

# Example answers to questions on lvmh



**ASSIGN  
BUSTER**

LVMH is known as global giant who is famous for its luxury product. The company is based in Paris France, with strength of more than fifty six thousand employees from all parts of the world, the total number of employees include just the 33 percent from France. The foundation of company was laid down with 50 luxury brands in the year 1987, now the organisation is decentralized and they are grown and passing through different stages of organisation evaluation and achieving different landmarks in their business.

All the main offices and head quarter of the company is at the capital city of France, but the organisation can be called as multi culture because they include persons in the higher management and staff from different backgrounds, cultures and countries.

## **Structure and Operations of LVMH**

LVMH is a group of fifty different companies who have about 450 subsidiaries in different locations round the globe; every company has its own way of doing their business with their president and the process through which they have set up that which subsidiary will report to whom. The management of LVMH has divided different business operations into five zones globally; following are the five zones of LVMH business

France

America

Europe

Asia Pacific and Japan

To achieve the business standards and improved organisational quality the LVMH uses different approaches at different business zones, but the most common and most widely used is international mobility, they believe in international mobility of their higher management and skilled staff, which include vertical and horizontal moves within the organisation and geographical placement at different business locations and business zones.

Working with different cultural environments is very necessary for global organisations like LVMH, they need to develop their employee's skills and competencies to smoothly operate in multi cultural environment, but lucky most of their expatriates are internationally experienced so this is not to difficult task for the higher management of LVMH to work in multi cultural environment. But they do provide pre departure and post arrival training to all of their expatriates and international mobile staff about the cultural values and other necessary information which they have to deal with during their stay in the country.

## **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 &amp; 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 managers 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 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 mile stones, 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 managers 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**

This system is used by good and large scale organisation for the strategic planning of their business, and is widely used in the business organisation, government institutions and some of the large scale nongovernmental organisations in order to improve the level of their business strategies and align that with their organisation vision, improve the standard of communication in and outside the organisation, and how to monitor their performance keeping in mind the business goals and strategic objectives of the business.

### **Balance Scorecard for LVMH**

To maintain a balance score card for the LVMH following issues / topic of the HR will be addressed in the balance score card, and the will provide ideas on how to monitor the performance of the HR department.

Learning and Growth Perspective

Internal Perspective

Financial Perspective

## **Learning and Growth Perspective**

Objectives: Improve the standard of learning of HR staff in making the strategies and deciding the corporate goals, and make them able to be sent on international assignments.

Description: Make the HR staff able for international mobility.

## **Corporate Objectives**

### **Performance Measures**

Identification of the candidates who have enough skills, competencies and confidence to become an international mobile officer.

Complete the progress and performance reports of all employees.

Identification of the HR skills of all staff of the HR departments and also for others.

Verification and validation of all the HR skills of employees time by time.

### **Actions:**

Objectives: improve the attachments and dedication of HR staff toward the organizational goals and objectives of the LVMH

Description: what are the weaknesses and strengths of the HR department employees, and what activities are needed to improve the skills and competencies of the employees?

## **Corporate Objectives**

### **Performance Measures**

Testing and validation of the HR staff performance and focusing on the weak areas which needs to be improved.

Organization special procedures for the maintenance of the employees' personal and professional skills record.

### **Actions:**

Objectives: Modeling and creation of the performance management indicators and improving the standard of communication within the organization.

Description: to develop the new systems and those which are already in practice in the industry,

or implementation of the standard procedures for the performance management and communication improve

the communication.

## **Corporate Objectives**

### **Performance Measures**

Improve the individual alignment and attachment with the strategic plan of the organization by providing them incentives

Improve the standards of already implemented communication.

Create an implementation plan to model best practices

Take the staff on board while deciding all these issues, and take their opinion through survey or some other activity, and make them realize that this for their improvement, and value their feedback.

## **Actions:**

### **Internal Perspective**

Objectives: enhance the employees' commitment with organization, and make them proud to be a part of LVMH

Description: Satisfy the employees being a part of LVMH, and make them realize that LVMH cares for them.

## **Actions:**

### **Corporate Objectives**

### **Performance Measures**

Make the LVMH a good place for work with.

Design good strategies for employees' involvement and satisfaction.

Give attention to employees' survey results and feedback.

Evaluate the turnover data.

Objectives: making the recruitment process effective

Description: develop new and enhance the existing recruitment process to make this dream a reality that “ right person on right place at right time”

## **Actions:**

### **Corporate Objectives**

### **Performance Measures**

What are the key area of working with LVMH

Make the use of technology in recruiting process

Integrate “ good employer” story and branding efforts into recruiting

Look at the turnover rate

How much customers are satisfied with the organization employees.

How much management is satisfied with employee performance?

### **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.