

John Lewis Partnership - Our founder

John Lewis Senior

My father, who had been born in Somersetshire, worked his way to London and there in his twenty-ninth year started business for himself in one little shop in Oxford Street. Forty years later, on my own nineteenth birthday, I came into that business. By then it was large but still wholly his own.

It was soon clear to me that my father's success had been due to his trying constantly to give very good value to people who wished to exchange their money for his merchandise but it also became clear to me that the business would have grown further and that my father's life would have been much happier if he had done the same for those who wished to exchange their work for his money.

The profit, even after ten thousand pounds had been set aside as interest at five per cent, upon the capital, was equal to the whole of the pay of the staff, of whom there were about three hundred.

To his two children my father seemed to have all that anyone could want. Yet for years he had been spending no more than a small fraction of his income.

On the other hand, for very nearly all of his staff any saving worth mentioning was impossible. They were getting hardly more than a bare living. The pay-sheet was small even for those days.

The idea

The ideas in this respect, that my father followed with the exceptional ability and energy that he put into all of his work, were not surprising in someone whose start in life had been so different from that which his hard-won success had enabled him to give to his two sons but six years of experience of those ideas led me to the notion of the John Lewis Partnership, the notion that the relation of employers to employees should be that of lawyers or stockbrokers to their clients or of doctors to their patients or of teachers and trainers to their students. None of these experts ask for their services more than a definite fee quite moderate in relation to the importance of the service they give for it.

Some critics of this notion will point out that employers carry financial risk. Even if they do, why should they ask for themselves more than a definite limited reward? Why should they claim the whole or almost the whole of any profit, no matter how great it may be? But, as a matter of fact, ever since the invention of the joint-stock-company with limited liability the function of saving and lending, that is to say the function of providing capital, has been becoming more and more, separate from the function of managing, that is to say of using capital, no matter who owns it.

Looking for change

The present state of affairs is really a perversion of the proper working of capitalism. It is all wrong to have millionaires before you have ceased to have slums. Capitalism has done enormous good and suits human nature far too well to be given up as long as human nature

remains the same. But the perversion has given us too unstable a society. Differences of reward must be large enough to induce people to do their best but the present differences are far too great.

If we do not find some way of correcting that perversion of capitalism, our society will break down. We shall find ourselves back in some form of government without the consent of the governed, some form of police state.

The dividends of some shareholders exceed their own highest hopes, hopes that may have been much too greedy, and the incomes of the more fortunate of the captains of industry are many times as great as would have caused the same persons to work just as hard and for just as many years if, instead of going into business, they had happened to become, say, lawyers or doctors. This is quite wrong.

Making progress

The John Lewis Partnership was started to find out what would in fact happen if business were managed otherwise. So far, the thing seems feasible. In 1928, at the end of my father's life, John Lewis and Peter Jones were the whole of the business that then became the Partnership's. In this year, that has just ended, the combined turn-over all of the Partnership's Branches was over twenty-seven million. That is very fairly big business. At this present level the Partnership is providing whole-time occupation for more than twelve thousand working Partners. Before there has been any sharing of profit, their yearly pay-sheet in the ordinary sense of the word is four and a quarter million pounds. Over and above full pay in this ordinary sense the members have had so far upwards of five million pounds.

A secure constitution

The John Lewis Partnership is governed by a written constitution founded upon irrevocable Settlements in Trust that will be upheld and enforced by the Courts of Law. That constitution is intended to secure that all of the members will share as fairly as possible gain, knowledge and power, that is to say all of the advantages of owning a business. Other perfectly genuine partnerships may differ widely in a host of ways but I suppose that all of them will have likewise a secure constitution and, whatever the details of their organisation and methods, will exist for the happiness of each and all of their members, as does every good family and every good club.

Sharing of gain, knowledge and power

There must be inequalities of ability, energy and scope and there must be correspondingly inequality in the sharing of gain and of knowledge and of power but this inequality should be the least possible. It need not be nearly so great as in the modern business-world it is.

If partnership for all takes the place of exploiting employment, trade unions will still be needed. They will be needed to assert within each partnership the claims of their own members against those of other workers, Moreover, not only trade unions but other professional associations of various kinds of experts and of subordinate managers may join together in discussions, not to say contentions, with holders of senior posts.

The sharing of gain and of power speak for themselves but in respect of the sharing of knowledge it should be remembered that modern team-work is apt to mean monotony and boredom and that to a really important extent this is diminished if workers of all grades are given interesting knowledge of the board results of what they are doing. This can be done by constant publication of everything of which knowledge will not be too useful to business-competitors.

Freedom of speech

In the John Lewis Partnership a weekly newspaper publishes letters that can be completely anonymous even to the Editor. Nothing is suppressed that would be out of order in the House of Commons. In this way it is always possible for anyone inside the Partnership or outside to talk straight to the management and for the management to talk straight to him and to his friends.

Proper general publicity, including publication of completely anonymous letters of enquiry, criticism or suggestion is in itself a very long step towards real sharing of power but in this respect I have just time to mention that the particular arrangement adopted by the John Lewis Partnership divides power between three separate holders.

Governing authorities

The controlling board have their own powers under Company Law.

Their Chairman is a sort of general Managing Director, holding those of the powers of an owner-manager that at this stage at all events of the Partnership's development it seems necessary to concentrate in one pair of hands. Neither his own income from the Partnership nor that which he awards to anyone else may exceed a certain upward limit. On the other hand no member can be given less than a certain living wage fixed from time to time by a Council of whom I am about to speak, to which living-wage there is of course attached family allowance fixed in the same way for any dependents.

All the dividends are limited to a fixed rate and the average on the total capital is under five per cent. So long as he succeeds, the Chairman has life tenure up to his 75th birthday. If somehow he fails, the Council could by a vote of confidence enable him to retain office.

Besides these two, the Board and their Chairman, there is this Council of about a hundred and twenty members of whom at least two-thirds are elected yearly by secret ballot of the whole Partnership. This Council has an unlimited right of discussion and recommendation and certain substantial executive powers that will, I hope, grow quite a long way. For one thing, it can spend an amount equal to one per cent of the pay-sheet of the previous year. This means at present more than forty thousand pounds a year. The only restriction upon the Council's discretion is that the Chairman could veto a use that in his reasonable judgment was too dangerous to the Partnership's business interests. The Council could go to law with him about that and, if the Court did not uphold him, he would lose the Chairmanship and the vacancy would be filled by trustees appointed by the Council. From this fund the Council can, for example, award at the expense of the Partnership any compensation they think fit to any outgoing member or to anyone else who in their view has been treated badly. The Council must vote by secret ballot if so required by any member or by anyone else principally interested in the particular matter.

The future

Rightly or wrongly I feel quite certain that the general idea of substituting partnership for exploiting employment is now-a-days in the air and will spread through industry of all kinds. It is already dear to many hearts besides my own, for it makes work something to live for as well as something to live by. Here may be the new source of working energy of which our country is in such grave need.