

Week 8: Final Assessment

Strategic Change at Levi Strauss & Co.

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HRM 555: Anticipating the Future of Human Resources

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Introduction

Levi Strauss & Co., founded in San Francisco in 1853, invented the blue jean and remains one of the longest continuously operating apparel companies in the world. Today the company sells in over 110 countries, operates roughly 3,400 brand-dedicated stores, and employs approximately 20,000 people globally (Levi Strauss and Co., 2026). Since January 2023, the company has undergone simultaneous transformation like a new CEO, a major corporate workforce reduction through Project Fuel in 2024, a new CHRO as of early 2025, and a public commitment to reach \$10 billion in revenue by 2030 as a DTC-first, AI-enabled brand (Vogue, 2026). If I were the VP of HR at Levi Strauss, my role would not be to simply respond to these shifts after the business has already decided on a direction, but to anticipate them, build the infrastructure to handle them, and develop my own leadership in effective ways.

Three disruptions shape this paper:

- a. The direct-to-consumer (DTC) pivot**, through which Levi has restructured its revenue model in ways that fundamentally rewrite workforce capabilities, job design, and incentive structures.
- b. AI and automation integration**, including the deployment of a Microsoft Azure superagent in Teams and Google Cloud machine learning tools, which create both competitive advantage and governance obligations that HR needs to own.
- c. A rapidly moving legislative landscape** that includes California SB 642, Illinois HB 3773, the Colorado AI Act, and federal Executive Order 14365, all of which affect how HR operates, audits, and manages risk.

Analysis

1. Context and Forward-Looking Strategy of Levi Strauss: When CEO Michelle Gass took the helm in 2023, she established a clear destination and a five-pillar strategy to get there. The

DTC channel has grown from 36% of revenue in 2022 to 52% in Q1 FY2026, the first time owned stores and digital have generated more revenue than wholesale accounts (Digital Commerce 360, 2026). Dockers was divested to Authentic Brands Group for \$311 million in July 2025, sharpening the portfolio to its core. FY2025 results confirmed the strategy is working- net revenues reached \$6.28 billion, up 7% organically, with net income from continuing operations rising from \$210 million to \$502 million and gross margin hitting a record 61.7% (Levi Strauss and Co., 2026a). FY2026 guidance calls for continued revenue growth of 5-6%.

On the technology side, the company has been building its AI capability since 2020 through a Google Cloud machine learning platform for demand forecasting and inventory optimization, and in 2026 deployed a Microsoft Azure superagent inside Microsoft Teams for enterprise workflows (Digital Commerce 360, 2026; Levi Strauss and Co., 2026a). For HR, a company opening 50-60 new stores per year while scaling its digital business needs a workforce architecture that supports both channels without fragmenting the culture.

Highlights include:

(\$ millions)	Three Months Ended		Increase As Reported	Increase Organic Net Revenues	Year Ended		Increase As Reported	Increase Organic Net Revenues
	November 30, 2025	December 1, 2024			November 30, 2025	December 1, 2024		
Net revenues	\$ 1,766	\$ 1,750	1%	5%	\$ 6,282	\$ 6,032	4%	7%
(\$ millions, except per-share amounts)	Three Months Ended		Increase (Decrease) As Reported	Increase (Decrease) Constant Currency	Year Ended		Increase (Decrease) As Reported	Increase (Decrease) Constant Currency
	November 30, 2025	December 1, 2024			November 30, 2025	December 1, 2024		
Net income from continuing operations	\$ 160	\$ 180	(11)%	*	\$ 502	\$ 210	139%	*
Adjusted net income	\$ 163	\$ 200	(19)%	(19)%	\$ 537	\$ 499	8%	8%
Adjusted EBIT	\$ 213	\$ 243	(12)%	(15)%	\$ 719	\$ 645	11%	11%
Diluted earnings per share from continuing operations	\$ 0.40	\$ 0.45	(5)¢	*	\$ 1.26	\$ 0.52	74¢	*
Adjusted diluted earnings per share	\$ 0.41	\$ 0.49	(8)¢	(9)¢	\$ 1.34	\$ 1.24	10¢	10¢

Figure 1. Q4 and Full-Year FY2025 Financial Highlights. (Levi Strauss and Co., 2026).

