

Tesco: Creating a Corporate Steering Wheel

Tesco PLC British-based international grocery and general merchandising retail group. The company is the third largest retailer in the world measured by profits, has over 6,500 stores and employs more than 475,000 people.

When Sir Terry Leahy joined Tesco as their chief executive he made it clear that in order to deliver on its strategy of growth the organisation needed a clear direction, a map and a compass. The management team decided to create a performance management framework that would provide the map and outline the key strategic objectives of the company. Together with this it created key performance indicators to act as the compass enabling the organisation to check whether it was on track or not. The main purpose of the performance management approach was to help steer the organisation to success. Tesco decided to appropriately name its performance framework the Corporate Steering Wheel.

The Corporate Steering Wheel

The Corporate Steering Wheel provides strategic focus by communicating what matters the most in a simple and easy to understand one-page framework. It includes 20 corporate objectives across five perspectives. The perspectives are arranged in a circle around the central philosophy of 'Every Little Helps' and the two values of 'No one tries harder for customers' and 'Treat people how I like to be treated'.

The figure below shows the Corporate Steering Wheel with the following objectives.



Financial Perspective

- Grow Sales
- Maximise Profit
- Manage our Investment

Customer Perspective

- Earn lifetime loyalty
- The aisles are clear
- I can get what I want
- The prices are good
- I don't queue
- The staff are great

Community Perspective

- Be responsible, fair and honest
- Be a good neighbour

Operations Perspective

- We try to get it right first time
- We deliver consistently every day
- We make our jobs easier to do
- We know how vital our jobs are
- We always save time and money

People Perspective

- An opportunity to get
- on An interesting job
- A manager who helps me
- To be treated with respect

Sir Terry Leahy says that: "Having objectives across these five perspectives allows Tesco to be balanced in its approach to performance." "Today, the Steering Wheel creates a shared language, a shared way of thinking and a common blue print for action" he continues.

Tesco maintains that "Throughout all our businesses across the world we measure our performance through the Steering Wheel, whether we work in distribution, head office or in stores. This helps maintain focus and balance in what counts to run each of our businesses successfully, be it wage costs or whether customers can get everything they want."

Cascading and communicating the strategy

Because the Steering Wheel captures the key strategic objectives of the company in one easy to understand picture, it is a powerful way of communicating strategy to all staff.

When the Steering Wheel was first introduced the company conducted a number of 'town hall' meetings to explain the strategy. The chief executive insisted on conducting these meetings himself which were seen as a way to personally engage staff in the stores. It allowed Sir Terry Leahy to explain the strategy face-to-face and gave staff the chance to ask questions in an interactive way.

