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A BETTER
WAY OF
DOING
BUSINESS?

LESSONS
FROM THE
JOHN LEWIS
PARTNERSHIP



Graeme Salaman & John Storey

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A Better Way of Doing Business?

'A penetrating discussion of a business that is so admired yet so little understood. The authors show what a delicate and complex organisation it is, where management have to balance commercial pressures against the happiness of the staff who own it. Throughout, the book also helpfully tries to draw conclusions about how far the John Lewis model can be replicated or used to influence how business works more generally.'

Sir David Norgrove, Chair of the Low Pay Commission
and former Executive Director of Marks & Spencer

'For the first time, the workings of the John Lewis Partnership are instructively examined by academics who have had high level and sustained access to the organisation. This book is a "must read" for anyone wishing to understand what lies behind the "partnership model" of corporate governance and the lessons that it may offer to business and society.'

Hugh Willmott, Professor of Management,
Cass Business School, City University London

'A rare study combining depth and breadth. The authors have a thorough knowledge of the Partnership, both academic and practical, over many years; and they are able to view it in the context of criticisms of capitalist ownership and the experiences of other cooperative businesses across the industrial world. The research is nuanced, careful, balanced, genuinely inquiring. The conclusions greatly advance the understanding of both the strengths and challenges of cooperative governance.'

Charles Heckscher, Professor, Rutgers University
School of Management and Labor Relations

To Olympia and Alexander (GS);
Anne, Rebecca, and David (JS)

Preface

The John Lewis Partnership (JLP) is an extraordinary organization. It is extraordinary in terms of its distinctive features, its longevity, its size, its continuing success, its popularity with staff, customers, and the wider public. Longevity: the first shop was opened 150 years ago and the Partnership was formed nearly 100 years ago; size: the 2015 Annual Report and Accounts show £10.9 billion in sales and over 93,800 partners. The Partnership enjoys increasing appeal to politicians and management-writers for whom it represents a much-lauded, admirable, and moral alternative to the conventional form of business organization. Most of all, it is extraordinary because, when other firms find ways to reduce the number of staff or reduce their rewards and the margins to suppliers, the JLP remains committed not to maximizing shareholder value (and senior management bonuses), but to partners' happiness.

As a revered UK institution and a successful business, the JLP merits our attention. Yet, although admiration for Waitrose and John Lewis is widespread and there is a general assumption that the institution is well 'known', in reality the JLP remains a mystery, a mix of impressions and beliefs—many of them encouraged by current management, some exaggerated, some half-true, many based on reality; for the Partnership is more talked about and admired than it is properly known and understood. The reality is more complex, even more impressive, and more interesting than the image.

The JLP is unusual even within the employee-owned category which, though larger than most people realize, is still a specialist niche. But this does not mean that it cannot teach lessons which apply well beyond this specialist category. The success of the businesses, the popularity of the JLP, and the public's affection for it raises a number of general questions which are of interest beyond the confines of specialists and organizational and business researchers who are interested in the JLP per se.

These questions include: how does JLP work in practice? What is the link between co-ownership, the JLP employment model, and the performance of the businesses? What is the role of leadership and management in its success? Are mutuality, co-ownership, and business performance at odds? What is the significance of democracy within the JLP? And probably most significantly: what are the implications, the lessons to be drawn, for policy makers and for

economic agents from this organization? Is it feasible for businesses in the public or private sector to replicate or emulate the JLP model? Even without full replication, we suggest there are indeed many important lessons to be drawn from an in-depth study of this organization which are of relevance to policy makers, practitioners, and academic analysts.

