

The Organisational Behaviour of LVMH Group during the Period of Covid-19 Based on the Stakeholder Theory and Social Contract Theory

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Abstract

This paper summarizes and analyzes the media response to the LVMH group's organizational behavior during COVID-19. The purpose is to explore the advantages and disadvantages of LVMH group's social responsibility on economic benefits and globalization. Based on stakeholder theory and social contract theory, this paper will analyze the significance and role of LVMH organizational social responsibility from the aspects of LVMH employees, partners, local communities and government. This paper will also critically analyze the application of these two theories, and explore the advantages and limitations of LVMH behavior in organizational responsibility and organizational globalization.

Keywords

Organisational behaviour; LVMH group; Covid-19; Stakeholder theory; Social contract theory.

1. Introduction

the paper will analyse the organisational behaviour of LVMH group reported by three major media during the period of Covid-19 based on the stakeholder theory and social contract theory. The purpose is to explore the benefits and disadvantages of LVMH group's social responsibility to the economic benefits and globalisation. Generally, this paper is divided into three parts. The first part is a brief literature review, including LVMH cases, organisational social responsibility, organisational globalisation, stakeholder theory and social contract theory. The second part is the central part of the article, which will expound the organisational behaviour of LVMH from the perspective of stakeholders. Furthermore, based on the relevant theories analyse and explore the advantages and disadvantages of the group's organisational social responsibility to the future organisational development and corporate globalisation during Covid-19. The last part is a critical summary of the findings.

2. Literature Review

2.1. Overview of LVMH Group

LVMH is the largest luxury group globally and a French listed company, which has more than 50 brands. The group's main business includes five areas: Wine and Spirits, Fashion and Leather Goods, Perfume and Cosmetics, Watches and Jewellery, and Selective Retailing (Cerdin, 2003). The company has been trying to enhance its sense of social responsibility, especially during Covid-19. LVMH group has been doing its best to support the stakeholders in their countries and help them through this challenging period. This process reflects the group's responsibility and responsibility to stakeholders, and the group's actions have a potential impact on the globalisation of the organisation.

2.2. Related Concepts

2.2.1. Organisational Social Responsibility

Organisational social responsibility refers to the responsibility of an organisation to employees, consumers, community and environment while creating profits and bearing legal responsibility to shareholders (Popa, 2010). Brammer et al. (2007) add that corporate social responsibility requires companies to go beyond the traditional idea of profit as the only goal. Similarly, Vandekerckhove (2006) stresses that organisations should pay attention to human value in the production process, and emphasise their contribution to consumers, environment and society. In this paper, organisational social responsibility refers as enterprises should undertake the responsibilities related to the ecological environment, social welfare and public order besides maximising the profits of enterprises, and an enterprise that does not undertake social responsibility can not survive.

2.2.2. Organisational Globalisation

The globalisation of the organisation is a process (Mueller, 1994). The organisation's realisation is not based on the national boundary, and the different parts of organisation span countries and have mutual relations (Ganesh et al., 2005). Similarly, Drori et al. (2006) suggests it is a social process beyond geographical and racial restrictions (). This paper holds that the globalisation of organisations is a process in which organisations transcend national boundaries and do not take any country as their home country. Organisational departments can also be set up according to the needs of the production line, function, competition and customer segmentation, and the members of the organisation can identify with each other and close contact with each other.

2.2.3. The Relationship between the two topics and the Selected Case of LVMH Group

From the overview of LVMH's actions during Covid-19, the group has provided help and support to solve the global pandemic problem, which reflects the strong corporate responsibility of LVMH group in the face of social emergencies. The social responsibility of an organisation can bring significant economic benefits to the future business strategy and strengthen the popularity and reputation of the enterprise (Jones, 1980). Also, organisational social responsibility is an indispensable part of the process of organisational globalisation, which meets the needs of social and organisational sustainable development of LVMH (Scherer & Palazzo, 2008). As global organisations require higher social responsibility to stakeholders and Society (Jenkins, 2005). LVMH has helped many small businesses and communities affected by the epidemic in Covid-19 and won praise from people worldwide, accelerating the process of globalisation.

2.3. Related Theories

2.3.1. Stakeholder Theory

Based on the principal-agent theory, contract theory and ethics theory, this theory explores the reasons why enterprises undertake social responsibility from different perspectives (Freeman et al., 2020). Donaldson & Preston (1995) believes that corporate social responsibility to meet the needs of stakeholders is related to the survival of enterprises, competitive advantage and the establishment of trust and loyalty between target customers. Friedman & Miles (2002) states that corporate social responsibility responds to perceived social obligations or a response to protect the interests of all stakeholders. Jenkins (2005) indicates the success of an enterprise depend on its positive response to all stakeholders. Only in this way can enterprises achieve profit maximisation and corporate social responsibility performance (Phillips et al., 2003).

