

**Module Name/Code: Problem Solving and Decision
Making/BMSW4004**

Title: The Decline of John Lewis

Name/Number of Student: Masuk Ali/2021389

Host Organisation: John Lewis

Date of Report Publication: 29th October 2021

Executive Summary

John Lewis has in recent times had to deal with changes in the retail world such as consumer shopping habits of shopping online to the problems brought on to the organisation by the recent Brexit and the covid pandemic. Both have contributed to the partnerships' position in the market. This has led the partnership to restructure in its' operations such the viability of the high street stores to the role co-owners will be playing in the future. Can John Lewis overcome its' problems, and can the partnership make the right decisions in order to survive and thrive?

Contents Page

1.0 Introduction.....	4
2.0 Findings.....	5
2.1 Nature, Scope and Impact Facing John Lewis.....	5
2.2 SWOT Analysis.....	5
2.3 PESTLE ANALYSIS.....	7
3.0 Conclusion.....	9
4.0 Reference List.....	10
5.0 Appendices.....	12

1.0 Introduction

The purpose of this report is to conduct the components required to make decisions and solve problems within an organisation. The report will discuss the nature, scope and impact facing John Lewis resulting to its decline due to the Covid pandemic.

This report will identify existing problems (which may lead to new potential problem) by undertaking effective tools and techniques such as SWOT analysis and a PESTLE analysis. The report will be conducted using several referenced textbooks, articles, websites and journals. The author will discuss the issues faced and initiatives taken in decision making and problem solving for an organisation such as John Lewis to survive and thrive. The report will be submitted on 29th October 2021.

Founded in 1864, John Spedan Lewis began a business which included staff in decision making and how the partnership is to operate. A written constitution was produced to highlight the principles of rights and responsibilities of co-owners. The John Lewis partnership is the largest UK based employee-owned who also company who also own Waitrose. Currently there are 34 shops across the nation (John Lewis Partnership, 2021).

Decision Making and Problem Solving in Context

Adair (2016) states that the difficulty in decision making is the factor of high risk. Conflicting advice needs important skills in calculating the risk. Decisions involve some kind of change(s). Some can be planned or expected whereas some are unforeseen. Problem is defined as a goal that is not yet attainable (Davidson and Sternberg, 2003). Problems are seen as obstacles in the path ahead and are secondary to the results of decision making (Adair, 2016).

2.0 Findings

2.1 Nature, Scope and Impact Facing John Lewis

According to the Financial Times (2015) John Lewis are not performing well as before and the “best of breed” image brand are not enough for the cut-throat market. When an organisation insists on portraying as the best of everything it does not come easy. John Lewis has a reputation for superior staff bonuses and promotes the fact the organisation is employee owned. However, The Guardian (2020) state that only 40% of customers know of the co-owned venture. The John Lewis Partnership suffered an annual loss of £517 million due to the Covid pandemic. As a result, the department stores are at a risk of closure. The decision of store closure poses a risk to jobs which involves 1300 employees. The partnership has stated the staff would be redeployed to other departments and redundancies were a last resort. The firm have shown the desire to restart staff bonuses as soon as profits are more sustainable. The staff bonus has been scrapped for the first time since it was initiated in 1953 (Jahshan, 2021).

2.2 SWOT Analysis (see appendix 1)

Strength

John Lewis owes their strength to the partnership with staff. The businesses' uniqueness stem from the co-ownership model from the constitution which involves achieving a purpose through the fulfilment of members via employee satisfaction. Through partnership there is trust amongst members as responsibility, rewards and profit is shared democratically. As a result, the loyalty and motivation of the partnership gives John Lewis a competitive advantage and is deemed a crucial part of a sustainable business (John Lewis, 2012).

