakeholders rather than just from managers.



The benefits of training and development

A business needs to monitor and **evaluate** the costs and benefits of its training and development activities for financial and non-financial reasons. The business needs to know if the investment in time and money is producing improvements. Employees need positive, structured feedback on their progress in order to find direction and gain confidence. This will reflect in their behaviour with customers and inspire higher customer confidence in Tesco – one of Tesco’s main aims.

Tesco provides tools for highly structured monitoring and evaluation of training and development. This includes scheduled tasks, timetables, measures and checklists. Employees assess themselves by setting objectives in Activity Plans, Personal Development Plans and recording outcomes in Learning Logs. These continue to measure their improvement in performance after training. Activity Plans need to have **SMART objectives**:

- **Specific** – describes exactly what needs doing
- **Measurable** – has a target that can be measured against
- **Achievable** – is possible within the trainee’s current role, skills and experience
- **Realistic** – is achievable within the time and resources available
- **Time-framed** – has a clear deadline.

Tesco also uses a method known as **360-degree appraisal**. This means all stakeholders who have contact with the employee assess the person’s performance and give feedback. For example, a store department manager may get feedback from their manager, their ‘buddy’, other department managers, the HR department and their team. This helps to identify areas that may require further development.

Tesco also uses a more informal approach to development by asking employees to write down three things they believe they are good at and three things they believe they could do better. The employee identifies actions to continue to do more of the good things and improve areas they could do better.

Managers and trainees hold a weekly informal review session as well as more formal four-weekly sessions to track progress against their personal development plans. The feedback is recorded and is carefully scored. Trainees are given a colour coded development rating:

- Red – where progress is not on schedule
- Amber – where some elements need more work
- Green – where all activities are on target
- Blue – where the trainee is ahead of the programme and using skills to add value.

Conclusion

Efficient and effective training and development of employees is an essential element for Tesco’s continuing growth in an increasingly commercial world. Tesco requires employees who are committed and flexible in order to aid its expansion of the business.

The expansion of Tesco relies on retaining existing customers and acquiring new ones. All customers need to be confident and happy in Tesco. This relies on committed and flexible employees delivering the highest standards of service to meet Tesco’s objectives.

Tesco’s structured approach to training and developing its existing and new employees provides a strong foundation for its continuing growth.

Questions

1. Explain the difference between training and development. How have changes in customer expectations affected Tesco and its need to train staff?
2. List the methods of training carried out by Tesco. Describe how training needs are identified.
3. Analyse Tesco’s method of developing its employees. Consider the strengths and weaknesses of such a programme.
4. Evaluate the benefits for Tesco in providing a structured training programme. To what extent do you think the training has achieved a Return on Investment?