Hennes & Mauritz (H&M), AN HRM CASE STUDY


This is a case study on H&M, from a Strategic Human Resource Management perspective, based on publicly available details of H&M, which has been analyzed and presented within the context of the perspective. This case study was prepared to meet the requirements of an academic exercise.

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INTRODUCTION & COMPANY STRATEGY:

Hennes & Mauritz (H&M) is a 100 billion SEK company, engaged in designing and retailing of fashion apparel and accessories. The company offers a range of apparel, cosmetics, footwear and accessories for men, women, children and teenagers. H&M primarily operates in Europe, North America and Asia, and has a presence in over 33 countries. The company is headquartered in Stockholm, Sweden and employs approximately 53,430 people on a full time basis (Datamonitor, 2009).
H&M’s strategy is to offer fashion and quality at the best price. H&M’s annual report (AR1 2008) emphasizes that “quality” relates to both; H&M’s products exceeding customer expectations, and also customers being satisfied with the company itself. The report states “Taking responsibility for how our operations affect people and the environment is also an essential prerequisite for H&M’s continued profitability and growth.”

H&M is driven by strong values such as commercial mindset, simplicity, constant improvement, cost consciousness and entrepreneurship (AR1 2008, p.13).

**Long-term strategic goals of H&M**

In the Annual Report (AR1 2008, p.7), H&M, CEO Rolf Ericsson states that the long term goal is to “Make fashion available to everyone, give the customer a fashion experience that strengthens H&M brand”. They also state the goal of a 10-15% increase in the number of stores every year, which would be funded internally (AR1 2008, p.13). The aim to increase sales in existing stores, while focusing on quality and continued profitability.

How does H&M want to get there?

To execute its strategy H&M focuses on 3 main aspects of it’s business concept (AR1 2008):

- **Price**: which is controlled by: limiting the number of middlemen, buying in large volumes, relying on it’s in-depth, extensive expertise within the design, fashion, and textile industries, buying the right merchandise from the right production markets, being cost-conscious at all levels and maintaining effective distribution procedures (Job advertisement for Buyer on the careers site at ).
- **Design**: Products are designed in-house and production is completely outsourced (AR1 2008, p.13).
- **Quality**: Central emphasis on quality with extensive testing and ensuring least environment damage (AR1 2008).
- **Merger and Acquisitions**: Acquisitions (like Fabric Scandinavian, the Swedish design company), and Design Collaborations (like the collaboration with Mathew Williamson) are adopted (H&M press at ).

In 2009, H&M plans to open 225 new stores and recruit 6,000 to 7,000 employees.

**HUMAN RESOURCE**

H&M’s corporate strategy is to expand on a continuing basis, and as a consequence, employee strength also increases continuously. For 2009, H&M’s Annual report (AR1 2008), forecasts the addition of 6000 to 7000 new jobs. Their staff is spread across approximately 33 countries and come from different cultural backgrounds (Datamonitor, 2009). Their strategy is to recruit locally whenever a new store opens (AR1 2008).

The main area for which H&M may have clearly articulated policies are listed below. The policy areas are based on the categorization by Armstrong (Armstrong (2006), pp.148-156):

- **Overall Policy and Values**: H&M’s website indicates that their objective is to be a good employer, including in those countries whose laws and regulations fall short of their own requirements. To quote the Head of HR “In order to meet people’s expectations of H&M as an attractive employer, the company develops global guide lines on diversity, equal rights and against discrimination” (AR1 2008, p.34). At H&M, HR activities are guided by a fundamental respect for the individual (AR1 2008). This applies to every aspect from fair wages, working hours and freedom of association to the opportunity for growth and development within the company. This also indicates that the company has specific policies for areas such as Equal opportunity, Managing diversity, Employee development, Health and Safety, among others.
- **Employee Relations and Voice**: H&M has an open door policy granting all employees the right and the opportunity to discuss any work-related issue directly with management (AR1 2008). They also support their employees’ right and ability to organize and to decide who should represent them in the workplace (AR1 2008). H&M has positive experience of open and constructive dialogue with the trade unions and they welcome such relations wherever they operate. They consider such
cooperation to be essential if they are to become even better. Examples of collaboration on staffing issues include their agreement with UNI (Union Network International) and the work they do with the EWC (European Works Council), (AR1, 2008).