Weakness

The pandemic has resulted in the shop floors baring more staff than customers as consumer behaviours have shifted to an accelerated presence in online shopping meaning 60% of sales are accounted from online spending up from 30% sales pre-covid. This emerging trend has impacted the department stores

which have lost value over the financial year. The loss has resulted in the chairman Dame Sharon White having to withhold the annual staff bonus for the first time in 67 years which can be suspended for several years while the organisation attempts to recover (The Guardian, 2020 and The Sunday Times, 2021). As the partnership has only made its first annual loss since opening in 1920, the co-ownership relationship will be tested as at least 10% of their wages rely on the bonus. Proctor (2014) states that organisational change is an ever-present phenomenon whereby organisations are forced to respond in order to survive.

Opportunity

Pre pandemic the partnership estimated that for £6 in every £10 sale were prompted from a visit to one of its stores. That forecast is now £3 in every £10 shop as the pandemic has shifted towards the web. Shoppers polled had expressed wanting to shop post-covid at convenient closer locations to where they reside (The Guardian, 2021). Polling John Lewis consumers' desires to shop in stores might have a change of mind in 12 months' time. It can go two ways with a welcome change to be able to physically shop in store. John Lewis has the opportunity to sustain and remain in the mass market of department stores. This initiative can be negotiated with building landlords by taking advantage of plummeting shop rents. The BBC (2021) state by reinvesting in customer service roles will allow shops looking more appealing to bring in shoppers. This will be made by cuts in reducing layers of senior roles.

Threat

According to the BBC (2021) the partnership is planning to cut 1000 jobs as part of store management through store closures. The proposal is to reinvest where it matters to customers. The article state that John Lewis have come to difficulty in keeping up with the shopping habits bought on by the pandemic. The company are spending £1 billion over the next five years to speed up with online sales. This can affect the staff retain jobs as cost saving initiatives such as store closures and headcount are introduced as the partnership face a reduced footprint in the near future. The aspects of problem solving includes recognising the problem, form plans for solving the problem and taking actions in reaching goals to overcome the barrier (Proctor, 2014).

2.3 PESTLE ANALYSIS (see appendix 2)

Political

The BBC (2019) states that due to an imminent no deal Brexit can impact on supplies. The partnership's sales have dipped due to trading conditions leaving low consumer confidence. The knock-on effect can impact profits and staff which is already stretched by salary increases and IT overhaul. However, John Lewis has since scrapped overseas deliveries and are in plans to focus on UK customers and forgo expansion. Under the "rule of origin" clause goods made outside of the UK and resold by a UK company are now subject to VAT and import duties when sold to the EU burdening John Lewis with extra costs (The Mirror, 2021).

Economic

Due to Brexit uncertainty consumers were hesitating in purchasing big ticket items (BBC, 2019) which demonstrates consumers economic factor being highlighted as disposable income is assessed to the stability of the current economy (Mindtools, 2021). YouGov BrandIndex (2021) data showed current customer scores of goods purchased had declined steadily from 17.1 in March to a low 9.9 in July due to the pandemic mainly as a result of lockdowns. However, consideration scores indicated consumer desire to shop at John Lewis remained unchanged during the past 12 months, (within 38.5 and 38.5). The fluctuation reflected seasonal changes and reactions to the restrictions posed (YouGov, 2021).

Sociological

The managers at the partnership have been criticised by others from the workforce after bonuses were paid to senior employees at the time of accelerating redundancies. Though permitted by John Lewis's constitution 16 allocated bonuses went to directors and heads of department and none went to the execution team which left shop staff irate (Financial Times, 2021). This social attitude can be deemed as a taboo and away from cultural norms and can affect the company (Mindtools, 2021 and CIPD 2021).

Technological

As the partnership reveals cuts to annual staff bonuses a new technological project the JLab has been announced to battle the constraints in physical and online shopping to rival competitors. The technology is to better shopping experiences and communicate efficiently with customers and the objective is simplification on all avenues (The Guardian, 2014). John Lewis has also recognised that physical and online shopping are increasingly coming together and have invested £4 to bring in mobile technology into the stores enabling the employees to answer customer product queries such as availability on the spot. This will save time on checking stockrooms. The efficiency of the mobile phone app can check availability across all stores and the warehouse which can fulfil online orders (Internet Retailing, 2017). Technology is steadily onwards developing new powerful and convenient devices to improve lives and the internet has provided hubs for businesses facilitating creative problem-solving techniques (Proctor, 2014).

