

An introduction to the lvmh brand



LVMH is a luxury brand based in Paris. The company employees are about 56, 000 people from all over the world in which just 33 % are from France. The company was established in 1987 with 50 prestigious luxury brands. LVMH is a decentralized organisation, growing, evolving and constantly acquiring new businesses.

The core values of the company are “ being creative and innovative”, “ aiming for product excellence”, “ promoting our brands with passion”, and “ acting as entrepreneurship and striving to be the best in all we do”

As LVMH is French company with all its main offices and headquarter in France but yet the management of company is multi-culture. The group is structured into five groups while each group is a collection of several strong brands.

Structure and Operations of LVMH

LVMH is made up of 50 companies managing 450 subsidiaries, each company has its president and executive committee, and each company has its subsidiaries which directly or indirectly report to the president. LVMH carry out its HR activities in five main world zones (i. e. France, Europe, America, Pacific Asia and Japan). The company believe in development of their employees and management staff, for that they use different approaches in which the mostly adapted for the growth of managers is International Mobility; instead of giving training to employees they believe in mobility which include vertical, horizontal and geographical moves within organisation.

As LVMH is a multi culture organisation so they develop their employees / managers skills to perform the company operations smoothly in a multi culture environment, they don't follow the procedure of intercultural training because most of LVMH expatriates have some international experience, or have their studies in this field. But they are accelerating the cross culture adjustment process but now they are investing much more on cross culture training of expatriates and their family (both pre departure and post arrival training).

Introduction to Task 1

Identify three key HRM activities in LVMH and discuss how they fit into overall corporate objectives of the company. Argue which model of HRM LVMH deploys and why?

Identification of HRM Activities

The three key HRM activities which I have identified from the LVMH case study are following

Recruitment and Selection

Career development and International Mobility (T & D)

Employees Appraisal System

Recruitment and Selection (R & S)

As LVMH is a global giant with global operation, it is necessary for LVMH to have talented staff to retain their global position as "giant" and provide their customers good services in order to have a good name for the organisation.

At start LVMH human resource department was sometime lacking in international experience, competing in a global environment, so LVMH decide to attract, develop and retain managers with global experience (by 2001 it had 260 expatriates and 650 other employees working in a country not their own)

To achieve the corporate goals LVMH is following a very comprehensive and realistic approach i. e. the LVMH subsidiaries HR directors coordinate with the business groups through monthly meetings, in order to identify the vacant positions throughout the world and also study the list of potential candidates within organisation who has potential to progress through new assignment within the year. After that vacant positions are announced on the company website, so anyone can apply for that position worldwide, so LVMH attract professionals from all over the world not just for economic benefits but through exciting career development opportunities, which help LVMH is getting professionals from all over the world and achieve their corporate goals.

Career Development and International Mobility (T & D)

From its creation LVMH is an international organisation, and to meet the needs of an international organisation, they were lacking in their human resources and their international management skills. E. g. in 1987 too many mangers were not fluent in English so the management sought to create a team of managers with working knowledge of international market.

To have a professionally trained international class team it is important to have plans for career development of employees. At LVMH they don't focus

too much on formal trainings but instead of that they prefer “ Mobility”, mobility like vertical, horizontal and geographical moves in organisation, In order to polish their skills and get experienced in an international environment, like once a French insurance specialist in the fashion business unit was sent to Romania to head a shoe factory.

To have an international business specialist management team LVMH focuses on international mobility instead of expatriation, because a person sent from UK to France is more likely to return and work in UK with good experience got their in France. The international mobility policy is a part of career development which requires the training of global managers on limited time basis. The HR department convince a manager to become “ internationally mobile” by offering them more challenging job with more freedom to perform his task than home.

One positive aspect of LVMH international mobility is to take risk in order to develop high potentials. LVMH has two type of high potentials HP1 and HP2, an HP1 is an individual going to have top management position (like board of director) while HP2 is an employee go a step or higher in management hierarchy.

Employees Appraisal System

Appraisals done properly are an honest attempt to appraise someone’s current performance (i. e. behaviour) and to help them identify how to improve. (Honey, Peter Improve your people skills, second edition, 09)

Appraisal is required to recognize one’s work and get your employees motivated and stick on to the organisational goals. Most of the organisations

have a systematic way of appraisal like once in year, after accomplishment of a task.

At LVMH performance appraisal system is not only based on results but also to propose and implement new ideas. A very good approach to appraise someone is to appraise ones ideas, because it is not necessary that the top level management can just produce good ideas, newly employed young and energetic people can produce ideas which may be not based on experience, but through the latest and updated knowledge and resources they have (like technology). So LVMH try to achieve their corporate goals and objectives through appraisal system.

