Case Study 6.2

John Lewis Partnership

The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business.

Principle 1 of the John Lewis Partnership Constitution

John Lewis Partnership is one of the UKs most recognisable and successful retailers with over 30 department stores, 244 Waitrose supermarkets, and an online and catalogue business www.johnlewis.com. It is also one of the UKs largest and oldest employee-owned companies, combining a common ownership structure with a governance system based on democracy and a culture of participation.[1]

Ownership

Ownership of the John Lewis group of businesses resides in an employee trust, the John Lewis Partnership Trust, which is run for the benefit of the company's 76,500 employees, or 'partners'. In 1929, John Spedan Lewis, the son of the founder of the original John Lewis store in Oxford Street, London, transferred the majority of his shares to an employee benefit trust, 'to be owned in trust for the benefit of its members'. Spedan Lewis became the sole trustee of the business until 1950 when he transferred his remaining shares into the trust and appointed three trustees; John Lewis had now become one hundred per cent employee-owned.

Employees do not hold the shares directly: one hundred per cent of the shares are held in the trust which is governed by three trustees and the chairman of John Lewis. The voting rights attached to the shares in the trust are divided between the trustees (sixty per cent) and the chairman (forty per cent). The trustees are elected annually by the Partnership Council, the highest, mainly elected, representative body of the company's partners. Therefore, employees do not hold direct voting rights in the company, resulting in the need to create democratic structures to enable the partners to exercise their rights of ownership.[2]

Governance

Governance in the partnership is exercised by three authorities: the chairman, the Partnership Board (equivalent to a board of directors) and the Partnership Council. The Partnership Council is the elected body of partners in the company, comprising of partners elected from the branch councils and a number of individuals appointed by the chairman. The Partnership Council has three key roles to play in the governance of the Partnership:

- to hold the chairman to account and remove him if necessary;
- to influence policy by making recommendations to the chairman and Partnership Board;
- to participate in making key governance decisions, including the election of non-executive directors to the Partnership Board.

The chairman and Partnership Board operate similarly to a CEO and board of directors in an investor-owned company. The Partnership represents the highest form of employee participation in the company.

The rights and responsibilities of partners

Ownership of a company bestows a number of rights and responsibilities on the owners; the partners in John Lewis are no different. These rights and responsibilities are enshrined in the Partnership's constitution, and are outlined in below.

Rights:

- Profit: to share in the profit created by the company.
- Knowledge: to work in a transparent and open environment and to be made aware of the performance of the business.
- Power: to determine who runs the business and to hold management to account.

Responsibilities:

- To take responsibility for the performance of the business.
- To build relationships powered by the company's principles.
- Create real influence over their working lives.

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[1] R. Oakeshott, *Jobs & Fairness: The Logic and Experience of Employee Ownership (*Norwich: Michael Russell, 2000), p. 218.

[2] Each branch of the company has a Partnership Councillor and Registrar, who make sure the integrity of the Partnership and the democratic structures within the company are upheld.