THE JOHN LEWIS PARTNERSHIP

by

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The John Lewis Partnership describes itself in its weekly *Gazette* as "a retail business run on co-operative principles". Until October 1978 an earlier definition used was "a co-operative society of producers".

In 1983/4 sales for its 21 department stores, 76 Waitrose supermarkets, factories and other interests exceeded £1 billion for the first time and its pre-tax profit amounted to £59 million. The business belongs to the 26,000 people working in it — managed and management alike. All except those engaged temporarily are Partners from the day they join, and all the ordinary share capital is held by trustees on their behalf.

Under irrevocable trusts Parnters get all the profits, after provision for prudent reserves, interest on loans and other commitments. A distribution is made direct in the form of a cash Bonus shared among Partners at the end of the trading year. For 1983/84 this amounted to £25 million, each Partner receiving an amount equivalent to 21% of his or her pay.

The declared aims of the Partnership are to run its business efficiently and competitively, and at the same time to enable its members to enjoy full information about it, to express their views freely, to co-operate in shaping its policies, and to share its rewards.

Its management is accountable to the general body of Partners, in particular through elected Councillors and through the Partnership's journalism.

Advantages of Ownership

As its Founder, John Spedan Lewis, wrote, "The Partnership's supreme purpose is to secure the fairest possible sharing by all its members of the advantages of ownership — gain, knowledge and power; that is to say, their happiness in the broader sense of that word so far as happiness depends on gainful occupation. No one Partnership can hope to suit everyone and the John Lewis Partnership does not attempt to do so. It is intended only for those who to be really happy need to feel they are giving good service to the general community and to whom its character and methods suit well enough in all other ways."

The Founder's father, John Lewis, had opened his first small drapery shop in Oxford Street on the site of the present large department store in 1864. By the early 1900s he had built up a flourishing business and had acquired the ailing Peter Jones department store in Sloane Square following the sudden death of its owner in 1906. At that time John Lewis's two sons, Spedan Lewis and Oswald, each had a quarter share and Spedan Lewis had already noted that he and his father and brother were taking from the business about £26,000 a year but that "to all the other people, who were likewise giving to it the whole of their working lives, it was yielding only about another £16,000." He set out to devise a fairer way of sharing the benefits of labour among all the people working in the enterprise. His first opportunity to experiment on any scale came when his father told him that he could do what he liked with the still-ailing Peter Jones as long as he did not leave his office in Oxford Street before 5 pm. It was 1914.

Verbal and Written Communications

One of the first things the new Chairman of Peter Jones did was to set up what is today called in the Partnership a "Committee for Communication". That is a committee made up of, and elected by, only those who have no management responsibility. There are now over 100 such committees meeting in branches throughout the Partnership. Their meetings are conducted by four travelling representatives of the Partners' Counsellor (or ombudsman) – a Principal Director responsible directly to the Chairman. These committees can, and do, discuss anything concerning the business, air grievances and make recommendations to management.

In 1918 came the first issue of what is now the Partnership's weekly *Gazette* which is today the principal means of sharing written knowledge about the business among all those working in it. It contains as much as can reasonably be published about management policies and decisions. It carries the previous week's trading results for all the Partnership department stores and supermarkets together with a weekly performance analysis by the two Directors of Trading concerned.

Each of nearly 80 Central Buyers is also listed by name together with their weekly percentage increases or decreases in sales. Regular reviews of each group of departments within the shops are published in rotation so that Partners in, say, haberdashery can assess their performance compared with similar departments in each of the other 20 department stores.

The readers' letters column is one of the most popular ways of calling management to account and the writers of such letters may choose anonymity if they wish. All anonymous letters must be published unless the Chairman of the Partnership is prepared to certify that such publication would be harmful to the organisation. If he does so decide the writer can appeal to the trustees of the constitution. Refusal of publication is rare.

To all letters that require them there must be replies from the officials concerned, ususally from a Principal Director or from the Chairman himself. Absolute anonymity allows forthrightness and trenchancy not only to the writers of letters but to the management in its replies.

