

**Talent Management and Succession Planning,  
Human Resources Strategies to Avoid a Skills Gap  
Forming During a Recessional Climate.**

**Helen Byrne**

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**National College of Ireland**

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**Helen Byrne**

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**Abstract**

This study will examine Talent Management and Succession Planning in semi-state organisations against the backdrop of globalisation, deregulation and the financial crisis.

With a fall in revenue figures and reduction in subvention from the Government, semi-state organisations have been forced to introduce restructuring programmes which has resulted in unplanned loss of tacit knowledge, coaches and mentors. The challenge facing many organisations today is how to develop talent management and succession planning processes to avoid the possible growth of a skills gap.

With impending de-regulation of their respective markets, Semi-states of the future are expected to be more competitive, which will require a strategy to empower their managers to take on the role of leaders who will deliver the company's mission statement.

How are organisations strategically managing remaining talent, motivating them and building future leaders against the backdrop of training budget reductions, salary reduction and loss of bonus schemes?

A single Case Study is conducted to compare academic opinion on the subject against four companies' approach to talent management and Succession Planning during retrenchment programmes. The findings and conclusions advocate the current academic thinking is valid when applied to real-life scenarios.

This research paper will deliver a number of recommendations which will add to the academic discussion whilst allowing companies proactively manage their talent management and succession planning strategies to protect themselves against a skills gap forming.

# **DISCLAIMER**

I hereby certify that this material, which I submit for assessment on the programme of study leading to the award of B A (Hons) in Human Resource Management is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

**Name:** Helen Byrne

**Signature:** \_\_\_\_\_

**Student number:** 07122900

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## **LIST OF ABBREVIATIONS**

BE	Bus Eireann
CEO	Chief Executive Officer
CIE	Coras Iompair Eireann
CIPD	Chartered Institute of Personnel Development
DB	Dublin Bus
HR	Human Resources
IE	Iarnrod Eireann
LD	Leadership Development
NTA	National Transport Authority
PC	Psychological Contracts
PM	Performance Management
PSO	Public Service Obligation
RBV	Resource Based View
SP	Succession Planning
TM	Talent Management
T&D	Training and Development
VS	Voluntary Severance



# **Chapter One**

## **Introduction**

### **1.1 Introduction**

The chapter begins with a discussion on the background to the research undertaken by the Author. This is followed with the adoption of a theoretical framework which will be used as the building block for primary and secondary source data research on the topic under consideration. The chapter then moves to a review of research themes employed throughout the paper. Finally an overview of each chapter is briefly discussed.

### **1.2 Background to Research**

Since 2007 Irish companies have attempted to weather the effects of globalisation and recession on the local economy. Strategies employed by organisations to achieve this include cost containment programmes, downsizing and recruitment embargos. Semi-state companies operating in Ireland have witnessed a decrease in subvention from the Government whilst experiencing falling revenue figures as passenger numbers travelling on respective services decline.

Academic literature suggests, when faced with a recessionary climate, organisations who embark on programmes mentioned above are prone to incurring risk due to the reactionary, ad-hoc nature their course of action takes. In an effort to reduce the operating budget without affecting the service offered, companies target Human Resource (HR) initiatives such as wage reduction through voluntary severance or early retirement programmes. Acknowledging that the short term goal may well be achieved, companies may not be aware of the longer term effects of such strategies until it is too late.

### **1.3 Theoretical Framework**

Academic literature goes on to suggest a significant challenge for organisations during a recession is two-fold,

- I. Ensuring those who leave the company does not result in a corporate memory loss
- II. Ensuring the remaining pool of employees have the necessary talent to ensure the company's survival and growth.

It is the intention of this research paper to focus these two issues as the starting point of its theoretical framework. In particular, the work of Glesson (2009) who states that organisations are prone to developing a skills gap as a result of cost containment programmes during a recession.