2. Keeping Apprised of Changes in Technology and Laws as they Relate to HR: Staying current would require a structure and honest self-assessment about where the gaps are. **The first piece I would build is a standing bimonthly HR Technology Council** that includes HR, Legal, IT, and a rotating frontline manager. The rotating manager seat matters because technology adoption looks very different from the store floor than it does from corporate, and a council that never hears from that perspective will build policies that only work on paper. This council would track regulatory developments, vendor updates, and any new AI tools entering the HR workflow.

The second piece is an annual regulatory scan built into the HR calendar. California, Illinois, and Colorado all enacted significant new AI employment laws in 2025 and 2026, and the federal government has added its own layer of uncertainty. Table 1 summarizes the four most directly relevant pieces of legislation.

Table 1: Key AI and Employment Legislation Affecting HR Operations

Law	Jurisdiction	Effective	Key HR Obligation
California SB 642	California	Jan 1, 2026	Employers must provide a good-faith pay scale estimate at hire; wages include stock and bonuses; employees have three years to file a claim and may request pay records going back six years (Olmsted et al., 2025)
Illinois HB 3773	Illinois	Jan 1, 2026	AI-mediated employment discrimination is an explicit civil rights violation; using zip codes as proxies for protected classes is prohibited; employers must provide written notice disclosing the AI product name, vendor, decisions made, and data collected
Colorado AI Act	Colorado	Jun 30, 2026	Employers must conduct bias audits and provide worker notice for any high-risk AI system
EO 14365	Federal	Dec 2025	A federal AI Litigation Task Force is actively challenging state-level AI laws, creating near-term compliance uncertainty for employers (Brenner et al., 2026)

The third piece is personal. Kane et al. (2019) argue that digital transformation ultimately fails or succeeds on the strength of human judgment about technology, not the technology itself. If I cannot ask meaningful questions about how an algorithm was trained, or identify when a people analytics tool is crossing into legally risky territory, I am falling behind.

3. Ways to Evaluate Legislation, HR Policy, Procedures, and Other Key Documentation:

Levi Strauss's 2024 Sustainability Goals and Metrics Report shows that Latino employees represent 43.4% of the frontline U.S. workforce and 0% of executive leadership (Levi Strauss and Co., 2025). This is a talent pipeline risk and an execution risk, because the company's DTC growth depends heavily on frontline store performance in geographies with large Latino customer and employee populations. Figure 2 below reveals this critical pipeline gap.

Representation Data:

	As of December 1, 2024 ¹				
	Executive leadership	Top management ²	Corporate employees	Frontline workers	All employees
Employees by gender					
Women	61.5 %	47.9 %	54.9 %	56.9 %	56.6 %
Men	38.5	51.3	42.1	33.5	35.0
Not specified/undeclared	N/A	0.8	3.0	9.6	8.4
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Employees by ethnicity (U.S. only)					
Asian	7.7 %	14.9 %	22.4 %	5.4 %	8.8 %
Black	7.7	6.3	8.4	17.1	15.4
Latino	N/A	8.6	13.0	43.4	37.3
White	84.6	65.0	48.6	27.9	32.0
Other BIPOC	N/A	2.3	5.3	5.2	5.2
Not specified/undeclared	N/A	2.9	2.3	1.0	1.3
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Figure 2. Workforce Representation by Gender and Ethnicity, FY2024. (Levi Strauss and Co., 2025).

I would recommend three practical mechanisms for evaluating and managing HR policy and practices risk:

- a. First, an annual HR policy and practices audit.** A policy can be technically compliant while actual practices in hiring, promotion, and performance management diverge from it in ways that create legal exposure. Both written policy and the lived practice need to be examined together.
- b. Second, a vendor governance protocol covering all HR-related vendors,** not just HR technology. Benefits administrators, compensation consultants, people analytics platforms, and EAP providers all make decisions that affect employees, and requiring annual accountability reviews across that full ecosystem closes a governance gap that most companies leave open.

c. **Third, a pay equity review with outside counsel conducted annually.** California SB 642's six-year look-back provision makes this non-negotiable going forward, and outside counsel matters because internal teams are too close to the data to catch subtle drift.

4. Determining the Direction I Would Need Take to Address These Disruptions: The DTC pivot rewrites what a frontline store manager is responsible for, changes how performance is measured, and puts pressure on incentive structures designed for a wholesale-first model. The jobs that matter most in a DTC business are not the same jobs that mattered most five years ago.