This book is based on detailed knowledge of the JLP and its constituent businesses gathered by the authors over a fifteen-year period. The trigger for the making of this book was unusual. It started unexpectedly with a request at corporate level for advice on management development and organizational development issues in 1999. This led to a succession of assignments by the authors in a series of related projects including board level management development; the introduction of business planning and performance management; John Lewis and Waitrose management board assignments; a values project ('Powered by Our Principles'); a study of branch managers, a study of the role of the registrars; competency profiling; pay systems and human resource management strategy. Each of the projects entailed close involvement as advisers and as participant-observers. This practical work was complemented with in-depth interviews over an extended period of time. The authors' involvement with these projects across the Partnership brought them into contact with many managers and partners at many levels and they visited diverse sites—including head office, branches of John Lewis department stores and Waitrose supermarkets across the UK, and distribution centres.

While this array of activities and projects helped inform the background knowledge and understanding of JLP, the analysis conducted in this book is mainly about the management and leadership of the JLP. The authors, with the approval of top directors, set about an explicit and open attempt to conduct a thorough analysis of the Partnership. Interviews were conducted with virtually all corporate level directors and with directors in the constituent businesses. These were recorded and transcribed. While many other people were also interviewed, including non-management partners, the heart of the analysis in this book is centred on an analysis of managers' accounts. Hence, this book is about managing and about governance. It is not a conventional study of industrial democracy. The views of 'ordinary employees' (non-management partners) are reflected in reports of the annual partners' surveys; we did not seek to add to those results. Our interest and therefore our focus, was upon how managers interpreted the challenge of leading in a high-profile context where expectations extended beyond 'simply' making a profit. At a time when 'stakeholders' rather than only 'shareholders' are deemed to be important, we wanted to use this opportunity to explore how an extant stakeholder organization operated in practice.

The book has a wider relevance and application beyond those who have an interest in the JLP itself whether as a customer, a supplier, competitor, or

sector analysts. The book is a detailed organizational ethnography. In the management and academic literature on organizations there are many accounts and histories of business organizations, but there are very few that adopt the kind of research-based approach employed here. We sought to reflect at least some of the characteristics found in, for example, Andrew Pettigrew's study of ICI in his book *The Awakening Giant* (Pettigrew 1985). He carried out research over an eight-year period, and in addition, like us, used retrospective views to extend that period. He too was engaged with his subject through a mixed role as consultant, trainer, and researcher. Few other books offer the kind of rich account we strive for here based on careful analysis of the extended reflections from the participants themselves as they struggle to make sense of their role and the nature of a partnership enterprise.

The book analyses their dilemmas and disappointments, the pleasures of a (mainly) shared commitment to decency and fairness, the burden and possibilities of the Partnership's legacy, the responsibilities invoked by the extraordinary liberality of the founder, Spedan Lewis (son of the original John Lewis), in 'giving away' a large part of his business, and the struggle as they fight to protect and preserve an organization and a way of working. The managers themselves (at all levels and from all functions) tell the story of their sense-making attempts and their struggles. These accounts, presented and analysed by the authors, paint a nuanced, occasionally poignant account of an organization which matters greatly, not only to those who work in the Partnership and who are dedicated to ensuring it survives, but to those who admire its attempt not only to sustain morality in employment and business, but to make it work in the face of increasingly harsh market forces.

The book is an independent analysis by two organizational researchers who have sought to apply their training and experience in academic research methods to develop an understanding of this institution. Punches are not pulled in the ensuing critique. Yet, the research for and the writing of the book was supported by JLP senior management, who typically, did everything to help, and nothing to hinder, the research efforts. Crucially, they sought to apply no editorial influence whatsoever. The authors, though independent in their judgement, are admirers and supporters of the organization but they nonetheless bring to bear a critical perspective. Their admiration for the Partnership has not simply survived their analysis but increased. They appraise and assess the organization as unflinching critical friends.

