THE JOHN LEWIS PARTNERSHIP

The John Lewis Partnership describes itself as ‘a visionary and successful way of doing business, boldly putting the happiness of Partners at the centre of everything it does. It’s the embodiment of an ideal, the outcome of nearly a century of endeavour to create a different sort of company, owned by Partners dedicated to serving customers with flair and fairness’ (John Lewis Partnership website). All 76,500 permanent staff are partners who own 32 John Lewis shops across the UK, 258 Waitrose supermarkets, an online and catalogue business, a production unit, and a farm. The partnership had a turnover of nearly £8.2 billion in 2010. Partners share in the benefits and profits of the business.

The John Lewis Partnership was established by John Spedan Lewis, who created an ‘experiment in industrial democracy’, with a governance system, set out in its constitution, that he hoped would be both commercial, allowing the institution to stay ahead in a competitive industry, and democratic, giving every partner a voice in the business they co-own.

Corporate governance is at the heart of the Partnership: the structure gives management the freedom to be entrepreneurial and competitive in the way they run the business for long-term success, while giving the company’s owners, the partners (staff), the rights and responsibilities of ownership through active involvement in the business. At the top level, the Partnership has three governing authorities: the Partnership Council, the Partnership Board and the chairman.

The Partnership Council embodies the democratic structure and is directly elected by partners (staff). It holds the chairman and executives to account, influences policy, governance decisions and how money is spent, and appoints five non-executives to the Partnership Board. It has the power to discuss, to ask questions and to make recommendations on any subject. The Council has the ultimate power of dismissing the chairman if he or she fails to fulfil his or her responsibilities. The chairman appears before the Council twice a year to report and answer questions on his or her running of the Partnership. One of the Partnership Council’s duties is to elect three trustees of the constitution. They are responsible for deciding the constituencies for Council elections and for ensuring the elections are fair and that the ballot is secret. The trustees also act as directors of John Lewis Partnership Trust Ltd, the legal entity that holds the company shares in trust for the partners and officially appoints the chairman and distributes the Partnership bonus. The chairman and members of the Chairman’s Management Committee cannot be trustees of the constitution.

The trustees divide the Partnership into constituencies, and new constituencies are changed when shops are opened or closed. Each constituency usually elects one partner as its Council member (partnership councillor). Any partner who is entitled to vote may stand for election in one constituency only, proposed and seconded by other
partners entitled to vote in that constituency. Council elections are held every three years by secret ballot, and every partner has a single vote.

The Council elects one of its members to be president. Anyone may be elected president except the chairman, the deputy chairman, the director of communications or the managing editor of *The Gazette*, the Partnership’s weekly in-house magazine.

The chairman may appoint holders of particular Partnership posts to the Council. Currently this is the director of communications, director of legal affairs and director of partnership services. The aim of these appointments is to ensure that the Council benefits from the full participation of senior management and has access to specialist knowledge.

The Council generally meets at least four times a year. Any partner who is free to do so may attend any meeting of the Partnership Council, unless the Council rules otherwise for a particular occasion.

The John Lewis Partnership board is responsible for the proper management of the Partnership’s commercial activity. Members of the Partnership Board include the chairman, five directors appointed by the chairman, five directors elected by the Partnership Council who provide a direct link with the Partnership’s democratic structure, and one non-executive director.

The top level of management includes the chairman and the Partnership Board, who are responsible for the overall strategic direction of the Partnership. The other Partnership management body is the Chairman’s Committee, while John Lewis and Waitrose have their own Divisional Management Boards who are accountable to the chairman for performance, and are held to account internally by their own Divisional Councils.

The Chairman’s Committee includes the chairman, appointed directors on the Partnership Board, plus the director of Partnership Services. The Chairman’s Committee meets frequently to develop strategy, business plans and budgets and review major operational and management issues, financial results and forecasts and discuss capital expenditure.

John Lewis and Waitrose have divisional councils, with at least one elected councillor to represent each branch. Elections to the councils take place every two years, with partners voting in constituencies that are decided by the three trustees of the constitution. Councillors are elected to represent partner opinion, but not to act as delegates of their constituents. Their responsibility is to exercise their judgement for the best interests of the Partnership as a whole, not to promote sectional interests.