- **Promotion:** To quote Mr. Pär Darj, Head of HR at H&M “. Internal recruitment and job rotation enable the company to grow quickly” (AR1, 2008). This statement indicates that H&M has policies related to promotion.
- **Employee Development:** To quote Mr. Pär Darj, Head of HR at H&M “. I tell employees, if you do not grow neither will H&M” (AR1, 2008). This indicates that policies exist for this area.
- **Rewards:** H&M focuses on rewarding people by providing more opportunities and responsibilities, and not through promotions and job titles (AR1, 2008). This indicates that H&M has policies for this area.

Other areas with clearly defined policies might exist, but these are not evident from available sources.

**ORGANISATIONAL BEHAVIOUR**

H&M operates in 33 countries (Datamonitor (2009)) and has a workforce belonging to these 33 countries because they recruit locally (AR1 2008, p.34). H&M’s espoused values are stated to be the foundation for a multinational company in a multicultural market where great respect is paid to the individual.

Interviews with the CEO and Head of HR in the annual report indicate a participative culture where “everyone is made to feel like a part of the company’s success” (AR1 2008). To quote Pär Darj, (Head of HR) “The key words for continual growth are responsibility and commitment. We have committed employees and we are prepared to delegate responsibility at every level”, (AR1 2008, p.34). The company encourages what it calls the “The H&M spirit”; employees committed to their work and prepared to take on new challenges, common sense, hard work and team spirit are encouraged. All their operations are typified by an essential respect for the individual; including reasonable wages, reasonable hours, and opportunity to grow, and develop within the company (AR1 2008, p.34). Quotes from employees about the organizational climate indicate that the values above are “values in use”. These quotes can be found on the Careers site at .

Based on this information, the prevalent culture appears to be primarily “task oriented” (E H Schein (1985)). Such a culture can support H&M’s HR related strategies and policies (like Open door, job rotation, freedom of association etc.). They also have a significant impact on HR aspects; Recruitment needs to focus on finding candidates with the “right fit “to the organizational culture irrespective of local culture, facilitating expatriation of experienced staff when new stores are opened, facilitating rewards schemes aligned with organizational culture, enabling HRD that can empower employees to take on new challenges and work in new teams.

**Motivational issues at H&M**

H&M is a flat organization, which might give the impression that it’s hard to move up within H&M, but actually, the opposite is stated to be true on the careers site(at ). H&M as an organization is constantly evolving and is growing fast, thus providing more opportunities to its employees. Employees are motivated by providing new challenges; in another department, another role or, another country. H&M encourages employees to try many different roles within their organization (AR1 2008 and AR2 2008).

H&M recruitment advertisements indicate possibilities like: working abroad, furthering education and learning new things. Their websites promotes that many in management today, actually started on the shop floor. H&M also provides a comprehensive benefits package. H&M fulfills employee aspirations by providing opportunities to take more responsibilities. (Ref: careers site at )

To quote the Head of HRM at H&M, “By the same token, if titles and pay structures are what motivates the employee, then we’re most definitely not the ideal company for you. As we said at the beginning: a perfect relationship is all about balance and mutual understanding”(AR1 2008, p.34). The information above, together with information about H&M’s HR strategies and policies,
resonates with Herzberg’s 2 factor model of motivation. “Advancement”, “responsibility” and “satisfaction gained from the work itself” are main motivators, while benefits, fair treatment etc. prevent dissatisfaction (Herzberg and Snyderman, (1957)).

The main motivational issue and challenge at H&M could be: nurturing and maintaining a balanced relationship with employees. Line managers may need good awareness of their reportees’ aspirations, to enable motivation by providing responsibilities and opportunities aligned to the employees’ perception of “growth”. The strategy to motivate using job-rotation (across sites, roles, functions) and promoting learning could be an HRD challenge, especially considering the pace of growth. A potential issue could arise during periods of slow growth, since employees might be frustrated by the lack of opportunities. This could manifest locally too, since travelling abroad might not be feasible for many employees.

**Individual development versus organisational development**

H&M’s annual report (AR1 2008) and website (Careers website), emphasize that working at H&M is about commitment, both from the individual and the organization. H&M’s Head of HR emphasizes that organization can grow only if the individuals grow (AR1 2008, p.34). H&M won’t make a career plans for it’s employees, but will provide them with tools to go as far as they possibly can on their own.

This indicates that at H&M, individuals are expected to drive their own development, within the framework that the organization provides. The organization appears to facilitate and promote cross-functional and cross-boundary development opportunities for individuals, which is aligned with it’s own development and growth strategies.