The book contributes to theory in a number of inter-related domains. From the outset, the analysis is located within the wider context of deep concern about the suitability and fitness-for-purpose of the modern corporation within the US/UK mode of capitalism. We are not alone in raising such concerns. Notable analyses and critiques have been made by Colin Mayer (2014) and Will Hutton (2015a, 2015b). Hutton mounts an impassioned critique of

short-termism and transient ownership and proposes a reform of company law and the structure of corporate ownership. In a powerful and influential critique, Mayer, likewise, points to the deficiencies and dysfunctionalities of the modern corporation. This, he argues, has evolved into a rootless, irresponsible, formation which is not acting as a force for good in the way that it could. Mayer's solution to these fundamental ills is a revamped corporate form which is based on a much wider set of values and with commitments to a wider set of stakeholders. A mechanism to help deliver this alternative he suggests is a 'trust firm'. Such firms would align a wider set of interests through a trustee arrangement with an eye on the longer term. The prescription bears a close resemblance to the model practised by the John Lewis Partnership. Our analysis of JLP therefore serves as an examination of the type of firm advocated by Mayer. With our close analysis of one leading exemplar of this 'type', we build on, and add to, Mayer's work by bringing to the surface how actors in these types of firm experience multi-stakeholder pressures and multiple objectives, and how the resulting tensions are managed in practice. We reveal important aspects of the complexities and contradictions inherent in such types.

Another vibrant strand of contemporary theoretical debate in the social sciences concerns institutional theory and the handling of multiple and competing institutional logics (Thornton et al. 2012). In exploring how managers navigate between the dual logics of commercialism and mutualism, the analysis of this book contributes to the wider discussion on 'institutional logics' (Reay and Hinings 2009; Thornton et al. 2012). Having to balance, as they do, commercial objectives and partner objectives, JLP managers face, in a stark way, the tensions associated with 'hybrid organizations' (Battilana and Dorado 2010; Pache and Santos 2013). Hybrid organizations seek to combine competing institutional logics. It has been argued that hybrid organizations are becoming ever more prevalent in late modern societies (Kraatz and Block 2008). Literature in this area notes the different strategies that can be adopted to handle tensions of this kind including 'de-coupling' (for example, handling the partner-interests priority by setting up special departments somewhat apart from commercially driven managers), or for example, more complex attempts to combine competing logics through 'logic blending' (Besharov and Smith 2014). The book explores how JLP managers enact and rationalize such strategies and the degree to which they are successful in handling these potentially competing logics.

The book also makes a contribution to debates on the governance of organizations. This is an aspect explored by others using secondary sources (Paranque and Willmott 2014). JLP has an elaborate array of 'governing authorities' (The Chairman, The Partnership Council, and the Partnership Board). These are presented and treated by most of the players—certainly

the senior ones—as a set of checks and balances. But governance in JLP—certainly in terms of accountability—is contentious. Non-executive directors are a relatively new phenomenon on the Board and their role is still uncertain and ambiguous in this ‘employee-owned’ business. Governance issues are also raised through the dynamics of managers acting nominally as ‘agents’ of the ‘principals’ (the employee owners) (Berle and Means 1967). Directors often claim that their role is as ‘agents’; yet, in many ways, they act as relatively free agents and assume a principal-like standing and mode of behaviour (Eisenhardt 1989). Similarly, despite the declared commitment to sharing knowledge, there is the problem of asymmetrical information in practice and the danger that agents act in their own self-interest. The emphasis, for example, on growth and expansion and the prioritizing of sales at the expense of returns to partners, is seen by some critics as evidence of just such a tendency. This theme is explored in depth in the book along with similar areas of action such as policy in relation to the pension scheme and decisions about the bonus. The nature and meaning of JLP has, of course, been explored by others. The workings of the democracy were researched in a classic book by Allan Flanders and colleagues (Flanders et al. 1968). The business performance aspects were examined in the early 1990s (Bradley and Taylor 1992). More recently, work by Peter Cox, a former JLP manager has contributed a useful narrative of the growth of the business (Cox 2010). Work by academics, Cathcart, Paraque, and Willmott have raised fundamental issues of the wider significance of the Partnership in relation to capitalism (Cathcart 2009, 2013a, 2013b; Paraque and Willmott 2013).