Each John Lewis selling branch has a Branch Forum, the members of which are selected by their fellow partners to represent them. Each Waitrose selling branch has a Partner Voice forum. This is the local avenue for partner opinion and is the means by which partners can provide feedback, question management on branch matters, raise their own issues and be consulted. Similar arrangements apply for the head offices and other divisions and units.

To make sure the integrity of the Partnership and the democratic system remain intact in perpetuity, the founder, John Spedan Lewis, created the position of Registrar, while the Partners’ Counsellor monitors and upholds the integrity of the business. Registrars act as Ombudsmen and are responsible for ensuring that the Partnership remains true to its principles and is compassionate in its dealings with individual partners. The Partners’ Counsellor monitors and upholds the integrity of the business,
its values and ethics as enshrined in its constitution. He or she is a member of the Partnership Board and performs the role of senior independent director in his or her interaction with partners as co-owners of the business. He or she supports the elected directors in their contribution to the board and thereby helps underpin their independence. At least once each year, the Partners’ Counsellor convenes meetings with the elected directors, without other executive directors being present.

Waitrose joined the John Lewis Partnership in 1937 as a chain of ten specialist food shops, with the first supermarket opening in 1955. Over the years, partners have stayed true to Waitrose’s initial strategy of combining the convenience of a supermarket with the expertise and service of a specialist shop. They have worked with producers and growers, pioneering local and organic products and championing sustainable sourcing, to build a network of 258 shops known for the quality, safety and provenance of the food.

As the result of a franchise partnership, food shops have been opened at 13 Welcome Break motorway service areas. In a trial with Boots, Waitrose ‘food for now’ and ‘food for later’ will be offered in Boots branches and Boots health and toiletries lines will be on sale in Waitrose shops.

Greenbee Insurance has always been part of the John Lewis Partnership, but has now changed its name to John Lewis Insurance. Greenbee Phone and Broadband service offers competitive packages for both phone and broadband connection.

The John Lewis Partnership constitution sets out its ethical principles, governance system and rules. It has seven principles which define how the business is run:

- **Purpose:** the Partnership’s ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards profit, knowledge and power.

- **Power in the Partnership** is shared between three governing authorities: the Partnership Council, the Partnership Board and the chairman.

- **Profit:** the Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development and to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose.

- **Members:** the Partnership aims to employ people of ability and integrity who are committed to working together and to supporting its principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognize their individual contributions and reward them fairly.

- **Customers:** the Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.

- **Business relationships:** the Partnership aims to conduct all its business relationships with integrity and courtesy and to honour scrupulously every business agreement.

- **The community:** the Partnership aims to obey the spirit as well as the letter of the law and to contribute to the well-being of the communities where it operates.
PARTNERSHIP STRATEGY

The strategy is based on three interdependent objectives – partners, customers and profit – which together will make a successful business:

- partners should gain personal satisfaction by being members of a co-owned enterprise in which they have worthwhile, secure and fulfilling employment and confidence in the way the Partnership conducts its business;
- the Partnership should recruit and retain loyal customers through their continued trust and confidence in the Partnership’s reputation for value, choice, service and honesty and for behaving as good citizens;
- the Partnership should make sufficient profit to sustain commercial vitality and distinctive character, allow continued development and distribute a share of profits each year consistent with Partners’ reasonable expectations.

These objectives build on the advantages of the co-ownership structure and demand an appetite for continuous improvement, innovation and enterprise to maintain the vigour of the Partnership’s commercial and democratic capability. They also require the highest levels of corporate governance through effective audit, corporate social responsibility and risk committees.

Achieving these three objectives requires the partnership to demonstrate the benefits of co-ownership and the behaviours that differentiate it. The ability to compete against and outperform conventional companies will be the most important illustration of the effectiveness of the Partnership’s approach to business.

HISTORY

In 1864, John Lewis opened a small drapers shop in Oxford Street. The next year, John Spedan Lewis, son of John Lewis, and founder of the John Lewis Partnership, was born.

In 1905, John Lewis bought control of the Peter Jones store. In 1914, John Lewis handed control of Peter Jones to John Spedan Lewis, who set up staff committees, the forerunners of today’s Committees for Communication. In 1919, John Spedan Lewis set up a staff council, the forerunner of today’s Partnership, Divisional and Branch Councils, and introduced the Donations Committee, the forerunner of today’s Committee for Claims.

