

LVMH Internal Review Team

| <i>Team Member Name</i> | <i>Year</i> | <i>Major</i> |
|-------------------------|-------------|--------------|
| Seve Perez | 2024 | Marketing |
| Saif Virani | 2025 | Finance |
| Ashley Yoshii | 2026 | Marketing |

Advisor: Professor Carolina Villegas Galaviz

Topic: Hiring Practices Within LVMH

Audience: Board of Directors of LVMH

Executive Summary

Nepotism within businesses has been a highly controversial issue in the modern age, especially in regard to executive leadership positions. Within the fashion industry, this often results in family-owned businesses. LVMH, or Louis Vuitton Mœt-Hennessy, has historically practiced nepotism, with CEO Bernard Arnault granting his children directorships of many of LVMH's subsidiary companies, including Tag Heuer, Dior, and Louis Vuitton. As the world's largest luxury goods empire, LVMH prides itself on its commitment to creativity and innovation, as well as its long-term planning for the growth of the company.

In looking to expand his family's influence over the corporation, Arnault has recently nominated two of his sons, Alexandre and Frédéric, to the company's board of directors. If approved by the 15-person board of directors, the appointment would solidify the Arnault family as the top decision-makers of the LVMH conglomerate. The appointment of the Arnault sons calls into question issues of employee competencies and qualifications; diversity, equity, and inclusion; and corruption and abuse of power, especially when the decision-making of the board and executive leadership impacts many stakeholders. Yet, because French labor codes and stock market exchange regulations do not explicitly prohibit the practice of nepotism, and because LVMH has been extremely financially successful in recent years, Arnault may be hesitant to relinquish his family's control over LVMH.

In reviewing the hiring process for these directors, the LVMH Internal Review Team has found that LVMH suffers from a lack of transparency in its hiring processes for executive positions. The Review Board recommends rectifying this missing clarity so that LVMH can reaffirm its commitment to fostering creativity within its highest tier of management. This can be done by having board members with personal relations to potential hires recuse themselves from the selection process, and anonymizing voting by the remaining board members to ensure no possible retaliation from members of the board with connections to potential candidates. In the short-term, this raises the likelihood that LVMH incorporates more diversity of thought into its business model, which is a necessity in today's constantly shifting business environment and the widespread social changes among youth. We plan to end our presentation by offering an implementation plan for our proposed solution, and showing how diversity in both identity and thought translates into long-term success for LVMH.