A further domain of theory illuminated the wider question of the work of managers. As Colin Hales once put the question ‘What do managers do?’ (Hales 1986). This has been a long-standing debate with important classic contributions from Rosemary Stewart (1976) and Henry Mintzberg (1973). Related work on managers and their work has focused on the theme of managerial identity (Knights and Willmott 1999; Alvesson and Willmott 2002). This book contributes to the debate by shedding light on the detail of managers’ daily work and the way they think about their role and the way they conduct it.

A final contribution to theory made in the book that we want to highlight here concerns the handling of contemporary employment relations. The Partnership has gone to unusual lengths in developing elaborate processes of employee consultation and engagement. Considerable investment of time and money is allocated to the maintenance of the supporting institutions. ‘Employee voice’ is celebrated as invaluable to the realization of the model and to its performance outcomes. The book explores these themes in depth and in so doing contributes to theory on the link between such engagement and performance (Barrick et al. 2015).

In these, and related ways, this book attends to core themes in contemporary business life. It reveals and explores the tensions and dilemmas even in the most well-intentioned of organizations. It anchors common and arguably universal predicaments in tangible decisions relating, for example, to extended opening hours, site closure and redundancy alongside investment in new sites and refurbishment of some existing stock, cost-cutting, new formats, restructuring and delayering, closures of old facilities such as distribution centres and the opening of new ones, choices about employee voice and representation, sub-contracting and off-shoring. Such decisions are the warp and weft of managerial work. Underlying each instance and overlaying the analysis as a whole is the fundamental question: does the JLP way represent a better way of doing business?

Acknowledgements

The nature, and we hope the virtues, of this book stem in large part from the quality and duration of our relationship with an array of articulate and thoughtful people across the Partnership over a number of years. Each, in his or her different way, helped us get the story and the analysis straight about an institution for which they invariably cared deeply. They were generous with their time and with their efforts to help us understand the complex array of interconnecting issues.

It has not been possible to name everyone with whom we talked and we apologize in advance to those whose names are missing. With regard to those who are named below, two points are important to note.

First, some of these were interviewed and consulted for what we describe in the Research Note as the 'business research' phase of the work, that is, the practical project work undertaken from 1999 to 2008 on aspects of management and organizational development. Other names listed are the interviewees for the 'academic research' project phase which took place from 2010 to 2015. Many persons were in both camps and thus were interviewed at least twice.

The second point to note is that the job titles shown alongside names *reflect the roles played by these informants at the time we encountered them*. Given the degree of churn between posts, these designations do not necessarily reflect the current state of play, indeed a number of those listed have since retired and others have moved to entirely different roles, left the Partnership, or died. Others remain in post in the roles as listed. Many, indeed most, moved between a number of positions—for example, Andy Street, currently MD of John Lewis, was formerly Supply Chain Director and Personnel Director at various times during our contact with him. Many of the interviewees had joined as graduate trainees and had worked for as many as a dozen branches and worked in central roles. Most were highly knowledgeable about the Partnership.

Johnny Aisher, Partner Counsellor's Office

Ian Alexander, Finance Director of the Partnership and Deputy Chairman.
Died in post

Tom Athron, Waitrose Finance Director then Group Development Director

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Anne Buckley, Registrar, John Lewis; Head of Partner Support
Sally Carruthers, Personnel Director, JL, retired
Margaret Casely-Hayford, Legal Services Director, JLP, until 2014
Marisa Cassoni, Finance Director 2006–2012
Dudley Cloake, Partners' Counsellor and Personnel Director, retired 2003
Paul Coby, IT Director, JL
Rob Collins, Retail Director, Waitrose, Managing Director from 2016
Maurice Dunster, Director of Organisational Development
Steven Esom, Waitrose Managing Director 2002–2007
Judy Faraday, Archivist JLP
David Felwick, Managing Director at Waitrose then Deputy Chairman JLP, retired
Simon Fowler, Managing Director of Oxford Street Branch, then Partnership Registrar on JL Board, Chair of the Employee Ownership Association
Eric Gregory, Systems Director then Personnel Director, JL, retired 2009
Sir Stuart Hampson, Chairman of the Partnership until 2008
Harriet Hounsell, Personnel Director, JL
Ann Humphreys, Properties and Retail Development Director JL, retired 2007
Helen Hyde, Waitrose Personnel Director
David Jones, President of Partnership Council, Waitrose Supply Chain Director, Partnership Registrar, Waitrose Management Board
Nigel Keene, Property Services Director, Waitrose
Tracey Killen, Personnel Director, JLP Board
Alan Lester, Corporate Lawyer (now left the Partnership)
Patrick Lewis, Partners' Counsellor, Group Finance Director
Jill Little, Merchandise Director, retired
Alistair McKay, Deputy Chairman (retired)
Charlie Mayfield, Chairman of JLP
Luke Mayhew, Managing Director of the John Lewis Department Stores until 2004
Richard Mayfield, Head of Partnership Services, left 2012
Angela Megson, Director of Buying, Waitrose, until 2006