Legal

The UK government has named 200 companies which breached minimum wage laws between 2011 and 2018. John Lewis partnership were part of the list and has underpaid nearly 20,000 employees by £941,356 which equated to around £49 per staff. However, Britain's wage law is complex and so after complaints from businesses who felt unfairly scrutinised the government scrapped naming companies between 2018 and 2020. John Lewis stated that the above was in relation to a breach made four years go. The issue was raised due to the partnership's pay method which smoothes variable pay partners, so the same amount is given monthly (Reuters, 2021).

Environmental

John Lewis has a good rating for its supply chain management as the partnership works alongside several organisations that aid to improve workers' rights while addressing the environmental impact with supply chains, but when it comes to garment workers John Lewis has no supplier list of clothing sources which highlights the lack of transparency and is a worrying factor for abused workers. While John Lewis has committed to the targets set out in its corporate responsibility such as reducing carbon intensity by 2021 it has failed to address other key areas such as use of chemicals in its supply chain (Ethical Consumer, 2021).

3.0 Conclusion

On completion of the report the author can conclude that John Lewis have faced issues during the current climate (covid pandemic) and has in turn affected retention of the co-owned staff. The decision in store closures has had a knock-on effect on employees who are at risk of losing jobs. Alongside the imminent job threat the staff have also lost out on annual bonuses which is a first for the co-owners. John Lewis has a strong co-ownership brand and have always been known for the fulfilment of employee satisfaction and have stated that job losses would of a last resort and insisted on staff redeployment. Brexit has resulted in John Lewis making the decision to focus on UK customers and forgo expansion. This decision can help with the problem of keeping UK stores open and keep staff afloat. The extra costs involved in dealing with EU sales will also be saved. Both Brexit and the pandemic have changed consumer spending habits resulting in more online purchases. The changes were due to covid restrictions and Brexit uncertainty. John Lewis have recognised the problem and have invested in a new technological project called JLab to combat the constraints the partnership is facing, and the goal is to create a simpler and more effective technology. John Lewis have had to suspend bonuses to staff but have also been pointed out of underpaying staff. To minimise employee mistrust, the company need to ensure transparency is communicated that is highlighted in the constitution of the rights of the workers. John Lewis is known for addressing environmental factors in lessening its carbon footprint but need to address all key areas such as working conditions and chemicals used in its supply chains. This will show the partnerships' commitment to representing as an ethical brand. John Lewis is demonstrating that steps and initiatives in several areas are taken to minimise its decline.

4.0 Reference List

Adair, J. (2016) *Decision Making and Problem Solving*. 3rd edn. London: Kogan Page.

BBC (2021) *John Lewis and Waitrose Plan to Cut 1000 Jobs*. Available at: [John Lewis and Waitrose plan to cut 1,000 jobs - BBC News](#). (Accessed 11th October 2021).

CIPD (2020) *PESTLE Analysis*. Available at: [PESTLE Analysis | Factsheets | CIPD](#). (Accessed 16th October 2021).

Davidson, J. E. and Sternberg, R. J. (2003) *The Psychology of Problem Solving*. Cambridge: Cambridge University Press.

Ethical Consumer (2021) *How ethical is John Lewis*. Available at: [How ethical is John Lewis Plc? | Ethical Consumer](#). (Accessed 16th October 2021).

Financial Times (2015) *John Lewis: Trouble in Store*. Available at: [John Lewis: trouble in store | Financial Times \(ft.com\)](#). (Accessed 10th October 2021).