Which HRM Model LVMH deploys

LVMH has deployed the European model of human resource management i. e. “ Best Fit” model. Because in best fit model organisation identify HR strategies that fit their business e. g. market, labour, size and structure of the organisation.

Justification of using Best Fit model

At LVMH they have different HR activities which clearly state that which model they have deployed in their organisation. If we take the example of International Mobilization the concept behind this is “ Best Fit” as Boxall and Purcell described “ decisions over selection / recruitment, development and training are strategic in nature and have to be harmonised with corporate strategy”.

LVMH is working in different countries dealing with different cultural people, as HR activities vary from cultured people, as HR activities vary from cultural

to cultural, so using the best fit approach they deal each country / subsidiary in the way which best fit them. At LVMH the HR strategies and business strategies are inter dependent, which is according to definition of (Armstrong, 2003) states that best fit approach is “ Inter-dependence between HR strategies and business strategies”.

Introduction to Task 2

The requirement from this task is to provide information on the key approaches that how LVMH manages its employees training and development. What are the strengths and weaknesses of their system and provide recommendations to LVMH board of Directors on how to improve its strategy towards T&D of its staff management.

Training and Development

Training is the process of “ altering employee behaviour and attitudes in a way that increase the probability of goal attainment” [1] or we can define training as “ the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience” [2].

Development is “ any learning activity which is directed toward future needs rather than present needs, and which is concerned more with growth than immediate performance” [2].

How LVMH ensure their employees T & D

To ensure their employees skill development and equipped them with latest skills and knowledge of management LVMH has a variety of training and development programs. The main focus of all these activities is on to prepare

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their employees to meet the high market challenges and to ensure the achievement of their organisational goals and objectives through proper utilization of human resources.

Following are the key approaches which LVMH use for their employees training and development.

International Mobility

Career Management (Organisational Management Review OMR)

Inter Cultural training

International Mobility

At LVMH international mobility is an activity for gaining high career milestones, and develop manager to take the global management positions and enable them to work at a multi cultural and out of their home countries.

International mobility is likely to entail a radical functional move. Through international mobility the managers are put into new situations to help them develop new skills and prove their courage.

Through international mobility LVMH try to identify the potential individuals who are ready to go for an international assignment and have capabilities to carry out the duties of expatriates. The company provide so many opportunities to its international mobile staff, it attract mangers to international assignments through exciting career development prospects and not through economic incentives, even though its incentive program is competitive. This is a part of career development, they don't dispatch expatriates because of a lack of local talent but they international mobile

employees have to fulfil two profiles , one is to those sent by the headquarter to control its subsidiaries and protect its interests and the other is to ensure information, organisational business and to harmonize the procedures.

Career Management (Organisational Management Review OMR)

To provide their employees an insight into their career development LVMH has a career management process which is known as Organisational and Management Review (OMR). This is an annual process in which the HR objectives of the company are reviewed and set the organisational need for the next three years, that which employees need what sort of trainings and list the potential employees ready for international assignments and to prepare them and train them for the top management position. They use the OMR for maintaining the list of the candidates ready to move and assess their current development.

Inter Cultural training

To become an internationally mobile or expatriate the employees of LVMH needs intercultural training to adjust quickly, because international position usually has to be filled very quickly, which leaves little time for intercultural training. LVMH normally chose those employees to become internationally mobile / expatriates who has some past experience of international environment. They are extending training to both the employees and his or her family, and for time being both pre departure and post arrival training limited to just language training, which LVMH needs to extend to properly prepare their employees for the position of expatriate.

Recommendation for LVMH Board of Directors

Keeping in view the above discussion about the training and development in LVMH, I will recommend the board of Directors of LVMH as

As LVMH believes in international mobility, and select those employees who has some past international experience, but that is not enough to hold an international management position. So it is recommended to start a structured long term training program to develop a pool of employees for international mobility.

When an employee is going to take position as expatriate he / she should be provided enough time to get trained about that country culture, people life style, management styles preferred in that country and the environment of business.

LVMH has the opportunity to have proper training and development courses for their support staff and non managerial employees to improve the standard of their daily organisational and business activities.

Introduction to Task 3

The requirement from this task is to apply Balance Scorecard to LVMH, and critically review the performance of HR and provide suggestion that how to improve their HR performance.