Therefore, the Author proposes to test Glesson's hypothesis by collecting primary and secondary source data against the following theoretical framework,

*Do Companies who engage in restructuring, to achieve downsizing as part of a cost containment programme during a recession, expose themselves in the longer term to a skills gap?*

For the purposes of this research the Author will apply the framework on Middle and Senior Management levels within a respective organisation.

### **1.4 Research Themes**

The starting point of this research is to undertake a review of the impact on organisations operating in the climate of globalisation and recession. Once the issues are highlighted the theme moves to a review of the consequences which come to fore as a result of HR strategies employed to deal with the impact of falling revenue or increased competition.

The area of Talent Management (TM) and its various guises are reviewed, with Succession Planning (SP) meriting specific attention. As suggested in the theoretical framework, the impact of a skills gap is considered throughout this research. Secondary source data, via an academic literature review, is used to create the background against which the various themes develop. Primary source data, by way of a Case Study, affords the Author information against which the framework can be tested.

### **1.5 Overview of Chapters**

The following section gives a brief overview of the structure of this paper by summarising chapter content.

The purpose of this chapter is to introduce the area under research, highlight the theoretical framework/research question and provide a guide to the following chapters contained in this paper.

Chapter Two contains the academic literature review and is designed in such a fashion as to initially set the tone of the research by identifying current academic thinking on the effects of globalisation and recession on organisations. After this the literature review moves to a discussion on TM where definitions, advantages and disadvantages are discussed. The review then moves to a more specific area of TM, that is, SP. The need for SP is identified and defined. The chapter concludes with a review on the challenges SP brings to an organisation.

The literature review was revisited throughout this research paper and most specifically during the interview process of the Case Study. Areas such as the employer/employee psychological contract had not been considered by the Author as warranting attention. However, on foot of data collected during semi-structured interviews, the Author felt a requirement to review academic thinking on the effects of a recession on psychological contracts.

Chapter Three highlights the methodology applied throughout the research. The work of Saunders, Lewis and Thornhill (2009) was adopted as a guideline for the

Author to ensure the paper's validity. For the purposes of the case study undertaken in this paper, the work of Yin (2009) was applied.

Chapter Four introduces the individuals and companies who kindly agreed to take part in the Case study. The chapter presents the analysis of data retrieved from conducting a cross pattern analysis of semi-structured interviews conducted by the Author.

Chapter Five discusses the various themes emerging from the analysis and findings of the case study. Topics under discussion include the various strategies employed by the four companies to deliver cost containment programmes and their effect on the employees' psychological contract.

Chapter Six offers a number of conclusions made by the Author after an analysis of primary and secondary sourced data. A number of recommendations are made, set against the original theoretical framework proposed at the outset of the research. The chapter finishes with a discussion on the limitations of conducting research of this nature and offers future avenues of research as a follow up to this study.

## **1.6 Summary.**

Having introduced the area under consideration for this research paper, a theoretical framework was identified. An outline of the various chapters was then presented. The next chapter will discuss current academic thinking on the relevant criteria associated with the paper's theoretical framework.

## **Chapter Two**

### **Literature Review**

#### **2.1 Introduction**

For the purposes of this research, the literature review is broken down into five sections. Section one will give an academic overview on the current state of the labour market against the backdrop of globalisation and the international financial crisis, the purpose of which allows the paper define the HR management challenges facing companies in 2013. Section two reviews how the relationship between employer and employee has been affected by the issues raised in section one. Section three moves to an academic discussion on TM, a strategy available to organisations who attempt to achieve competitive advantage through the management of their human resources.

In section four, a more detailed review is undertaken to explore academic thinking on TM and SP processes as tools for talent absorption, development and retention. It will then analyse what academia believe to be advantages to a company in pursuing TM and SP. Finally, section five will highlight the current academic thinking in acknowledging the difficulties in developing alternatives to TM and SP.

#### **Section One**

#### **2.2 Effects of Globalisation**

Held *et al* (1999) defines globalisation as the widening, deepening and speeding up of worldwide interconnectedness in all aspects of social life. Briscoe, Schuler and Claus (2009) suggest that the global economy has created a more complex and competitive environment in which organisations must learn to compete effectively to achieve sustainable growth. Workforces around the world have become larger, increasingly diverse, more mobile and better educated.

