



**MGMT 2501 BUILDING & LEADING HIGH PERFORMANCE TEAMS**

**FINAL PROJECT REPORT**

**Case Study on Employee Motivation At TESCO**



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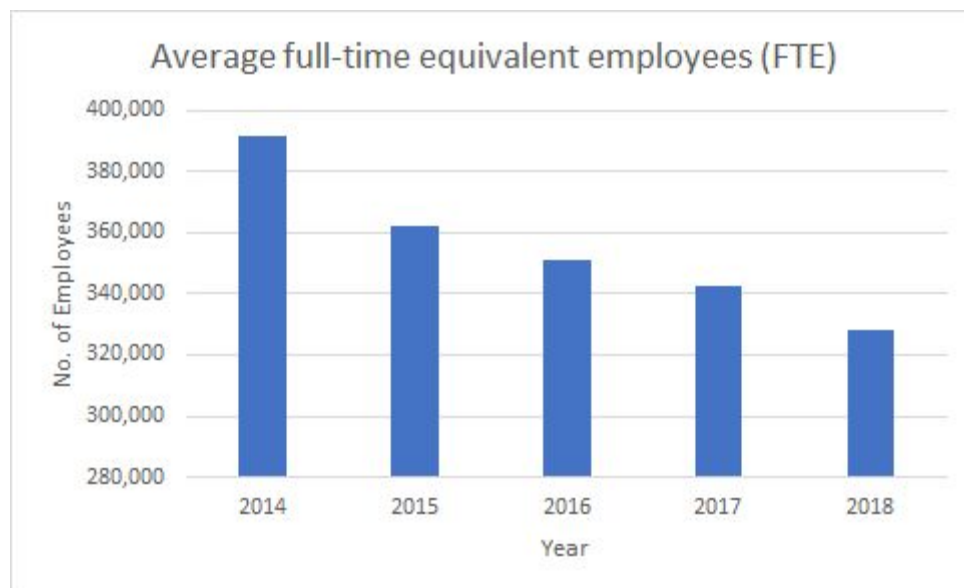
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## **INTRODUCTION**

Tesco is a British multinational groceries and general merchandise retailer with headquarters in Welwyn Garden City, Hertfordshire, England, United Kingdom. It is the third-largest retailer in the world and ninth-largest retailer in the world with a revenue of £31.7 Billion. It has stores in seventeen countries across the world and is the market leader of groceries in the UK. Over the last few years, there has been a significant decrease in the number of employees. As of 2018, Tesco had 327,916 employees as part of their 6966 stores around the world and also their Research and Development division location in India and UK. The low retention rate in the organisation also attributed to this reduction.



In recent move to cut down costs by €1.5bn TESCO has laid off 1700 jobs restructuring the whole organization and removing people managers, who handled recruitment and other personnel matters, compliance managers, responsible for health and safety, and customer experience managers, who oversee service in 226 of Tesco's largest stores.

## **THE PROBLEM & APPROACH**

In the engineering department at TESCO Bangalore office, the development team is facing a low retention rate and employees express low motivation at work. We analyzed how well some factors triggered people to quit and identified the factors behind their lack of motivation. Questionnaires and interviews were conducted with both current employees and ex-employees across departments and seniority levels to get their views on what they consider are the reasons behind high turnover and what would motivate people to retain. The questionnaire examines how the company value their employees, the working conditions, and to understand how their employers motivate them to work with company for long time. In addition to that, the last section of the questionnaire was designed to understand the different reward within the company and to give a better understanding on how the employees feel or react in relation to the rewards system. Equally, questions on the essence of incentive to the employees, the ways which employees would like to see their rewards were also asked. A total of 23 questionnaires were sent out, of which a total of 17 were return.

Employment	Entry Level		Management Level
	Dev Team	Support Team	
Current	New Hire	1-Technical support Engineer	1-Senior Manager
	1-Graduate Software Developer	2-Senior Software Engineer	
Ex-Employee	2-Software Developers		1-Senior Support Engineer 1-Product Owner 1-Scrum master

In addition to the questionnaire more qualitative data was collected from a personal interview with the above individuals. The interview was on their background, what motivates them, employee relationships, work complexity, average compensation, rewards and perceived areas of improvement needed.

In essence, their views were summarized into top four possible pitfalls such as

- 1) Poorly designed reward systems between the development and support engineers.
- 2) Unfair compensation distribution between new hires and current employees.
- 3) Sense of job insecurity due to recent mass layoffs as part of organisation restructuring.
- 4) Lack of challenging work as employees assigned mundane tasks desire higher achievement.

## **ANALYSIS & RECOMMENDATIONS**

### **1) Poor reward system**

In the engineering department, the development engineers and support engineers work together to provide maintenance and update for the software. Support engineers most often directly handle complaints from the end users and they provide quick fix or temporary solutions. Development engineers, on the other hand, sit in the back office and they need to take time to analyse the problem first and then fix the root cause of the bug. Since development engineers are the ones who deliver the actual solution and update, they naturally have more hard work to do than the support engineers. However despite that fact, when it comes to visibility of their impact, according to the development engineers we interviewed, support engineers are recognized more often by the management - they not only get higher percentage of bonus and also more verbal appreciation than development engineers.