Financial Times (2021) *John Lewis faces staff backlash over senior bonuses*. Available at: [John Lewis faces staff backlash over senior bonuses | Financial Times \(ft.com\)](#). (Accessed 15th October 2021).

Internet Retailing (2017) *John Lewis invests £4m on in-store mobile technology*. Available at: [John Lewis invests £4m on in-store mobile technology - Industry - InternetRetailing](#). (Accessed 17th October 2021).

Jahshan, E. (2021) *John Lewis Partnership slumps to £517m loss; warns on more store closures* [pdf]. Available at: [JOHN LEWIS CASE STUDY.pdf \(uwtsd.ac.uk\)](#). (Accessed 10th October 2021).

John Lewis (2012) *Sustainability Report* [pdf]. Available at: [JohnLewisPartnershipSustainabilityReportSummary2012.pdf](#). (Accessed 10th October 2021).

John Lewis Partnership (2021) *Our History*. Available at: [John Lewis Partnership - Our history](#). (Accessed 16th October 2021).

Mindtools, 2021) *PEST Analysis*. Available at: [PEST Analysis - Strategy Tools From MindTools.com](#). (Accessed 15th October 2021).

Proctor, T. (2014) *Creative Problem Solving for Managers: Developing skills for decision making and innovation*. 4th edn. Oxon: Routledge.

Reuters (2021) *UK names John Lewis and others for breaking minimum wage law*. Available at: [UK names John Lewis and others for breaking minimum wage law | Reuters](#). (Accessed 16th October 2021).

The Guardian (2014) *John Lewis looks to digital innovation as next big thing in retail*. Available at: [John Lewis looks to digital innovation as next big thing in retail | John Lewis | The Guardian](#). (Accessed 14th October 2021).

The Guardian (2020) *John Lewis's Problems are Fixable*. Available at: [John Lewis's problems are fixable but partners will need patience | Nils Pratley | The Guardian](#). (Accessed 10th October 2021).

The Guardian (2020) Suffering John Lewis Stands at a Crossroads on the High Street. Available at: [Suffering John Lewis stands at a crossroads on the high street | John Lewis | The Guardian](#). (Accessed 10th October 2021).

The Guardian (2021) *With no certainty over retail's future, are John Lewis staff now being undersold?* Available at: [With no certainty over retail's future, are John Lewis staff now being undersold? | Retail industry | The Guardian](#). (Accessed 11th October 2021).

The Mirror (2021) *John Lewis scraps overseas deliveries as retailers warn of Brexit trade deal confusion*. Available at: [John Lewis scraps overseas deliveries as retailers warn of Brexit trade deal confusion - Mirror Online](#). (Accessed 14th October 2021).

The Sunday Times (2021) *John Lewis Jobs at Risk After Losses*. Available at: [John Lewis jobs at risk after losses | Business | The Times](#). (Accessed 11th October 2021).

YouGov (2021) *John Lewis' strong brand key to surviving impact of coronavirus*. Available at: [John Lewis' strong brand key to surviving impact of coronavirus | YouGov](#). (Accessed 17th October 2021).

5.0 Appendices

Appendix 1 SWOT Analysis Table

<u>Strengths</u>	<u>Weaknesses</u>
• Co-ownership • Written constitution • Democracy amongst co-owners • Shared responsibility	• Empty stores • More online shopping • Loss of profits • Suspension of bonuses
<u>Opportunities</u>	<u>Threats</u>
• Open local stores • Negotiations with landlords on store rents • Reinvestment in customer service roles cutback in layers of senior roles	• Job cuts • Reduced footprint in stores

Appendix 2 PESTLE Analysis

<u>Political</u>	• Brexit • Covid pandemic
<u>Economic</u>	• Disposable income change • Stability of current economy
<u>Sociological</u>	• Bonuses to senior staff only
<u>Technological</u>	• JLab technology • Mobile app
<u>Legal</u>	• Breach of minimum wage
<u>Environmental</u>	• Rights of the workers • Reduction of carbon footprint • Chemical use in supply chains