The influence of globalisation is more acute in Ireland because of the open nature of the economy. On one level Ireland has benefited from globalisation, on another level, people are insecure because of increased competition, deregulation and the threat of outsourcing of departments or migration of jobs to less developed countries with cheaper labour (ICTU, 2013).

### **2.3 Effects of the Recession**

Ireland was the miracle economy of the 1990's. In fifteen years, it transformed itself from one of the poorest countries in Europe to one of the richest (Baccaro and Simoni, 2004). From 1987 to 2007 economic growth in Ireland averaged 6.3% per year, employment rose steadily from 1.1 million in the late 1980's to 2.1 million in 2007 (Whelan, 2011). However, a major property bubble began to unwind in 2007 and the fall-out from this was exasperated by a rapid downturn in the global economy (Finance, 2013).

The collapse of the construction industry and the increase in unemployment resulted in a significant loss of income tax revenue and an increase in social welfare payments to the Exchequer. This coupled with the collapse of Lehman Brothers Bank and the Irish Banking crisis left Ireland facing a yawning fiscal gap and from 2008 onwards, the Government implemented a series of budgets featuring a cumulative total of tax increases and spending cuts worth €20.8 billion (Whelan, 2011).

With respect to the labour market, unemployment went from a record low of 3.7% in January 2001 to 14.0% in March 2013 (CSO, 2013).

A focus group held with HR Managers in 2011 highlighted a number of effects of the recession and their relevant response:

- Headcount reductions were widespread
- Pay freezes and a postponement on pay increments, bonuses were deferred or eliminated and in some cases reduced working time was introduced

- Ban on recruitment with increased use of temporary contracts. With the oversupply of talent in the labour market, employees were seen as a cost, easily replaced by cheaper talent in the labour market
- While training budgets were cut in many instances, it was found that the reduced training budget was concentrated on talent development and on high performers
- Work intensity increased, employees were working harder for less money
- A number of HR managers indicated that performance had been managed more rigorously in the recession with poor performers being pursued more insistently
- HR managers were struggling to keep employees motivated and committed
- The change in relationship between union and employer, whereby unions were being by-passed by some employers and often found it difficult to get employers to engage in discussion and to resist unilateral action been taken by them.

Two possible effects on HR function were identified:

- Numbers working in HR would be cut disproportionately compared with other support functions.
- Increased new role for HR involved providing advice and mentoring for managers on dealing with the HR implications of business decisions.

(Roche et al, 2011)

The recession, increased global competition and rapid technological changes has resulted in a significant number of organisations implementing restructuring and downsizing programmes, thus de-layering organisations with middle managers often being the primary targets for job losses (McDonnell, 2011).

Cheese (2010) suggests that as a result of the recession workforce engagement is seriously compromised, with job satisfaction at an all time low. He goes on to suggest many employees are working harder with employers expecting more for less (ibid).

## **Section Two**

Recognising the impact both globalisation and the recession have placed on the employer and employee, the paper now moves to a discussion on the resulting relationship between both parties. Whilst the author is aware of the very broad field of study involved in this form of relationship, for the purposes of this research, the specific area of Psychological Contracts (PC) will be examined.

### **2.4 Effect of the Recession on Psychological Contracts**

A significant amount of empirical evidence suggests that the outcomes and overall consequences of downsizing are largely negative (Cascio, 1993) (Clarke and Koonce, 1995) (Nelson, 1997) (Morris *et al*, 1999) (Amundson *et al*, 2004). Studies have reported a decrease in levels relating to areas such as productivity, efficiency, job performance, innovation, employee effort and quality of work within the organisation (Gandolfi, 2006). This in turn has led to increased levels of staff absenteeism and turnover (ibid). Appelbaum, Leblanc and Shapiro (1998) states that although downsizing has eliminated numbers, it has often not decreased workloads with survivors forced to play multiple roles. This often results in burnout and stress, leading to perceived breaches in the PC.

