A Brief History of John Lewis

Spedan Lewis who was the son of the founder John Lewis believed quite simply that it was unfair for either the private owners of a business, or shareholders who invested money in it, to have a greater claim on its prosperity than those who invested their time and labour. The democratic nature and profit sharing basis of the business were continually strengthened and were ultimately secured by two Settlements in trust in 1929 and 1950. These provided for distribution of profit s among Partners, established a written constitution for the business and transferred all Spedan Lewis's rights of ownership to trustees. It is this that has made the John Lewis partnership what it is today. John Lewis is the biggest partnership in the who le of the Untied Kingdom

In 1864 John Lewis started the partnership when he set up a drapers shop in oxford street, London, which developed into a full -scale department store. In 1905 he acquired the Peter Jones department store in Chelsea, where his son, Spedan Lewis, began an experiment in sharing power with his staff. He set up a staff council, a 'Committee for Communication' (in which non - management staff could raise day-to-day issues) and a house journal; and in 1920 he started sharing the profits t he business made among the employees.

The partnership expanded with the purchase in 1940 of the branches of Selfridge provincial stores, since when steady expansion has continued.

In 1937 Waitrose was acquired. At that time it comprised of 10 small ful l service food stores with turnover of £150,000. Self -service was first introduced in 1951 and the first 'supermarket' (in modem sense of the word) opened in Streatham in 1955. Rapid expansion in the late 1960s and 1970s was supported by the opening of a t echnically advanced automated high bay warehouse at Bracknell in 1972.

The John Lewis partnership is the UK's largest department store group with a network of shops stretching from Aberdeen in north -east of Scotland to Bristol in the south-west of England.

John Lewis has twenty five department stores with over five million square

feet of space, offering a choice of half a million different lines.
The department stores sell everyt hing from a ping-pong ball to a large American style Fridge freezer. Not all store stock everything that another store might do.
In the past year John Lewis have launched John Lewis direct, which is an ordering service over the Internet and is then direct ly sent to the customer's home address. This saves the customer having to collect the product.

John Lewis operates a partnership ownership. All forty thousand permanent staff are Partners in the business and share in its profits. That's why they care about the customers and the suppliers and the future. The staff are made partners because John Lewis believes that the staff should feel they are part

of the company. Being a partner means they own a small percentage of the company in shares. Which is returne d to them in the form of a bonus at the end of each financial year. At the end of each year the profits (final amount made after deductions such as the expensive of a new store) from all the stores including Waitrose are calculated and then a percentage is worked out depending on how many partners there are on record for working for the company on a particular day when the calculation is made. Then each partner will get a percentage of what they had earned in that year.

Last year the percentage was only 9% . This was only the second time the company's history that the bonus has gone down into a single figure. The low figure may have been due to people spending less. It was not just John Lewis that was affected, the whole country would have been, and this is because the country is in a ression stage of the economy. This means that there is a lack of money in the economy so people need to save more money for essentials, which means that they will cut back on luxuries. If people are spending less it means that companies will have less money to pay staff with which means that wages or salaries will be lowered and in more extreme cases jobs may be lost. It then means that companies will not be able to afford new staff, which then means there will be a high unemploy ment in the country.

A partnership means more than one person owns the business and the owners have unlimited liability.
A partnership requires a deed of partnership, which detail, who is part of the partnership, how members can join and leave the par tnership, the duties of each partner and how the profits will be shared.
The advantages of an partnership is that it is easy to set up, not a lot of capital is needed at the beginning, all the profit can be kept and shared around the partners and all the partners could bring a range of abilities.
Partnerships are usually small business. This is what makes John Lewis unique, as they are a large firm that has branches all around the UK. But for them to claim that they are a partnership they have to follow cer tain rules that all partnership has to follow such as the deed of partnership. Which they do very successfully.

Types of business ownership

The sole trader

A business is called a sole trader when:

- There is only one owner
- The owner has to make all the decisions
- The owner has unlimited liability

Advantages

- Easy to set up
- Small amount of capital needed

- Can make all the decisions
- Can keep all the profits
- Can provide a more personal service
- Is own boss

Disadvantages

- Unlimited liability
- Difficult to raise capital
- Difficult to compete with large companies in terms of price
- Business cannot be run if owner is on holiday or is ill

Partenership

A partnership is when:
- More than one person owns the business
- The owner have unlimited liability

A partnership requires a Deed of Partnership which details:
- Who is part of the partnership
- How much capital each member put into the partnership
- How much profit will be shared
- The duties of each partner
- How members can join or leave the partnership

Advantages

- Easy to set up
- Small amount of capital needed
- Easier to raise capital
- Can keep all the profits
- Can have a range of abilities

Disadvantages

- Unlimited liability
- Possible disagreement between partners
- Partnership dissolved if partner becomes bankrupt or dies

Private Limited Company(Ltd)

A business is a private limited company when:
- At least two people set it up
- The owner have shares in the company
- Only people the owners want to sell shares to can buy shares, such as family, friends or employees
- The owners have limited liability

A private limited company needs:

- A memorandum of Association and Articles of Association, to register the company with the Registrar or Companies
- An Annual General Meeting(AGM) of shareholders
- An audited set of accounts available to the publ ic

Advantages

- Limited liability
- Can raise capital by selling shares
- Does not need to be dissolved if one partner dies
- Legal status is separate from owner

Disadvantages

- Needs audited accounts to be made public
- More expensive to set up
- Cannot sell share on the stock market
- Limited in what type of business it can compete in

Public limited company(PLC)

A business is a public limited company when:

- At least two people set it up
- It is owned by shareholders
- Shares can be bought on the stock market
- Shareholders have limited liability

A public limited company needs:

- A Memorandum of Association and Articles of Association, to register the company with the Registrar or Companies
- A prospectus to get investors to buy shares
- An Annual General Meeting (AGM) of share holders
- An audited set of accounts available to the public

Advantages

- Limited liability
- Can raise capital by selling shares
- Easier to raise finance as seen as less of a risk
- Large company, so can compete on economies of scale

Disadvantages

- Needs audited accounts to be made public
- More expensive to set up
- Needs at least £50,000 in capital

- Size of company can affect speed of decision making
- Little contact between shareholders and employees

Franchise

A large business sells the right to produce goods or services to small business.

A franchise needs:
- A well known brand
- A one off fee paid by franchisee to franchisor
- Royalties paid to franchisor

Advantages

- Safer way of starting a business
- Franchisor must provide training, to help with management and materials

Disadvantages

- Franchisee must follow rules set by franchisor
- Franchisee cannot sell business without permission
- Franchisee had to pay percentage of profit to franchisor
- Franchisee will never own their business

Cooperative

A business is a cooperative when:
- It is owned by the workers
- The workers own the shares
- Decisions are made by workers voting
- All the workers are responsible for the business
- All the workers are paid the same and receive the same share of profits

Advantages

- Less disagreement as workers are owners
- Workers receive profits and so have more incentive

Disadvantages

- New workers need capital to invest in the business before they can begin work
- Often pressure to sell successful cooperatives
- Expansion needs new workers who can invest in the business
- Difficult to get good managers if all workers are paid the same