2.3.2. Social Contract Theory

The theory holds that there is a contractual relationship between enterprises and society. On the one hand, enterprises can not survive beyond society and should be responsible for society. On the other hand, society should also be responsible for enterprises (Muldoon, 2016). Hampton (1980) believe that there is a comprehensive contractual relationship between enterprises and society. It regulates the rights, obligations and responsibilities. Therefore, corporate social responsibility will help to improve the quality and efficiency of economic exchanges.

3. Analysis of Organisational Behavior of LVMH Based on Relevant Theories

3.1. The Analysis of Organisational Behavior of LVMH Group

The core point of the stakeholder theory is that organisations should balance the interests of various stakeholders. Enterprises should emphasise their financial performance and social benefits (Freeman, 2001). According to the stakeholder theory, it is not only an ethical requirement, but also a strategic resource to bring all stakeholders into the organizational decision-making (Laplume et al., 2008). Both will help the LVMH enhance the competitive advantage of the organisation and accelerate the pace of globalisation (Laplume et al., 2008). The following is a discussion on the organisational behaviour of LVMH from the perspective of the types of stakeholders.

The LVMH showed humanistic care and social responsibility to employees during the epidemic period (Wang et al., 2020). At the beginning of 2020, LVMH's global luxury market was impacted by the epidemic, and various brands were also actively taking a series of measures to protect employees, including closing stores (Gabore, 2020). In addition to providing full wages and benefits to employees during store closures, some brands will also make every effort to ensure that employees can support themselves and their families. Apart from this, the LVMH group has developed a unique new mask and hospital robes for front-line workers in Paris. (Slamicha, 2020 & Arabic news, 2020). Besides, to protect the employees, the stores require the employees to go to work at different times, and the working environment of the front-line staff has been fully disinfected (Wang et al., 2020). Also, non-front line staff still can work from home (Olsen et al., 2020). At the same time, many brands of LVMH group have increased more epidemic prevention training and more frequent staff physical examination (Louis Vuitton, 2019).

For the local community, LVMH did a lot of charitable activities in the global community during the period of Covid-19, which promoted the development of the community (Manuel & Herron, 2020). For example, LV donated 10 million yuan to the front-line staff in Wuhan, China to fight the influenza pandemic (Interbrand, 2020). Other luxury retailers are also donating money to Wuhan. Also, Loewe donated part of the sales revenue from the newly launched Paula's Ibiza series to Plataforma de infancia, a Spanish social organization dedicated to protecting the rights of children and adolescents. The project aims to reduce educational inequality and drop out rates during the Spanish epidemic crisis and isolation blockade (Arab News, 2020). Also, several LVMH brands were auctioned, and the proceeds were donated to help nursing homes significantly affected by the new coronavirus (BBC News, 2020). In addition to this, six bottles of special gift box set produced by Clos des lamb rams, Ch long teau d'yquem and CH long teau Cheval Blanc have been sold, and all proceeds are donated to three charities (Slamchica, 2020). Therefore, the above pieces of evidence show the community support of Louis Vuitton brand reduced the social and economic impact of covid-19 to a certain extent, and many retail industries also joined the ranks of community assistance.

For the government, some production lines of LVMH group began to temporarily "switch production" to produce epidemic prevention products to solve the shortage of French government materials (Penney, J., 2019). It temporarily changed the original perfume and skincare product line to consumer product production, and its brand Dior, Guerlain and Givenchy's production line changed to hand disinfectant gel and disinfectant alcohol. These products are provided free of charge to the French Ministry of health in France and assistance Publique hpitaux de Paris, the largest medical institution in Europe, to cope with the shortage of disinfection supplies (BBC news, 2020).

For its business partners, the LVMH group helps them tide over the difficulties together. Restaurants and hotels are one of the industries most affected by the quarantine. These service industries are indispensable partners of LVMH's many wine and spirits brands, especially in product promotion Slamicha, 2020). LVMH Vins D'exception has helped these partners tide over the current difficult period (Arabic news, 2020). Moreover, the "fabric of communities" campaign, launched by pink shirtmaker employees, has been working with the brand's social networking community to encourage people to donate to these businesses (Donzé & Wubs, 2020).