Rousseau (2001) defined the PC as an individual's 'subjective beliefs' shaped by the employing organisation in regard to the terms of a reciprocal exchange between the individual employee and the organisation. He stressed that the emphasis on the individual employee's sense of obligations, rather than expectations on the basis that unmet obligations, would result in a more damaging response than unmet expectations.

Two types of PC have been identified, Relational and Transactional:

- ❖ **Relational Contracts:** Contracts based on trust and mutual respect, the employee offers loyalty, conformity to requirements, commitment to their employer's goals and trust in their employer not to abuse their goodwill. Organisation offers security of employment, promotional prospects and flexibility.



❖ **Transactional Contracts:** Contracts that are imposed rather than negotiated and based on short term economic exchange. The employees offer longer hours, broader skills, tolerance of change and in return the employer offers high pay, rewards for high performance and in its simplest context, a job (Rousseau, 1989).

Millward and Herriot (2000) citing deregulation of the labour market, suggested that old relational contracts of security in exchange for loyalty had been replaced by a new short term transactional contract of employability for flexibility.

According to Lawler (2005) current employment trends, characterised by an increase in short-term employment contracts and a loss of job security, have resulted in a redefinition of career expectations, leading to a modification of the employment relationship. Carlson and Rotondo (2001) suggests that there is often a fundamental mismatch between what organisations can offer in terms of career paths and what many employees still implicitly expect from a career. Grimshaw *et al* (2008) adds to the debate by suggesting that recent changes to organisational context, associated with economic restructuring, have resulted in a dismantling of the traditional labour market as organisations delayer and downsize. This in turn results in a dislocation of workers from traditional career paths, with limited access to training and development (*ibid*).

According to Rousseau (1994), breaches of the PC may result in a loss of trust in the employer if the employee expects to receive fewer future returns in exchange for their contributions. The employer may have instigated a change which reduces the employee's salary or erodes their quality of life.

Anand (2011) suggests that TM gives employees opportunity to grow and develop in their roles and the opportunity to develop and gain experience with the organisation. This has led to employees feeling satisfied engaged and happy in their jobs and a positive perception of the culture of growth and career opportunities available to employees.

However in a paper by Gunnigle, Lavelle and Monaghan (2009), researchers found that during the recession spending in the area of training and development was

highly susceptible to cuts and changes as priorities became more focused on organisational survival. There was evidence to suggest that there was continued investment in more targeted training and development, especially training that focused on management and leadership training. It emerged that strategic training and development initiatives have survived particularly those aimed at senior managers involved in managing change.

Hall (1989) deduces that in a recessionary environment, organisations should recognise the critical need for managers who know and understand the organisation's mission, values and strategy. The development of a strong managerial team means growing managerial talent internally through effective leadership development, TM and SP (ibid).

Stadler (2011) argues that in the backdrop of the economic downturn, the need for organisations to identify, develop and retain top talent for critical job roles has never been more important. This reality forces organisations to approach talent as a critical resource that must be managed in order to achieve optimum results.

With the context and impact of globalisation and recession reviewed and the resulting impact on employer/employee engagement discussed, the chapter now moves the discussion to explore the concepts of TM.

### **Section Three**

#### **2.5 Defining Talent Management**

Berger and Berger's (2003) definition of TM is based on proactively identifying, selecting and nurturing key performers, the sourcing, development and allocation of replacements for key personnel and the allocation of resources to key talent, contingent on their potential value to the firm.

Rothwell (2008) offers a more simplistic viewpoint by defining TM as a process of attracting the best people, developing the best people and retaining the best people.

Bersin (2009) further defines TM as the recruitment, selection, identification, retention, management and development of personnel, considered to have the potential for high performance. It focuses on the skills and abilities of the individual and on his or her potential for promotion to senior management roles. It also assesses how much of a contribution the individual can make to the success of the organisation.