The death of John Lewis in 1928 left John Spedan Lewis as owner of both stores. He converted the firm into a public company, John Lewis & Company Limited. The first constitution was published. The following year, the first Trust Settlement was created as the John Lewis Partnership, with profits available for distribution amongst all partners (staff).

In 1937, the Partnership bought Waitrose, a chain of ten shops. Three years later, it doubled in size by buying the Selfridge Provincial Stores Group, one of which was Cole Brothers (now John Lewis Sheffield).

In 1950, the second Trust Settlement was created, as John Spedan Lewis transferred his remaining shares and ultimate control to the trustees.
John Spedan Lewis retired as chairman in 1955 (he died in 1963) and was succeeded by Bernard Miller, who retired in 1972 to be succeeded by Peter Lewis, nephew of John Spedan Lewis. The same year (1955), Waitrose opened its first supermarket in Streatham.

In 1992, Waitrose opened its one hundredth food shop. The following year, Peter Lewis retired as Chairman and was succeeded by Stuart Hampson.

Ocado, the online service that delivers Waitrose groceries to many homes in the UK, was launched in 2000. Ocado is part-owned by the Partnership. The following year, John Lewis launched johnlewis.com, the online shopping site.

In 2006, The John Lewis Partnership launched Greenbee, a new direct services company, selling insurance, broadband and mobile phones. The following year, Sir Stuart Hampson retired as chairman and was succeeded by Charlie Mayfield.

In 2009, the first smaller format John Lewis at home shop opened in Poole, Dorset. The same year, Partnership Services was launched to meet partner needs, with simple, efficient services, enabling a growing and successful Partnership.

In 2011, Waitrose opened branches in the Channel Islands on Jersey and Guernsey. By this date, the John Lewis Partnership had become one of the UK’s top ten retailers with 32 John Lewis shops (28 department stores and four John Lewis at home); 258 Waitrose supermarkets; an online and catalogue business; a direct services company; one production unit; and a farm. The John Lewis Partnership won Retailer of the Year at the Oracle Retail Week Awards 2011.

FUTURE EXPANSION OF JOHN LEWIS

John Lewis is committed to growth, bringing their brand to more areas of the country with new stores and a growing online business. John Lewis Stratford is scheduled to open during 2011. The first store outside the UK will open in Dublin and the company is committed to opening its first shop in Sprucefield, Northern Ireland, at the earliest opportunity. Other new department stores are planned for Birmingham, Leeds, Oxford, Portsmouth and Preston. Smaller format at home shops will open in Exeter, Chester and Newbury in 2011 and in Chelmsford in 2013. There are also plans to open an at home shop in Ashford, Kent, by autumn 2012, subject to planning permission. The at home format focuses exclusively on the home sector, including electrical and technology assortments. In addition to new shops, plans have been announced to introduce a new in-store beauty spa concept at John Lewis Reading and John Lewis Cheadle in the summer of 2011. In addition to these developments they expect there to be further opportunities for more department stores and they will look for growth through their multi-channel strategy, particularly johnlewis.com.

Waitrose also aims to extend its store presence whilst improving price perceptions and developing an integrated multi-channel offer. It is continuing its expansion with new smaller format convenience shops and full sized branches. There are plans to open a total of 40 new shops during 2011, with branches due to open in High Holborn in London, Alderley Edge, Littlehampton and Uckfield. Subject to planning permission, a new 36,000 square feet store is due to open in Bracknell town centre by spring 2012. To support its continued expansion across the north of England and Scotland, Waitrose has announced plans for a new regional distribution centre in Chorley, Lancashire.
QUESTIONS

1. Is the strategy of an employee-owned business, like the John Lewis Partnership, likely to be any different from other large retailers?

2. What are the advantages and disadvantages for the company of being employee owned?

3. What are the pros and cons of being an employee-owned cooperative as opposed to being a consumer-owned cooperative like The Co-operative Group (see case study)?

4. What are likely to be some of the key strategic issues facing the John Lewis Partnership as it develops in future?

DISCUSSION TOPIC

Are large out-of-town stores run by John Lewis any more ethical than other large private retailers?

SOURCE

The John Lewis partnership website: www.johnlewisp Partnership.co.uk.