To quote Pär Darj, (Head of HR), “We have committed employees and we are prepared to delegate responsibility at every level. I tell employees, if you do not grow neither will H&M”, (AR1 2008 p.34). This indicates that H&M treats individual development and organizational development as tightly linked areas.

**SELECTION AND RECRUITMENT**

H&M values personal qualities much more than formal qualifications. Pär Darj, Head of HR states that at H&M, great grades and all the university credits in the world are no guarantee of a job or a fast-track career. They look for, more than anything, people with the right personality. H&M’s belief is that people can gather skills as they go along, but personality and attitude can’t be taught (AR1 2008, p.34). Since H&M is a fast company and the tempo is always high, they need employees who are self-driven and capable of direct communication well (SR 2008). Hence H&M recruits people who like responsibility and decision-making. Information from the careers site (at ), and from interviewed candidates (Ref: Int1, Int2 and Int3) indicates that a love of fashion combined with a focus on sales is perceived as an advantage. These appear to form the basis for H&Ms recruitment requirements (and person specifications), programmes and drive it’s selection processes.

Feedback from candidates indicates that the selection interview approach is usually face to face and mostly “structured situational based” (Armstrong (2006), p.447), covering customer service and fashion trends. This is followed by panel interviews and aptitude/work sample tests (as defined by Armstrong (2006), p.447). It appears that candidates are filtered at each stage of the process (Int1, Int2, and Int3).
Sources of candidates:
Internal Recruitment: This is their first choice for a new job opening. External recruitment is considered only if no internal options are available.
External recruitment: Potential recruits (minimum age is 16 years) are encouraged to apply directly to the local store, from the careers website. H&M does not offer summer jobs or work experience placements. Buying is centralized in Stockholm, and so is the recruitment for the same.
H&M recruits locally to its new stores (AR1 2008, p.34).

HUMAN RESOURCE DEVELOPMENT

Organisational learning and management development issues at H&M.
The average numbers of training days per employee in 2008 are, 10 for new sales staff, 1 for existing sales staff and 5 for existing management positions. H&M usually conducts all training in-house (classroom, stores and one to one), written and produced by H&M staff. External training has been considered for some areas like “buying”. E-learning has also been initiated for a few subjects (SR 2008).

However, indications are that H&M today focuses more on on-the-job, “just- in time”, hands on learning. For example, when they opened their first H&M store in Japan, locally recruited employees were sent to Norway and Germany for gaining experience in existing operations. Also, during the sales intensive opening phase of a new store, colleagues from other countries are brought in temporarily (SR 2008). To quote the head of HR at H&M, ”As an employee of H&M, you can be an entrepreneur and you will be given responsibility early on”. H&M claims to provide structured opportunities for on-the-job, hands on and workplace based training. (AR1 2008 and Careers site).

To summarize, it appears that H&M focuses on experiential Self-directed learning today (as defined by Armstrong (2006), p.557), however, they are moving towards incorporating a blended approach with simulation and e-learning included (Armstrong (2006), 570-582)

REWARD MANAGEMENT

The reward management process of H&M and its potential influence on human resource management.

H&M’s careers website (at )indicates that the company offers a comprehensive benefits package, which includes staff discounts, incentive bonuses, company sick pay, private health care & a pension scheme. Share options are not provided. The head of HR, indicates that they do not consider titles and pay structures as motivational tools. Opportunities to fulfill an employee’s aspirations by wanting more responsibility, as a means of getting on with in the organization quickly, are provided (AR1 2008, p.34). Apart from these, as stated by different categories of employees on the careers site and the annual report, the main reward is the job satisfaction they derive.

Thus, H&M appears to provide a total reward framework, with greater emphasis on relational rewards even though transactional rewards are provided (Armstrong (2006), pp.639-631). H&M’s reward management is consistent with other HR areas, including organizational culture, recruitment/selection etc. and is also in sync with the overall HR strategy of “open doors”, “job rotation” etc. which is essential to fulfill H&M’s strategy of fast growth.
The previous sections illustrate the various HRM practices at H&M. This section details how these practices contribute to the success of H&M as an organization, in the context of the SHRM course literature. These are categorized under the various aspects of SHRM below:

**Linking People with strategic business needs**

H&M today is a hugely successful multinational company. The success of H&M is primarily based on the business model of entire design being done internally and centrally, manufacturing totally outsourced, but quality ensured and local retailing with hired places, local staff and local shop managers empowered to take decisions. The success, business growth and expansion plans were possible because H&M have formatted their HR strategy in line with the corporate strategy. As evident from their Annual Report (Ar1 2008), when they expand into new markets they do not lose sight of their core values. They have succeeded to manage all components of HRM effectively to ensure that core values are upheld in all parts, regardless of country and cultural differences. Their strategic and coherent approach in recognizing that the organization’s most valued assets are the people working there is evident from the statement issued by their CEO, “It is our employees that make the corporate strategy possible. Our committed employees are essential to H&M’s ability to grow and continue to be highly profitable. At H&M we share the same goals at the same time as we minimize bureaucracy and focus on the individual. We delegate a lot of responsibility to local markets, stores and individual people and we encourage people to take their own initiatives at all levels” (AR1 2008). These are in accordance with Armstrong’s definition of HRM (Armstrong (2006), p.3).

The various elements of HR strategy, (Armstrong (2006), pp.123-146), like improving performance through local recruitment, in house training, and total reward, job rotation (external skill base), increasing commitment (selection based on personality, learning experience, rewards based on core values etc.) have been built in to the HR Policy and Procedures, and are seen to be practiced, thus proving that the business success of the company has been supported effectively by the HR linkages.

**Rewards Management**

H&M has implemented the concept of Total Reward Management very successfully. Apart from the financial compensation, “job satisfaction” as a reward has motivated the employees to perform and contribute their maximum to ensure customer satisfaction and business success through increased sales. This is evident in the statements by the employees from various levels on the Careers site at . As a stated policy, there is more emphasis on personality development through delegated authority in the decision making process and greater autonomy to local elements of the organizational structure. Being a multinational company with employees of different cultures, this decentralized decision making process and empowerment of employees have proven direct impact on the success of H&M (AR1 2008) Various techniques associated with Intrinsic Motivation (Armstrong (2006), p.254) have been given more importance and priority than the extrinsic aspects. Work environment related parameters like leadership, employee voice, recognition, achievement etc. have been built in to the HR policy and practiced to leverage the critical business goals of continuing growth and increased profitability.

**Performance Management**
H&M has adopted a strategic and integrated approach to achieve organizational success through improved performance of its employees (Armstrong (2006), p.115). H&M employees have been told that the growth of the employees and the organization are closely linked (AR1 2008, p.34). The practice of Shop Managers going through a process of reviewing that day’s business with their subordinates on a daily basis, is part of the performance management activity. This underlines the fact that H&M has recognized the importance of such a practice, and built in that process by which managers and their subordinates work together, agree on what needs to be done and how it is done (Armstrong (2006), pp.499-513). They are able to plan, prioritize and develop their sales team in a customer-focused environment (AR1 2008, pp.31-36 and Careers Site). At H&M a shop manager is in charge of the daily running of the store; it is like running their own business (AR1 2008, p.34). The HR strategy of delegating authority for managing the shop’s activities is a key factor contributing to the success of the organization.

Managing Diversity in teams and groups

H&M operates in 33 countries and is expanding its business to open new shops in countries where they are currently not present. By their HR policy and procedures, when a new shop is opened the staff are recruited locally. They also have the practice of job rotation and movement of employees from one location to another based on internal recruitment (promotions). This brings together people of different cultural back grounds together in the same team, and successfully managing such a team is crucial to the success of the organization. The HR strategy is, not to have very rigid procedures, and the corporate culture of respect to the individual. As stated in their Annual Report (AR1 2008), the HR strategy ensure the following:

1. In order to meet people’s expectations of H&M as an attractive employer, company develops global guide lines on diversity, equal rights and against discrimination.
2. H&M’s objective is to be a good employer, including in those countries whose laws and regulations fall short of their own requirements. The whole of their activity is shaped by a fundamental respect for the individual. This applies to every aspect from fair wages, working hours and freedom of association to the opportunity for growth and development within the company (AR1, 2008).
3. H&M has positive experience of open and constructive dialogue with the trade unions and they welcome such relations wherever they operate. They consider that cooperation is essential if they are to become even better. Examples of collaboration on staffing issues include their agreement with UNI (Union Network International) and the work they do with the EWC (European Works Council). (SR (2008))

H&Ms success in executing their strategy of continuous international growth and expansion, while maintaining its “Swedish” organizational culture, indicates that its HR practices have contributed to the successful management of diversity in teams and groups.