Hatum (2010) suggests TM incorporates several critical human resource systems such as workforce planning, recruiting, career development, performance management and SP. True integration of these systems is crucial to getting the most from the TM process (ibid). The various elements of this definition can be broken down as follows,

- **Workforce Planning** is defined by Murphy (2003) as the process of ensuring that a business has the right number of employees with the right knowledge, skills and behaviours in the right place at the right time. According to Rothwell (2011) workforce planning means comparing the number and quality of people to the organisation's strategic objectives.
- **Talent recruitment** has been described by Guarino (2007) as evaluating the match between a candidate's competencies and the key aspects of a position's job description. This helps organisations source high performers whose competencies may be further developed through in-house initiatives. A survey carried out by the organisation Greatplacejobs in 2009 found that during the economic recession, the focus of many organisations has been on downsizing, therefore the emphasis on identifying key talent is more likely to focus on the organisation's internal environment as opposed to external recruitment (Greatplacejobs Survey 2009).

- **Career Development** has been defined by the Chartered Institute of Personnel and Development (CIPD) as an intervention that seeks to meet both the organisation's and individual needs for change and improvement by encouraging individuals to acquire and develop new skills (CIPD 2009). Conger (2002) argues that a managed career development culture can pay great rewards to an organisation and the people working in it.
- **Performance Management** is defined by Bach (2005) as a cycle of integrated activities, which ensures that a systematic link is established between the contribution of each employee and the overall performance of the organisation. More recently, Whelan and Carcary (2011) describes Performance Management (PM) as a tool to help the organisation identify high performers. It is the benchmark for implementing initiatives for addressing developmental needs of those recognised as having leadership potential (Ibid).
- **Succession Planning** is defined by Rothwell (2001) as a deliberate and systematic effort by an organisation to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, whilst encouraging individual advancement.

Gandz (2006) agrees with this view, going further to say that a TM system will take effort to create and maintain, but stresses without attention to all the various components as highlighted above, will struggle to succeed.

According to Miles and Bennet (2007) many organisations are not equipped to confront a talent crisis, they do not have a talent strategy and the TM system components function in isolation. Stadler (2011) agrees with this view suggesting organisations that do not have an integrated TM process, meet their recruitment needs on a reactionary basis and lack a detailed career and SP process.

## **2.6 Why is Talent Management so Important for Organisations?**

Sheehan (2012) states that TM has been invested within the remit of several HR specialisms, including SP, HR development and organisational learning. She proposes that regardless of the term used, the theme across this work highlights the value of talent as an unequivocal source of competitive advantage. TM has been significantly influenced by the theoretical framework of the Resource-Based View (RBV), which regards internal factors, both physical and intellectual, as key sources of competitive advantage (ibid).

According to Stiles and Kulvisaechana (2003) for organisations to achieve competitive advantage it is not dependant, as is traditionally assumed, on such bases as natural resources, technology or economies of scale since these are increasingly easy to imitate. Rather competitive advantage is, according to the RBV dependant on the valuable, rare and hard to imitate resources that reside within the organisation. Human capital in a real sense is an 'invisible asset' (ibid).

Collings and Mellahi (2009) concurs that in an era of expanding globalisation and increasing competition organisations worldwide recognise that the knowledge, skills and abilities of their employees represent a major source of competitive advantage and that TM has emerged as a key strategic issue. Collings goes on to suggest organisations need to ensure they have the necessary people in place to meet their current and future business priorities and as such, there is a growing need to ensure that talent is effectively identified managed and retained (ibid).

According to Bersin (2009) TM in organisations helps with employee engagement and retention by providing employees with a passion to work, an engrossing environment and continuous work experience which is difficult for competitors to replicate. This point has significance based on the discussion on PCs in section 2.4 of this chapter.

## **2.7 Origins of Talent Management**

Galagan (2008) suggests that TM as a process has been practiced by organisations for a considerable amount of time, albeit in various reincarnations. Cappelli (2008)

agrees that TM practices, such as trainee management schemes, forced ranking systems, 360-feedback, executive coaching and assessment centres, had been developed since the 1940's and 1950's to create large pools of organisational talent.

