Strategy and governance

Quantifying the benefits of employee-owned businesses for the John Lewis Partnership

**Synopsis**

The UK's best-known employee-owned business, the John Lewis Partnership, wanted to look at the economic and social benefits of employee ownership. It asked Cass Professors Joseph Lampel and Ajay Bhalla to investigate the performance of such firms, compared to conventionally-structured businesses. The report formed the cornerstone of the British Government’s policy, inspiring the Government to inject greater employee ownership in the UK.

**Background**

The UK's employee-owned businesses sector has a value of £25 billion, or 2% of GDP. While employee-owned businesses have a good image among consumers and are often seen as trustworthy and reliable, having more accountable management and a happier workforce, there was a scarcity of research that quantified the advantages of being employee-owned.

The John Lewis Partnership, a department store business founded in 1929, is the UK's best-known employee-owned business. It wanted to produce research that pinpointed the economic benefits of the employee-ownership model, and to compare the performance of employee-owned businesses to that of firms with other ownership structures.
Consultancy

After winning a competitive tender to produce the report, Cass consultants Professor Joseph Lampel and Professor Ajay Bhalla realised that the timing of the report – the research that would underpin it was due to take place in 2009 – meant that there was an opportunity to amplify the remit to look not just at employee-owned businesses’ performance, but also their resilience in a downturn.

The report was based on extensive research consisting of a survey of 41 employee-owned businesses and 22 non-employee-owned businesses. Added to this was secondary data on the performance of 49 employee-owned businesses and 204 non-employee-owned businesses. The firms surveyed ranged from seven to 69,000 employees with turnover from £20,000 to £7 billion and covering a range of sectors.

Outcomes

The research found that employee-owned businesses create jobs faster than those with other ownership structures, are able to better adapt to changing circumstances, have more stable performance through the business cycle, have more loyal staff and – at least when they are SMEs – are more profitable. Employee-owned businesses are also better at innovating, and take a more long-term, risk-averse approach to expansion.

The report caught the attention of the UK Government, and in March 2012, it commissioned Professors Joseph Lampel and Ajay Bhalla to conduct further research on employee ownership. Their work formed the basis of the Department of Business and Skills’ 2012 report into employee-owned businesses, which promoted firms with this model as a valuable part of a stable economy. Both reports have formed a central plank of the Government’s policy to promote employee ownership. The impact of the work was evident when in March 2013, the British Chancellor announced several steps to promote employee ownership as part of his budget speech.

Cass consultants

**Professor Joseph Lampel**
Professor of Strategy and Innovation, Cass Business School

An expert on Strategy and the author of numerous best-seller books and papers, Professor Lampel has also worked as a consultant for businesses including Pratt and Whitney, and the International Chamber of Commerce. He currently sits on the UK government’s implementation group on employee ownership.

**Professor Ajay Bhalla**
Professor of Global Innovation Management, Cass Business School

An expert on ownership strategy, Professor Bhalla has worked with businesses such as Wipro and SAP AG. In 2012 he was invited to sit on the UK Government’s Department of Business, Innovation and Skills implementation group responsible for implementing employee ownership policy in UK.