**Recommendation:**

According to the expectancy theory, it explains that individuals are motivated if they believe that there is a positive correlation between efforts and performance and the outcome of a favorable performance will result in a desirable reward. However in the case of the reward distribution for the development engineers and support engineers, development engineers devoted more effort to the problem but they received less recognition than support engineers. The development engineers felt their performance didn't come with rewards that matched so they are not motivated to commit to their work. **To change the situation, it is desired that more recognition being distributed to the development engineers, through both monetary rewards and verbal appreciation from the management.**

**2) Pay difference between freshers and current employees**

Based on the interviews conducted most of the employees who have been working with the company for couple of years have raised concerns regarding the pay difference between the present employees and the new hires that TESCO was recruiting for futuristic projects. The new hires were skilled in concepts of programming such as machine learning and artificial intelligence which the current employees lacked. The cause of the problem was that the company did not convey about the futuristic projects to the employees and that they required special skill to implement the project. Due to this the present employees were undermotivated to perform their work because they were getting paid less and were also planning to quit the job and join a different company expecting to get paid more.

**Recommendation:**

According to Equity theory, equity is measured by comparing the ratio of contributions and benefits for each person. This implies that all employees must be compensated according to their contribution of work and their talent. **To combat with the employees under motivation due to pay difference when compared to the new hires TESCO should inform all employees about its future projects and the additional talent that the new hires have to work towards these projects.** This would give all the employees a justification about why the new hires are being paid more and would also encourage current employees to learn new skills and compete with new hires.

**3) Lack of Job Security:**

According to the interviews, most of people mentioned they've been announced there was going to be a restructuring and no specific roles or position were been called. It brings the anxiety feeling when they saw many experienced employees have been layoff during organization restructuring. Based on some interviewer's observation, groups of entry-level workers who has a relatively low salary have been retained and assigned to new roles after some exam. However, experienced employees who had higher paid were fired increasingly even though they have high-quality performance and great attribution. Workers who have not been required to take exam are actively looking for some new position on the job market. Those quickest to react had already been jumped to other ships. Everybody in the department was worried about losing job suddenly.

**Recommendation:**

Safety needs in Maslow's need hierarchy indicates the need for job security and protection. After someone met physiological need for living, safety needs dominate one's behavior. When it related to the workplace, it refers to professional security. If employees have to worry about losing their jobs, team morale will suffer.

**In compliance with Safety needs in Maslow's need hierarchy, Tesco should process restructuring strategy transparently, which means the certain redundant departments and positions need to be announced clearly and providing explanations immediately for groups of people who will not be affected.**

Besides, repeated restructuring hurt the current employee's expectation and confidence in the long-term. To ensure employee's safety needs in the company, Tesco should develop business strategy and formulate labor structure after deep consideration.

**4) Lack of challenging work & poor affiliation within the team:**

Based on interviews conducted, majority of the employees expressed concern about the need for challenging tasks with more responsibility. Most of the employees felt this factor necessary for motivation. TESCO being a global conglomerate of teams, reported that employees in certain teams were assigned mundane tasks, deprived of equal learning and growth opportunities. In addition, the environment in TESCO Bangalore, did not favor employee affiliation. There was a high sense of groupism with respect to the language of communication used at the workplace. This consequently led to few members in a team to feel isolated, lose interest to collaborate with their peers to accomplish tasks, learn new technologies, initiate innovation projects etc.

**Recommendation:**

According to McClelland's theory of acquired needs, individuals acquire three types of needs as a result of their life experiences. These needs are the need for achievement, the need for affiliation, and the need for power. All individuals possess a combination of these needs, and the dominant needs are thought to drive employee behavior.

McClelland's theory of acquired needs has important implications for the motivation of employees. Managers at TESCO Bangalore need to understand the dominant needs of their employees to be able to motivate them.

**People who have a high need for achievement are more motivated and attracted to the organization by encouraging merit-based rewards, i.e. opportunities to get involved in innovation projects, sign up for certification courses which fall in line with TESCO's business needs etc. Individuals high in their need for affiliation may be motivated to collaborate and gain the approval of their peers and supervisors.**

Additionally, in order to combat the problem of language used for communication, managers at TESCO should work with the senior leadership teams to implement a firm policy for a common language and discourage any behavior that does not comply with the policy.

To further ensure that employee engagement and motivation is high, managers should have regular goal evaluation meetings with employees to understand the employees needs and ensure the individual that his/her needs would be met by applying the concepts of McClelland's theory of acquired needs as listed above.



## **CONCLUSION**

Employee motivation is a crucial factor that drives the performance of an organization. Based on our analysis we can conclude that there are multiple factors that influence employee motivation at TESCO, such as poorly designed system of rewards, ambiguous compensation structure, lack of job security among employees and lack of intriguing work.

The recommendations that we have derived here would be great for managers to implement at TESCO Bangalore to start with by applying Expectancy theory, Equity theory, Maslow's need for hierarchy, and McClelland's theory. A systematic and timely follow up with employees to understand what drives them and using the various recommendations listed above will improve employee motivation significantly and benefit TESCO Bangalore.

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