Planning, Recruitment and Selection

The HR strategy, which is closely aligned with the organizational strategy to achieve continuing growth and profitability, envisages recruitment of people every year to run the new stores scheduled to be opened. For example, as per their Annual report (AR1 2008), about 6000 – 7000 employees are to be recruited during this financial year, to meet the requirements of the 225 new stores being opened worldwide. The planning and recruitment is based on the HR policy to recruit locally when a new store is opened (Armstrong (2006), pp.363-388). Future employees are evaluated and chosen (Armstrong (2006), pp.409-471) according to certain criteria practiced by H&M and based on the company’s culture.
They look for people with personality who can perform well within the culture, growth and motivational framework provided at H&M. To quote Pär Darj, Head of HR, “At H&M, great grades and all the university credits in the world are no guarantee of a job or a fast-track career. Of course, we do welcome those things, but what we are really looking for, more than anything, is people with the right personality. This is based on the belief that one can always gather skills as you go along, but personality and attitude can’t be taught. Either you’ve got it or you don’t. One of the most important things we look for is drive.” (AR1 2008, p.5-34).

**Organisational Behaviour**

At H&M, a lot of importance is given to personality development and for opportunity for the employees to grow within the organization. Various practices empowering the employees; like a Shop Manager being allowed to take independent decisions, and managing the business like an entrepreneur etc. are designed to increase employee loyalty and commitment to the organization and are great motivators (Armstrong (2006), pp.239-316 and AR1 2008). The HR strategy for employee motivation; total reward with emphasis on Intrinsic Motivation (Armstrong (2006), p.254), has been proven, to be directly related to forming the success of the organization. All their operations are typified by an essential respect for the individual; including reasonable wages, reasonable hours, opportunity to grow and develop within the company (AR1, 2008) The prevailing organizational culture at H&M encourages team work, supports effective leadership and provides adequate growth opportunity for employees. These HR strategic initiatives in turn make significant contributions to the organizational goals of continuing growth and profitability.

**Human Resource Development**

Ensuring Learning and Development opportunities for its employees is an integral part of the HR strategy at H&M (AR1 2008), and these essential ingredients contribute significantly to the success of the organization. Human Resource Development is a continuing process at H&M; the new recruits being sent to already existing shops for gaining valuable experience, experienced employees being brought to new shops to support the new local recruits during the intensive opening period activity etc. This is critical to the process of organizational learning and helps them climb the learning curve faster (Armstrong (2006), p.554). Keeping employees highly motivated is essential to the success of H&M, due to the nature of its business of dealing in high fashion consumer goods. The various concepts that can be adopted to increase performance (like job satisfaction as a reward management tool) are very effectively employed and as the employees themselves state, “I’m happy to be here and every day is a challenge” (Careers site at ). Expectancy Theory, which states that “if individuals feel that the outcome of learning is likely to benefit them, they will be more inclined to prove it” (Armstrong (2006), p.556) has been proven on the shop floors of H&M.

The HR practice of giving responsibility to the employees early on in their career, treating them as entrepreneurs rather than just employees, (AR1 2008, p.34) is a definite and positive step towards their development. Considering the employees as capable of shaping its results and improving it in big and small ways, is key to H&M’s approach to learning and development.

**International HRM**
H&M is a multinational company with operations in 33 countries and new countries being added every year as the organization grows. The strategy of local recruitment when a new shop opens leads to the situation of a collective work force belonging to different nationalities adjusting to a common organizational culture. This is the big HR challenge, which the company has very successfully overcome. The HR strategy of delegation of authority and empowerment of employees has played a very important role in this success. The shop manager runs the business as an entrepreneur and is authorized to take independent decisions within the overall guidelines. “Think globally and act locally”, Laurent (1986) (from Armstrong (2006), p.104), has been adapted as the mantra for success at H&M. They have identified the core and non core activities (design and manufacturing; being core, done centrally, and distribution; noncore, done locally), they have built global brand equity while honoring local customs, they share their learning and create new knowledge.

**Conclusion**

To conclude, H&M has balanced the needs of coordination, control and autonomy and maintained the appropriate balance between them. These are critical to the success of any multinational company (Bartlett & Ghosal (1991) from Armstrong (2006), p.104).

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See reference:
AR1 – See H&M annual report 2008 Part 1
AR2 – See H&M annual report 2008 Part 1
Careers site– See Working at H&M
Int1– See H&M Interview
Int2– See H&M Interview –Student room
Int3– See H&M Interview