What is Balance Scorecard

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy

of the organization, improve internal and external communications, and monitor organization performance against strategic goals. [3]

Balance Scorecard for LVMH

To apply Balance Scorecard to LVMH the following factors of HR perspectives will be addressed and critically review how HR performance is indicated and monitor

Learning and Growth Perspective

Internal Perspective

Financial Perspective

Learning and Growth Perspective

To achieve LVMH organizational goals, what is need to learn and innovate

Objectives: Enhance HR Staff knowledge & skills in strategic areas, and prepare managerial staff to be ready for international mobility

Corporate Objectives

Performance Measures

Identify potential candidates for international assignments, evolve their skills, measure gaps, develop learning tools and plans

Maintained employee progress reports

HR Skills Learning Plan Complete

Courses Delivered

Validate HR Competency

Description: Train HR staff and the potential candidates to get ready for international assignment

Actions:

Corporate Objectives

Performance Measures

Identify potential candidates for international assignments, evolve their skills, measure gaps, develop learning tools and plans

Maintained employee progress reports

HR Skills Learning Plan Complete

Courses Delivered

Validate HR Competency

Objectives: Enhance HR staff employee skills and commitment to LVMH goals

Corporate Objectives

Performance Measures

Assess the performance of HR staff & decide what staff areas to focus and what areas need to be focused.

Maintenance of employee's personal and professional progress file, and proper review of that.

Corporate Objectives

Performance Measures

Enhance individual expectations to align with the strategic plan & the incentive plan

Enhance & implement existing communication plans with HR staff and other employees.

Create an implementation plan to model best practices

Conduct a staff opinion survey and score that to provide information on what to do

Description: Identify the strength and weaknesses at HR department, and enhance the employees' skills.

Actions:

Corporate Objectives

Performance Measures

Assess the performance of HR staff & decide what staff areas to focus and what areas need to be focused.

Maintenance of employee's personal and professional progress file, and proper review of that.

Objectives: Create, model performance management & communication best practices in HR

Description: Continue to develop, enhance & share with the best practices in communication and

performance management

Actions:

Corporate Objectives

Performance Measures

Enhance individual expectations to align with the strategic plan & the incentive plan

Enhance & implement existing communication plans with HR staff and other employees.

Create an implementation plan to model best practices

Conduct a staff opinion survey and score that to provide information on what to do

Internal Perspective

Objectives: Improve employee satisfaction with LVMH as an employer

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Description: Improve the LVMH employee's satisfaction from their organization.

Actions:

Corporate Objectives

Performance Measures

Continue effort to LVMH as a great place to work

Pilot effective strategies to improve employee satisfaction

Select Staff Opinion Survey items

Select turnover data

Objectives: Improve employee commitment

Description: Improve employee willingness to stay and actively contribute to the organization

Actions:

Corporate Objectives

Performance Measures

Identify key commitment drivers

Develop plans to affect positive change

Select Staff Opinion Survey item(s)

Objectives: Strengthen Rewards & Recognition Program

Description: Develop and enhance rewards and recognition programs to effectively motivate workforce

Actions:

Corporate Objectives

Performance Measures

Identify high scoring departments

Access and communicate best practices

Enhance “ how-to” information for rewards &recognition implementation

Staff Opinion Survey results

Objectives: Strengthen recruiting and hiring right person, in the right job at the right time

Description: Continue to develop and enhance effective recruiting methods to optimize the selection and success of new hires

Actions:

Corporate Objectives

Performance Measures

Identify key attributes of working successfully at LVMH

Utilize technology more effectively for recruiting and screening applications

Integrate “ good employer” story and branding efforts into recruiting

Turnover

Customer Satisfaction Survey

Objectives: HR Process Improvement

Description: Improve HR services

Actions:

Corporate Objectives

Performance Measures

Identify consulting opportunities that arise through key events (e. g., initiate recruiting consultation upon knowledge of retirement)

Continue developing process documentation

Streamline HR processes and add automation where appropriate

Annually review and enhance existing process documentation

Implement Remedy for all of HR

Customer Satisfaction Survey items

% of the process documented and updated

Select Staff Opinion Survey items from HR staff

Completed Actions

How can LVMH improve their HR performance?

As LVMH is a global giant doing operation in different countries with a group of 50 companies and 450 subsidiaries, they have very good approach to manage their employees all over the world, and ensure the personal and professional growth throw different activities arranged by the HR department of LVMH. After studying the case study there are some HR activities and

operations which can be make much more influential in achieving the organizational goals and objectives.

The HR department may start management courses for their middle level and primary level management team, to ensure their growth to take over the future top level management positions

Employees ready for international mobility should be given proper training before they go on assignment, though LVMH provide some pre departure and post arrival training but it is needed to have a very structured training program which provide complete knowledge and information on how to work as expatriate.

The process of inter-cultural training has much more potential, so the training should be extended to subsidiaries level to make a pool of employees aware of the different cultural values and available for any cross cultural assignments.

LVMH needs extend their recruitment and selection process not just to those countries where the company is in operation, to global recruitment and selection in order to get a big pool of potential candidates from all over the world and then select the appropriate individuals on the basis of merit which best suit the organizational goals and strategy.