The AI integration creates a governance obligation that would need to be owned, not delegated. Bias in hiring algorithms, data privacy in people analytics, and the question of how much autonomy to give an AI tool in a consequential HR decision are not IT problems. They sit squarely in HR's jurisdiction. **The legislative shift** would require building a proactive compliance infrastructure. EO 14365 creates near-term uncertainty by challenging state-level AI laws, which would mean holding multiple compliance scenarios simultaneously.

The Star Model maps where each disruption lands across five organizational levers. Table 4 below shows the current state and required HR actions.

Table 2: HR Strategic Direction Mapped to the Star Model. (Kates and Galbraith, 2007)

HR Dimension	Current State	Required Action	Star Model Lever
Workforce Architecture	Post-Project Fuel leaner corporate base; DTC store expansion underway	Redesign job families for omnichannel and AI-augmented roles	Structure + People
AI Governance	Superagent in Teams; ML for inventory and pricing	HR-led AI ethics review; bias audit protocol for all people tools	Processes
DEI Pipeline	0% Latino exec representation vs. 43.4% frontline	Succession planning tied to representation; treat as execution risk	People + Rewards
Manager Capability	50-60 new stores per year in FY2026	Frontline manager development as core DTC execution vehicle	People

5. Leadership Skills I Need to Develop in Myself: The first area is strategic foresight. I am confident in HR tools, frameworks, and processes. But I still need to develop the ability to think two to three years ahead at the enterprise level and connect HR decisions to business outcomes before the business has articulated the need. Kane et al. (2019) argue that the most effective people in digitally transforming organizations are not the most technically skilled, but who can see where technology is taking the business and shape the response ahead of time. That is the capability I need to sharpen.

The second area is stakeholder influence. As a head of HR, I will need to move people who do not report to me like business unit leaders, the CHRO, and Board-level conversations about workforce risk. Schaninger et al. (2023) note that senior leaders' influence depends on credibility built through language the business already speaks. I am working on translating people decisions into the language of revenue, risk, and capability.

The third area is direct communication. I tend to be soft-spoken and careful with my words because I do not want to cause harm. But at VP level, being too indirect can do more harm than being too direct. Worley and Mohrman (2015) describe adaptive leadership as requiring honest engagement with uncertainty and conflict. I am working on being both kind and direct at the same time, because I do not believe you have to choose between the two.

I am also **actively thinking about knowing where my boundaries are**- understanding how much I can bend without compromising my values, and being clear enough with myself about that line before I am tested on it in a high-stakes moment, like Erin Miller shared in class.

6. Recommended Change Strategy and Why: The change strategy I would recommend is Kotter's 8-Step Change Model, paired with the adaptive change philosophy from Cummings and Worley (2018). Kotter organizes how HR moves from awareness of these

disruptions to sustained capability change. The first two steps, establishing urgency and building a guiding coalition, are straightforward here. The DTC inflection point and the legislative calendar provide the urgency, and the coalition forms naturally across HR, Legal, IT, and store operations. The remaining six steps, developing a vision, communicating it, empowering action, generating early wins, sustaining acceleration, and anchoring change in the culture, map directly to the sequencing of the initiatives described in this paper. Early wins are within reach: completing the first vendor governance review, running an HR practices audit, and conducting a bias check on the hiring algorithm before the next recruiting cycle.

The reason I pair Kotter with an adaptive philosophy is specific to this company's moment. Levi Strauss employees have absorbed Project Fuel's headcount cuts, a new CEO, a new CHRO, a brand pivot, and the Dockers divestiture, all within roughly two years. A rigid, linear transformation program would likely be met with skepticism. Running Kotter adaptively means HR is not executing a fixed plan but learning and adjusting as it goes. Worley and Mohrman (2015) argue that the most durable organizational changes are ones where learning is built into the operating model itself, not treated as a phase that precedes normal operations.

Conclusion

Levi Strauss has a clear strategic direction and real urgency behind it. My job as VP of HR would entail building the infrastructure that lets the business move at that pace without creating legal exposure or organizational fragmentation like owning AI governance, developing frontline managers, and treating the Latino leadership pipeline as an execution risk. That work also requires developing myself by thinking ahead of the business, making the case for people decisions in language executives recognize, and being direct enough so that the people I lead know where they stand.

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