

Introducing the Modern Workplace

Assessment 1

Report:

Analyse the relationship of
organisational structure and culture
with organisational performance

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Executive summary

In this report, we will be looking at one of the UK's largest and well-established company, John Lewis and partners. We will be looking at its conception and development into the giant that it is now, its organisational structure and the merging with Waitrose and partners. We will then discuss their organisational culture and values, what they strive for and how that is impacted by their shared ownership model. Following that, we are going to look at how organisational structure and culture inform and impact organisational performance and how that applies to the company of our choice. Finally, before discussing the necessary conclusions from the report, we are going to provide a couple of recommendations on how the company or any of its models could potentially improve.

Introduction

The John Lewis partnership that we are going to be looking at, was created in 1929 with the signing of an irrevocable settlement in trust by John Spedan Lewis. The trust meant that the retail business started by Lewis' father in 1864 would be given to the workers, in his own words, "Present and prospective". Lewis published a constitution in 1919, which encapsulated his vision of the co-owned company, which was an "experiment in industrial democracy based on the principle of "Sharing knowledge, gain and power"(Cathcart, 2019)

John Lewis currently sells almost everything in the retail business— from any needed home appliances, clothes, accessories, through to furniture, fitted rooms, carpets and curtains, and even outdoor buildings. Waitrose on the other hand is the ultimate supermarket, offering products of both national and international manufacturing, at a reasonable price. Joined, the Partnership is one of the largest companies of the UK with its market share being only second to Marks and Spencer according to the Statista website (Statista, 2021)(Appendix 3).

Organisational Structure

To begin the report, we will look at the organisational structure of John Lewis, however before we can do that, we need to explain what organisational structure is and what its purpose is. In his article for Investopedia's Business Essentials, Will Kenton defines the organisational structure to be a "system that outlines how certain activities are directed in order to achieve the goals of an organization." (Kenton, 2021) We can also safely include the rules, roles and the responsibilities to the activities covered by the organisational structure. Now that we know what it is, let us look at the purpose of the organisational structure. In the latest edition of his book, Laurie J. Mullins defines the purpose of the aforementioned as "the division of work among members of the organisation, and the co-ordination of their activities so they are directed towards the goals and objectives of the organisation." (Mullins, 2005)

There are a few types of organisational structures, and their difference depends on a few key differences. Of course the two most fundamental types of an organisational structures are flat (organic) and tall (hierarchical/mechanistic) however there are many factors that inform the type of a structure. For example, a few of the main factors in which the structure could vary are its chain of command, its span of control and its centralisation.

- The chain of command deals with "how tasks are delegated and work is approved" (Devaney, 2021) and it could be long or short, depending on how long the ladder of decision making is.
- The span of control deals with who falls under whose management, and which department deals with which tasks, with the span being either wide or narrow depending ultimately on how many people and departments deal with how many tasks.
- Finally the Centralisation of an organisational structure deals with where decisions are made, which could be either centralised, in which case only one or two "entities" make the final decisions, or decentralised in which the final decision are made in a team or a department that deals with that specific task. (Devaney, 2021)

In 2020 the John Lewis merged officially with Waitrose creating the largest employee-business in the UK. The merge introduced a single executive team, that has a direct responsibility for the business as a whole. That also involved "bringing together functions such as customer

service, strategy, finance, supply chain, property and HR” (Santamaria, 2020) to create one cohesive organisational structure which would lead the partnership to success. The merge also brought forward two new executive directors. They became a part of an executive team consisting of seven members under the chairman of the partnership (Appendix 1). The managing body of the company also includes the Partnership Board (Appendix 2) and three committees (Nominations, Audit and Risk, and Remuneration). There is also the Partnership Council, which “chooses five Partnership board directors, the divisional and branch level democracy, structures the democratic frames that stretches the Partnership and clutches management to account.”(UKEssays, 2018)

The Partnership is considered departmentalised according to the commercial activities and the functions and products based structures. It also has a “limited work specialised jobs being assigned to the employees and different activities are subjected and designed by the management” (UKEssays, 2018). In addition, in terms of the aforementioned organisational structure criteria, the Partnership has a hierarchical structure, a long chain of command, a wide span of control and a decentralised structure as the employees have a stake in the company (which ultimately removes the risk of employee alienation and brings them closer to the company).