## **2.8 Creating Talent Management Architecture**

In a paper on managing talent Gandz (2006) suggests that competency frameworks provide the essential building blocks for smart TM. It suggests four basic steps:

1. Having a clear picture of your organisation talent and talent needs over the next several years
2. Having the established learning and development pathways that turn raw potential into polished performers
3. Having the HR systems and processes that enable potential to be realised as performance
4. Having programs that enable talented people to develop, and therefore enable talented managers to create the talent rich organisation.

According to Bersin (2009) best practice TM highlights the alignment of employee capabilities and career aspirations with the company's business strategy and talent needs. This high-impact SP approach to TM enables organisations to avoid costly mistakes in hiring, developing or promoting the wrong employee for a critical position.

## **2.9 Advantages of Talent Management**

According to Stadler (2011) the advantages of a TM approach includes:

- Developing talent pools of possible successors for every critical role.
- Defined future skills required for the success of the organisation.
- Motivated employees due to involvement of the organisation in their career growth.
- Retention of employees.

## **2.10 Disadvantages of Talent Management:**

- Expensive and time consuming.
- The existing employee base may not have the required skills and experience for the critical job roles and external recruitment can lead to resentment (ibid).
- People who know that they are not being earmarked for greater things may lose enthusiasm they had to progress within the company (Conger and Fulmer 2003).

Gandz (2006) highlighted a number of pitfalls to watch out for in the development of a TM process,

- Without personal involvement of the CEO, backed by a strong HR department, it is unlikely to be successful.
- Talent needs to be developed for future needs not past needs.
- Beware of a hiring embargo when times are tight and budget cuts in training and development are in place.
- Ensure that you target talent at the right level in the organisation.

## **Section Four**

Having discussed the broad area of TM, the chapter now moves to a more detailed analysis of one particular element, SP.

## **2.11 What is Succession Planning?**

According to Liebman, Bruner and Maki (1996) SP, when first introduced into organisations, was a data intensive exercise used to determine likely replacements for senior managers.

Mondy, Noe and Premeaux (2003) define SP as the systematic method of determining the future management needs of the organisation and developing high potential employees to meet those needs.

Hills (2009) goes further when he states that SP is about more than filling the top spots, it is a smart TM strategy that can drive retention of talent throughout the organisation and make sure that the organisation has the skills it needs in place, or on hand to respond to the rapidly shifting sands that make up today's business environment.

According to Stadler (2011) there are three main approaches that companies use to manage succession:

1. Short-term planning or emergency replacements – this is focused on an urgent need caused by a sudden development within an organisation. Generally HR will try and fill the role from within the organisation but they often turn to external recruitment if no suitable trained or capable replacement can be found internally.
2. Long term planning or managing talent – SP is future oriented and focuses on the future needs of the organisation, employees are invited to take part in an assessment process in order to identify successors in a more scientific process.
3. A combination approach – In this approach the organisation should focus on promoting talent from within as well as drawing talent from the workforce. Hatum (2010) states that this approach provides a balance in terms of promoting experienced incumbents based on corporate views, policies and plans as well as benefiting from the diverse perspectives, fresh knowledge and a drive to change from new recruits.

## **2.12 The Need for Succession Planning**

As discussed in Section One, organisations are currently facing increased competition on a global scale including rapid technological changes and world recession. In response to such factors organisations have had to reduce staff, often with middle managers being the primary targets for retrenchment (Mighty and Ashton, 2003).

Such retrenchment programmes have meant the removal of individuals with institutional memory and tacit knowledge. This has depleted the supply of mentors and coaches who provide both career advice as well as promoting a common perspective on organisational problems (Rusaw, 2004).



Schuler, Jackson and Storey (2001) and Boxall and Purcell (2003) observed that shifts in workplace demographics has highlighted the importance in the retention and development of high potential talent as a crucial management issue for all businesses, especially in relation to aspects of competitive advantage and alignment of business and HR strategy.

