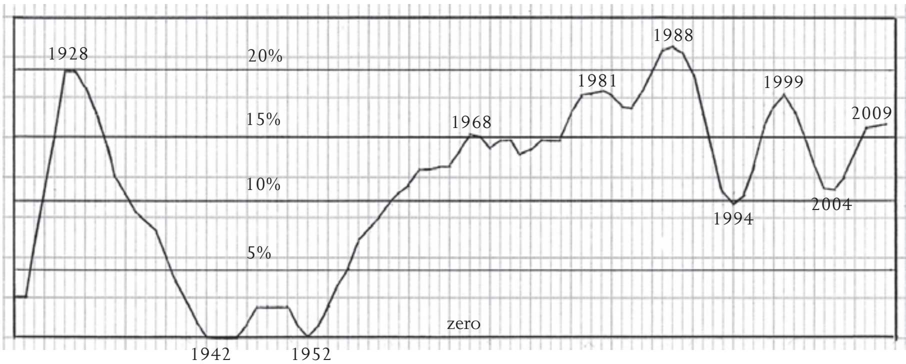
CHAPTER 20

The Partnership as a Co-owned Business



The movement in annual bonus percentage for the years from 1919 to 2009. In order to avoid it looking unreadably spiky, for each year it shows the average for the previous five. Note the lean years before and after the war, and the long steady climb from 1953 to 1988.

The advantage of your Partnership is the freedom from the City's distraction, so one needn't dance or twitch a muscle to its music. This advantage leaves you free to do the other foolish things you're so fond of.

PETER LEWIS AT THE PARTNERSHIP COUNCIL DINNER IN 2000, QUOTING A FRIEND WHO HAD SPENT HIS WORKING LIFE IN THE CITY

Is the Partnership damaging instead of improving the relations of managers and managed? Is it in these times of much overtime and business pressure more akin than it has been in the past to the relationships in most businesses run by limited companies?

SPEDAN LEWIS, MUSING IN REPLY TO A GAZETTE LETTER OF COMPLAINT, 5 NOVEMBER 1921

> 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**.

That is the stated purpose of the John Lewis Partnership, the first paragraph of its published principles. The Partnership pays its employees an annual Bonus which has averaged 16% in the fifty years to 2009, the equivalent of over eight weeks' pay. It still, almost uniquely among UK companies in 2010, gives them a non-contributory final-salary pension. It allows them a say in the running of the company through five Partnership board members, chosen by a democratically elected representative council. It allows *anyone* to question its decisions in a weekly journal, and the responsible director *must* reply. On top of all that it subsidises a range of amenities that in themselves are pretty much unequalled in UK businesses. It remains a co-owned enterprise, a 'Partnership on the scale of modern industry', as the words above the entrance of Peter Jones stress, though it would now be more accurate to say it's an industrial democracy on a scale far larger than most modern industries now remaining in the UK. So how does it work?

The Partnership's ownership structure is very different from that of the ordinary company. This chapter explores how it differs, how it works, and examines whether it makes a real difference to its business success. A sceptic should ask: so what? In the final analysis, what all people want is to earn what they think is a fair wage, to have a reasonably agreeable place to work, to feel secure in a job that doesn't drive them mad with frustration or boredom, and to be able to put away enough for retirement. To most of them, the sceptic might say, it doesn't matter a fig whether the company is a private one, a public plc, or a part of the government, as long as it ticks those boxes. The ordinary employee arguably has no particular interest in the 'benefits of ownership' which Spedan defined, very early on, as the sharing of profit, knowledge and power (although he always called profit 'gain'). We'll look at each of these in turn, starting with profit. The first and most important thing to recognise is that no part of the profit goes to a shareholder outside the business. The shareholders are the Partners, over 70,000 of them in 2010. The stakeholders are regarded as the Partners and the customers, as these stated precepts indicate. Note the reference to 'sufficient' profit in the paragraph below:

> The Partnership should make sufficient **Profit** to sustain our commercial vitality and distinctive character, allow continued development and distribute a share of profits each year consistent with Partners' reasonable expectations.