Chris Mitchell, Head of Branch, Norwich

Andrew Moys, Director of Communications, Group level

Brian O'Callaghan, Managing Director of JL, retired 2000

Andrea O'Donnell, Commercial Director, JL

Maggie Porteus, Head of Branch, Cheadle, interviewed 2002

Mark Price, Managing Director of Waitrose, Deputy Chairman, retiring April 2016, Minister of State for Trade from April 2016. Baron Price

Dino Rocos, Operations Director, JL

John Sadler, Former Director of Finance, retired

Geoff Salt, Supply Chain Director and then Director of Selling, Waitrose, retired 2009

Andy Street, Managing Director of John Lewis Department Stores

Ken Temple, Chief Registrar and Partners' Counsellor, retired

Gareth Thomas, Retail Operations Director, JL

Peter Ruis, Buying and Brand Director, JL, left 2013

Tony Solomons, Personnel Director then Retail Director, Waitrose 2008–2012

Rupert Thomas, Marketing Director

Laura Whyte, Divisional Registrar, JL, Personnel Director JL, retired

Mark Williamson, Commercial Director, Waitrose

David Young, Deputy Chairman, 1993–2002

Sue Walters, MD of John Lewis Kingston (Branch Manager)

Additionally, the book was strengthened by academic and other colleagues who generously took time to read and comment on drafts of the manuscript as it came together in late 2015. In this regard we are extremely grateful to:

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A Note on Research Methods

The research underpinnings for this book are somewhat unusual. They include, among other things, what might be termed ‘business research projects’ as well as ‘academic research projects’. The relationship between these two is of some interest and not only for students of research methods. For this longitudinal work programme, we brought some aspects of academic research methodology into the business research work at the outset. Hence, for example, when working on the initial practical, problem-solving projects, we conducted one to one research interviews with participants using semi-structured interviews which were digitally recorded and then transcribed. The resulting transcripts were used for systematic data analysis. Hence, there was no sharp divide between the methods used for each type of project—research consultancy and academic research.

The business research was constituted by a series of empirically-based projects of an applied nature and were commissioned by a number of senior directors in different parts of the John Lewis Partnership over a period of years. These series of projects started in financial year 1999–2000 and continued through until 2007–2008. Some of these were in the JL department stores, some in Waitrose, and others were at corporate cross-Partnership level.

For example, an early project in the JL department store division addressed the roles and behaviours of branch managers (known in JL as Managing Directors of Branch or Heads of Branch). Another project attended to the workings of the JL Board and reviewed the constituent board members and their roles. This work took place at a vital time when significant changes were being forged under the leadership of Luke Mayhew, who had been brought in with previous experience with British Airways—the classic change management case of the era. He was described in the business press as ‘The man who tamed the peculiar beast’ (*Daily Telegraph* 23 October 2003).

Other projects were undertaken for Waitrose. These included, for example, a project on the workings of the Waitrose Board and the relations between the work done by Directors and their direct executive reports.

A third set of projects was undertaken for the corporate level (now commonly known as Group). These included a study of the role of the corporate