This principle of critical anonymity applies also to the Committees for Communication, the minutes of which make no reference to the names of members. By the same token, should a head of branch be called in to answer questions or criticisms these are put to him by the independent Chairman and not by the individual who raised them.

First Share of "Partnership Benefit"

Peter Jones made its first substantial profit in 1920 and the first distribution of "Partnership Benefit" was made in preference shares in Peter Jones Ltd representing no less than seven extra weeks' pay. But Spedan Lewis was unable to take his ideas to the next stage until the death of his father in 1928. He then inherited control of the John Lewis store – his brother Oswald having left the business temporarily – and in 1929 began the process of transferring his rights in both businesses to those working in them present and future. The arrangement under this, the first settlement in trust, embodied an interest-free loan repayable out of the profits of ensuing years. He kept a controlling interest and devoted the rest of his life to perfecting the system of checks and balances, of verbal and written communication channels, which has taken the Partnership successfully into its third Chairmanship.

In April 1950 he signed a second settlement establishing the Constitution and surrendering his controlling interest, since when all the ordinary shares have been held in trust for the benefit of the Partners.

The principal authorities in the Partnership under its written Constitution are the Chairman; the Central Council, representing all Partners; and the Central Board, five of whose twelve directors are elected annually by the Central Council. Four fifths of Central Council members are elected annually by secret ballot in constituencies throughout the Partnership. Each Councillor therefore represents a geographical cross-section of Partners at all levels.

Where Ultimate Power Rests

The Chairman of the Partnership nominates his successor and each new Chairman on taking office gives a written undertaking to uphold the Constitution and is responsible for appointing the Principal Directors. In the Partnership management is expected to manage. The difference between the Partnership and most other organisations is that management is eventually accountable to its fellow-Partners for all that it does – or fails to do – in the best interests of the business.

Accountability also extends to the Chairmanship and a vote by two thirds of the Central Council that the Chairman is no longer a suitable person to hold office would lead to replacement.

Ultimate power in the Partnership therefore rests with its elected Central Council.

Parallels with the Co-operative Movement

The extent to which this remarkable and successful "co-operative society of producers" has parallels with the aims and practices of the Co-operative Movement as a whole is perhaps best left for others to assess.

However there are parallels with the principles approved by the International Co-operative Alliance in 1966.

For example, the Partnership aims to recruit without "any social, political, racial or religious discrimination" people of ability to posts that fall vacant.

Its managers do not have to accept recommendations made by its democratic institutions, but must be prepared to argue cogently through the journalism and other channels the reasons why.

Surplus arising out of the operations is distributed by the decision of the members in as much as the Central Board, upon which there are five representatives of the elected Central Council, decides – when the year's trading results are known – the rate at which Partnership Bonus shall be distributed.

It is the Partnership's basic belief that capital should receive a modest fixed interest and that rewards for taking a financial risk should never be unlimited.

It operates extensive training schemes for its members in the principles and techniques of co-operation as practised by the Partnership and willingly shares such information with anyone outside the Partnership who expresses interest.

In 1948 Spedan Lewis himself wrote: "From a tiny shop in Toad Lane, Rochdale, the Co-operative Movement, that is to say the idea of a co-operative society for consumers, within 100 years spread all over the world . . . . .

The John Lewis Partnership has arisen from a similarly practical attempt to solve a particular private problem, the problem of bringing as much reasonableness as possible into the conduct of one particular business."

Bibliography

Lewis, John Spedan 1948 *'Partnership for All'* Kerr-Cros, London; 1954 *'Fairer Shares'* Staples, London.

An illustrated booklet *'About the John Lewis Partnership'*, the 1983/4 Report and Accounts and sample copies of the weekly *Gazette* are available free from Information Services, John Lewis Partnership, 4 Old Cavendish Street, London W1A 1EX (01-637 3434 Ext.6110).

Note of the Author

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