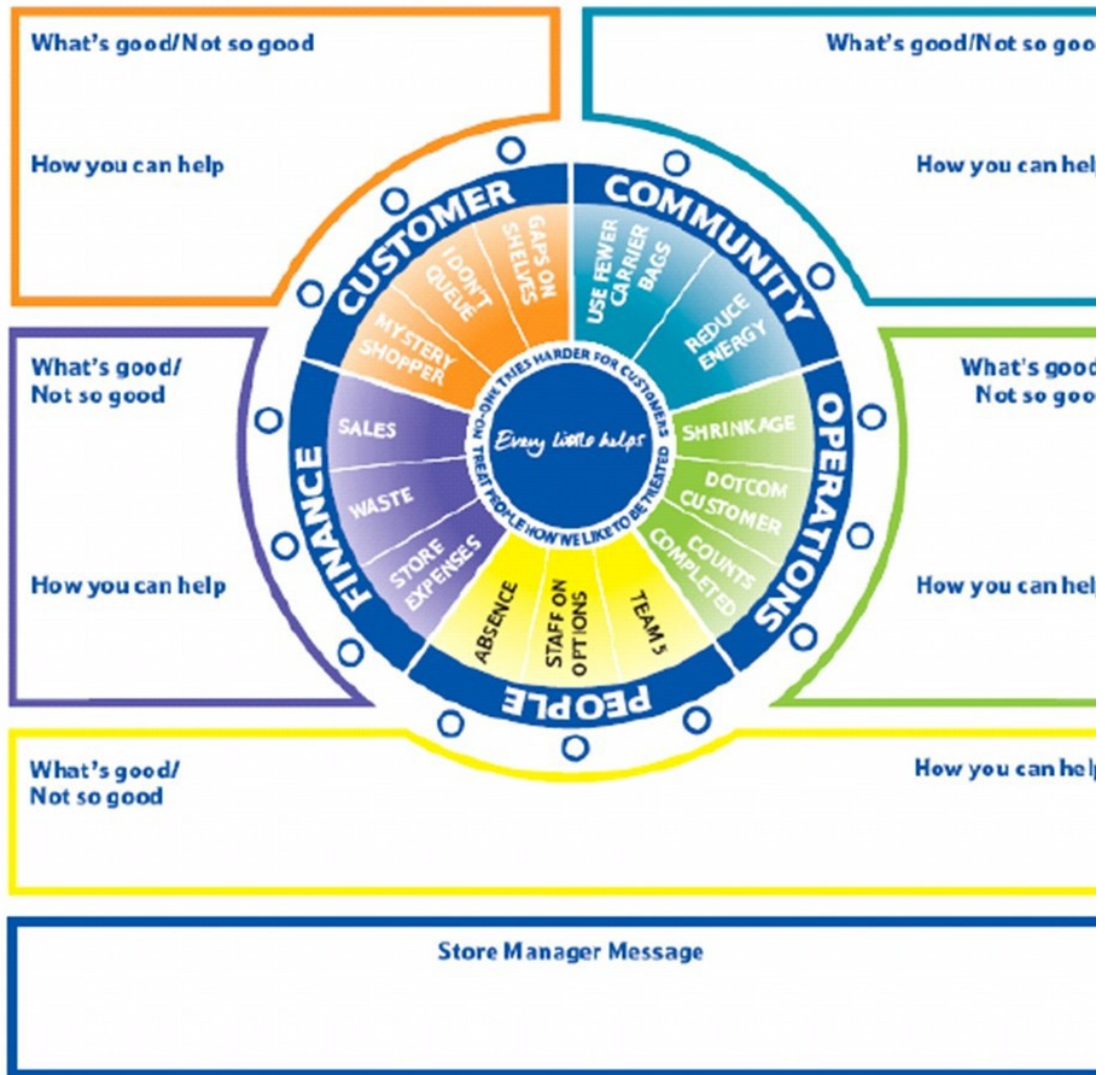
Tesco also produced little notes called 'shopping lists' to highlight the key strategic objectives for each perspective (see below). These were handed out and printed as posters for the stores. Similar to real shopping lists, they act as reminders about what is important.



Today, every store and every company within the Tesco group has their own Steering Wheel to manage performance. This puts the people on the ground in control. The Steering Wheel has also been translated into different languages to ensure it is used to engage frontline staff in all countries Tesco is operating in.

Making strategy everyone's job

Sir Terry Leahy wanted everyone in the business to live and understand strategy and be clear about how they can contribute to deliver it. The local Steering Wheel template for stores (see figure below for the store version). is a great tool to engage staff, facilitate a local discussion and capture local challenges. The template asked what is good and not so good for each of the five perspectives and most importantly how individuals can help to improve it. This simple template engages people in strategy execution and makes them think about how they can improve performance. In addition to capturing the ideas of front line staff it allows the store manager to write a message in the bottom field.



Tesco wanted to establish a culture in which everybody feels responsible for performance. Where staff come up with new ideas and where they are allowed to challenge and improve performance.

Measuring performance - the pragmatic way

Tesco has many performance indicators but as Sir Terry Leahy says "The danger is to look at them in isolation and out of context. We try to put them into context and pay a lot of attention, regular attention, to the indicators that matter the most to our business". Tesco's philosophy is not to answer every conceivable question with their performance data but only those that help to answer the critical and most important questions.

Ideas and insights you can steal

Tesco has demonstrated that keeping it simple can be a powerful approach to managing corporate performance. There are three important lessons every company should learn from:

1. Keeping the performance framework simple and easy to understand enables companies to communicate what matters the most to everyone.
 2. Creating simple tools such as the Local Steering Wheel Template and the Shopping Lists companies engages people in strategy and allows companies to delegate responsibility for performance improvement everyone in the business.
 3. Measuring and regularly reviewing only those performance metrics that provide the most important insights enables companies to monitor and manage what really matters.
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