Organisational Culture

Similarly, to the organisational structure, before we can discuss the organisational culture of John Lewis, we must first define what organisational culture is, and what makes for a strong or respectively weak organisational culture. For its definition we will go back to Mullins, who defines organisational culture as “the collection of traditions, values, policies, beliefs, and attitudes that constitute a pervasive context for everything we do and think in an organisation” (Mullins, 2005). Deriving conclusion from that definition, we can infer that the culture is more oriented towards the people that the organisation is connected to than the organisation itself. Based on that we can then agree that the elements of a successful organisational structure which we should be looking for in a company are “Trust, fairness, engagement, inclusion, dealing honestly with customers, conducting business relationships with integrity and contributing to the well-being of local communities”(Culture Consultancy, 2020). Including the above in your

organisation will undoubtedly result in happiness and loyalty within customers, employees and investors alike.

Just as organisational structure differs in types, so does the organisational culture. There are four main organisational culture types according to Charles B. Handy:

- Power culture, which depends heavily on the organisation's central figure and its power source.
- Role culture, where a small band of senior managers reinforce the culture, relying on strong organisational pillars
- Task culture, which is more oriented towards jobs and projects. It "seeks to bring together the right resources and people, and utilises the unifying power of the group" (Handy, 1993)
- Person Culture, which opposing the above, instead of focusing on tasks, bureaucratic pillars, or power, it focuses solely on the individual and the structures that serve him. (Handy, 1993)

Just like the different organisational structures, the different cultures bring their own pros and cons to the company, however unlike their structural counterparts, most large companies and businesses will be prone to having more than one organisational culture with any mix of the four mentioned above in different areas of the organisation. As Mullins explains:

"Different people enjoy working in different types of organisation culture and they are more likely to be happy and satisfied at work if their attributes and personalities are consistent with the culture of that part of the organisation in which they are employed"(Mullins, 2005)

How Organisational Structure affects Organisational Performance

Depending on how effective relationships with supervisors and workflow influence productivity are, organisational structures can either be an aid or a detriment on organisational performances. The management of the latter involves the setting of goals and frequent reviews of the company's hierarchy. Without well-defined procedures and a well-structured and

working business model, organisational performance may fail to achieve the desired goal of the company. (Duggan, 2020)

The aforementioned model of an employee-owned business, is what the Partnership is most known for, as instead of profits flowing back to shareholders, they flow to the staff of the partnership in the form of an annual bonus (that has “averaged 15% of pay for the last 20 years” (Cathcart, 2019). This gives the company an advantage as instead of a shareholder, they are taking a stakeholder view of management. According to a 2010 study “Employees who have a stake in the company they work for are more committed to delivering quality and more flexible in the face of the needs of business.”(CASS, 2010).

The constitution written by Lewis also allows, due to the sharing of power, for a partnership democracy in which the partners (the employees with the company stakes vested in them) can vote on key decisions and elect representatives to the board and the partnership council. This ensures that the management of the company is going to be accountable for the work force. In addition, the democracy ensures that anyone looking to make a major change to the management of the company or even to amend the constitution needs the approval of two thirds of the Council. With a majority vote present, the Council even has the power to remove the Chairman of the Partnership. (Cathcart, 2019)

How Organisational Culture affects Organisational Performance

As the Leadership Strategist Dan Pontefract writes for Forbes: “An engaged culture marked by high levels of involvement, consistency, adaptability, and a transparent mission improves sales and customer satisfaction” (Pontefract, 2017). Applying the aforementioned knowledge to John Lewis, it is self-evident that the organisational culture of the company is held to a high standard. There is no mystery as to why “84% of John Lewis retail partners recommend John Lewis as a great place to work and 86% of customers feel valued when they shop with John Lewis outlets” (Culture Consultancy, 2020). When the employees are included in the success of the company and are satisfied within their employment, you can expect that workforce to take pride into serving the customers and community to the utmost of their abilities. The Partnership itself claims that their ultimate purpose is “the happiness of all its members, through their worthwhile and satisfying employment in a successful business” (JL, 2020) and we can see proof of that in

the deeds of the company. The aforementioned quote was part of a formal mission statement included in the constitution of the company, alongside their key principles and values of trust, fairness, engagement, inclusion and wellbeing (Culture Consultancy, 2020).