3.2. The Benefits and Limitations of LVMH Group Behavior During Covid-19

According to the social contract theory of corporate philanthropy and moral responsibility, LVMH group's philanthropy during the epidemic period is expected by the public, because LVMH group, as a luxury giant in the world, should have such responsibility and responsibility in the face of social crisis in the eyes of the public (Marom & Lussier, 2020). Once the LVMH group does not step forward in the face of social difficulties, stakeholders such as consumers, government and local community will be dissatisfied with the group morally. This can be explained by LVMH's corporate culture. Corporate culture is divided into three parts: material, system and spirit (Kreps, 1990). LVMH group's behaviour conveys the social responsibility of the organisation to the public, and the spiritual culture has the most significant influence on society (Hermalin, 1999).

Also, most enterprise practice and numerous research results show that corporate social responsibility is positively, rather than increasing the burden and affecting the interests of enterprises as the traditional economic theory thinks (Scholl, 2001). However, enterprises can transform social responsibility into real competitiveness. LVMH Group actively participates in the anti-epidemic activities during the epidemic period to meet the material and spiritual needs of relevant stakeholders as much as possible, which is conducive to improving the market development ability of the enterprise (Marom & Lussier, 2020).

On top of that, to fulfil the social responsibility of an enterprise is conducive to establishing its image, enhancing its competitiveness and forming its intangible assets and competitive advantage, and finally bringing long-term and potential benefits to the enterprise (Donzé & Wubs, 2020). This is because the products or services produced by enterprises must be affirmed by the public. An enterprise without a sense of responsibility cannot be recognised by public opinion (Olsen et al., 2020). Also, most stakeholders can feel the social responsibility and enterprise spirit of LVMH group in this disaster. For consumers, global consumers will have a new look at LVMH's brand through this epidemic, and they may not think that LVMH group is just a luxury, thus improving the influence, recognition and reputation of the brand. This also paves the way for the process of enterprise globalisation, because the realisation of the globalisation of the organisation is closely related to the identity of the majority of consumers (Samdanis & Lee, S. H. (2019). As a result, corporate social responsibility makes enterprises, government and society form a benign interaction, and win a good external environment for the sustainable development of enterprises.

Besides, the LVMH group has been committed to the globalisation of operation. The digitalisation and sustainability of the enterprise also have been tested during the epidemic period. For example, many brands of LVMH accelerated their development based on various "cloud" collaborative work and telecommuting as temporary options. Companies that systematically accept and adopt these digital tools and flexible work patterns will become more agile, save money, reduce carbon emissions, and attract talented young employees (Djuliardhie et al., 2020). These progressive measures have laid a good foundation for the organisation to realise globalisation. Besides, the embodiment of the LVMH group's big enterprise spirit is potentially recognised by stakeholders, which provides a good foundation for the future development of a global organisation.

However, compared with the same period in 2019, the endogenous revenue of LVMH decreased by 28% in 2020 (Marom & Lussier, 2020). It can be seen that the economy of the LVMH group was seriously damaged during the epidemic period. The business model of organisational globalisation requires the company to do a lot of coordination work and strictly control most of the overseas business (Keinan et al., 2020). Even though the organisation performed well in terms of organisational responsibility during the epidemic period, LVMH group showed a more cautious attitude towards new store opening and overseas business expansion in the context of declining global revenue (Ki et al., 2020). This is mostly because the global economy has been damaged by the epidemic. LVMH group can not make up for it through its efforts in the aspect of social responsibility for the epidemic (Marom & Lussier, 2020). The LV China manager suggested the whole epidemic situation has directly stopped and even retrogressed the growth of the global economy for 2-3 years (BBC News, 2020). Therefore, it is not a small challenge for the LVMH group to establish a global organisation in the future.

4. Conclusion

This paper has summarised and analysed the response of three significant media to the LVMH group during Covid-19. Based on the stakeholder theory and social contract theory, the author has also analysed the significance and role of LVMH's organisational social responsibility from LVMH employees, partners, local communities and the government. Furthermore, this paper has made a critical analysis of the theory and found out the strengths and limitations of LVMH behaviour to organisational responsibility and organisational globalisation.

In general, there are four main advantages. Firstly, the organisational responsibility behaviour of LVMH in Covid-19 belongs to the level of organisational spirit and culture and has a significant impact on the society and stakeholders. Secondly, there is a positive correlation between corporate social responsibility and economic performance. It meets the material and spiritual needs of relevant stakeholders, and is conducive to improving the market development ability of enterprises. Thirdly, fulfilling corporate social responsibility is conducive to establishing the corporate image and corporate competitiveness, the formation of intangible assets and competitive advantages, and ultimately bring long-term and potential benefits to enterprises. Fourthly, digitalisation and sustainability are a good foundation for the organisation to realise globalisation.

However, the global economy has been damaged by the epidemic, and LVMH group's social responsibility can not make up for the damage caused by the epidemic, which also means that it is an excellent challenge for LVMH to establish a global organisation.

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