Employee Ownership Association

The voice of co-owned business

CASE STUDY

John Lewis Partnership

MAIN BUSINESS

Retailers

ANNUAL TURNOVER

£5.8 billion

NUMBER OF EMPLOYEES

68,000

WEB ADDRESS

www.johnlewis.com

The John Lewis Partnership (JLP) is one of the UK's most profitable retailers – sales grew by 6.3% and pre-tax profit by 18.7% in the year to 27 January 2008. Its success owes much to the co-ownership principles of its founder, John Spedan Lewis, who handed over control and ownership in two trust settlements in the last century. The first settlement, in 1929, set up the current partnership and enshrined the principles of profit sharing. Financial control of the business was handed over at this point, but not in the form of a gift – the deal gave Spedan Lewis the right to be paid back for the ordinary shares he handed over. In 1950 the Founder handed over ultimate control to a Trust that owns the entire Partnership for the benefit of all its employees.

The JLP is one of a handful of companies to have a written constitution, which places the happiness of its partners at the heart of a successful business. The constitution also sets out the partnership's governance system, which is enshrined in three bodies: the Partnership Council (where management is held accountable and where some decisions are made, as well as being a forum for information and consultation), the Partnership Board (which has many features in common with the board of a typical plc, but includes elected employee directors and the Chair).

The Partnership Council's job is to hold management to account, and to act as a sounding board representing public opinion and the Partnership, either in plenary sessions or through committees.

"One of Spedan Lewis' greatest strengths was that he realised the business could not depend 100% on everyone agreeing in future. Systems were needed to cope with the possibility of disagreement, he was really wise about this", according to Ken Temple, president of the Partnership Council.

How does employee ownership help JLP? Partners have a sense of being involved and know that their opinion matters, and are able to feed this through the formal democracy bodies, according to Ken Temple. Employee ownership means that, ultimately, partners are working or themselves and their colleagues: "the rewards and outcomes of my efforts come back to me, and entirely back to me", Temple explains, adding "three words encapsulate the essence of effective co-ownership at the JLP: 'It's my business'".

Sustaining these principles is down to good leadership at all levels, from the chairman to branch managers, Temple believes. Managers must demonstrably believe that the system works. A belief in EO principles leads to partnership behaviour, which is secured though effective recruitment, extensive employee surveys, and systems of communication and training that reinforce the culture.

All of the Partnership's profit, after retentions for reinvesting, is distributed to Partners. Partners' bonuses can make headline news – at year-end 2007, Partners received a bonus of 20% of salary.

The JLP recently gained approval to set up a Share Incentive Plan as a tax efficient vehicle for partners to save part of these bonuses. Up to £4,500 a year out of bonuses can be put in the new BonusSave arrangement, and is held by the business in a share scheme, paying interest periodically. However, this does not give savers any voting rights over and above the democratic rights they have as partners. Ownership of the Company remains entirely in the Trust.

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