We see reflections of those values in the perks that the employees receive. The company also entirely funds and operates a “final salary pension” scheme for its employees. In recent years the service supports 84,000 partners across 400 sites, and those services comprise of “physiotherapy, counselling, cognitive behavioural therapy (CBT), podiatry, fitness for work advice, business travel, health surveillance and case management based on partners’ needs”(O’Reilly, 2017). On top of the perks and benefits, and the aforementioned Council in which all partners take part, to this day there also is a “weekly magazine where staff can air their views about policies and management, anonymously if they choose”(Wood, 2012). With all of that evidence we can safely conclude that the Partnership allows for a powerful and well working organisational culture to ensue which leads to happy customers and to a longstanding commercial success.

Recommendations

Before we move onto the conclusion of this report there is a recommendation I would like us to look at on how the Partnership could have avoided some financial problems. The recommendation in question addresses the company’s target consumers. Looking back at the pandemic of last year, the biggest financial problem for the company, which cost them the closure of 16 shops altogether was that the predominant customers of the Partnership were of middle age and above. While that isn’t a problem in of itself it meant that the company lost a lot in the period necessary for the customers to learn an adapt to the online style of shopping. Perhaps that could have been avoided should the company have marketed towards the younger consumers.

Conclusion

In conclusion we can clearly see from all the examples detailed above that both the structural and cultural models of John Lewis (be that on their own or in comparison to other companies) are models to make example from. Its large organisational structure ensures the smooth operations of every one of its departments without it being a detriment to the company in any way. Its model of a employee-owned business with all the perks and democratic rights given to the partners the company ensures that its employees have a real sense of ownership which leads to its commercial success and over £9.5 billion in gross profit every year.

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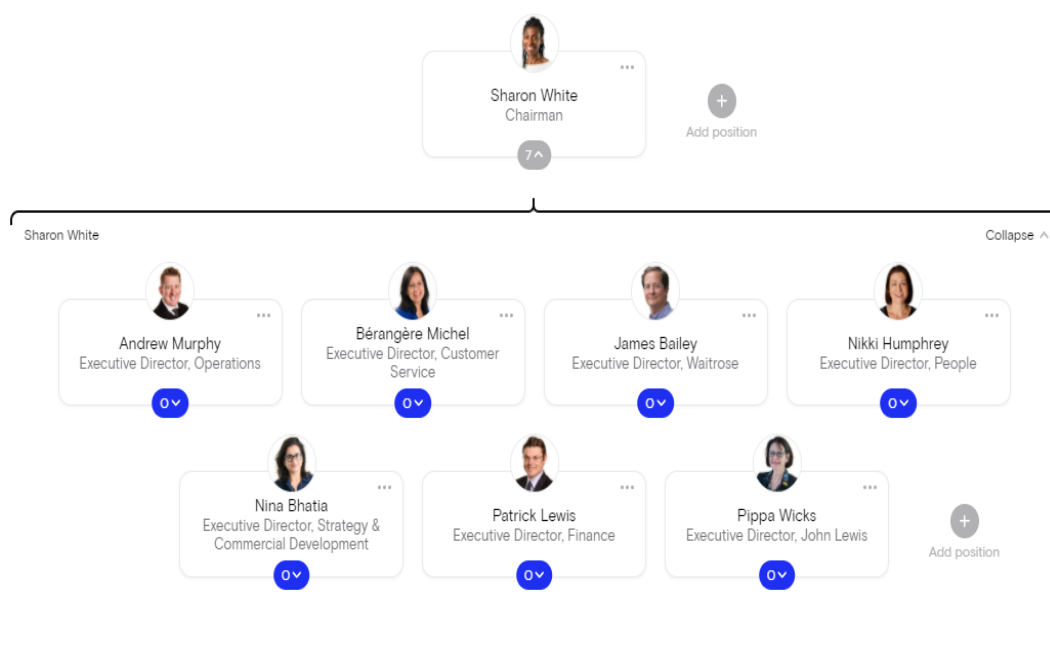
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Appendix 1



Appendix 2

Board & Advisors

 Andy Martin Non-Executive Director / Chair of the Audit & Risk Committee	 Becky Wollam Elected Director	 Nicky Spurgeon Elected Director	 Ollie Killinger Elected Director
 Rita Clifton Cbe Deputy Chairman	 Nish Kankiwala Non-Executive Director	 Add position	

Appendix 3