Rothwell (2002) advocates the following are signs of the need for SP in an organisation:

- Managers are complaining that they have nobody “ready” when vacancies arise
- Key talent are exiting the organisation and indicating in their exit interview that they see no advancement opportunities within the organisation.
- Employees complain that promotion decisions seem to be made on the basis of nepotism, favouritism or expediency.

Rothwell goes on to suggest that organisations should consider a number of solutions when a vacancy arises, other than internal or external recruitment for the position, these include:

- Outsourcing the work.
- Shifting the work to another department.
- Eliminating the work entirely.
- Reorganising the department to reallocate the work responsibilities among the existing workforce.
- Using contingency or temporary workers to get the work done (ibid).

Hills (2009) takes this debate one stage further when she suggests that a succession strategy can be a combination of buying in key talent when required and building talent from within. Hills, recognises there are advantages and disadvantages of both methods:

- Buying in key talent can bring in new ideas and fresh perspectives but can be expensive and they are unproven in the organisation.

- Building talent from within can save you money and can enhance career mobility and engagement within the existing workforce, but, there is less opportunity for injecting new knowledge and perspectives (ibid).

Seymore (2008) adds to the discussion by commenting that within your existing personnel there may be undiscovered capabilities and talents. He argues that these traits may not have become apparent in the employee's existing roles because of habit and complacency (ibid).

### **2.13 Developing a Succession Plan**

According to Hewitt (2008) the key to successful SP is to marry critical age profile data and skill related data to key organisational objectives and goals. He goes on to debate SP, by its very nature, is a strategic management objective that reaps reward five to ten years away from initial programme introduction.

When identifying the entry level of a SP profile, Guinn (2000) proposes that companies should not focus on job titles as a starting point but rather concentrate on key skills and behaviours (competencies) needed to successfully lead the business to accomplish its competitive strategy. He stresses that concentrating on job titles in the organisational chart results in backward focused SP which is not future orientated or strategically driven (ibid).

Guinn argues that traditionally, organisations have focused on progression within a particular job or career path as the most effective way to groom employees for future job requirements. What globalisation, downsizing and technological changes have taught, is that positions further along the career path can often disappear before an employee reaches their expected potential (ibid).

Therefore, Guinn purports that SP is a continuous process that will change as business needs and strategy change. He further argues this is why a flexible process toward SP is required, one which adapts to the prevailing climate of the day (ibid).

Cameron (2007) suggests that to develop a pipeline of talent, organisations need to:

- ✓ Be proactive, not reactive.
- ✓ Make it a priority at all levels.
- ✓ Use a systematic approach.
- ✓ Be clear and flexible about what you need.
- ✓ Give potential successors a broad education.

Barnhart and Walker (2009) have developed a five-stage process for effective SP:

1. **Access the need:** Using the strategic plan, a determination should be made of the future management and leadership needs.
2. **Develop Competency Profiles:** Identify the competencies required.
3. **Establish a Succession Pool:** Establish an objective process to identify high performing employees within the organisation who could potentially fill key management and leadership roles.
4. **Develop the High Performers:** A variety of developmental activities should be used to develop identified individuals, including the use of individualised development plans. The development plans may include training, mentoring, coaching, on the job experiences, expanded duties, job rotation or assuming leadership responsibilities.
5. **Evaluate progress:** The progress of the individual in the succession pool should be evaluated regularly and development plans adjusted as necessary.

Conger and Fulmer (2003) suggests it is a mistake to have the HR department as the primary owner of both SP and Leadership Development (LD). He puts forward the proposal SP must be all encompassing within an organisation, it is not about

fostering a replacement for the Chief Executive Officer (CEO), but rather involving employees at all levels within the company.

Killian, Hukai and McCarty (2005), Charan (2005) and Yuki (2006) agree that LD and SP are interlinked by incorporating these responsibilities into managerial job expectations and performance appraisal criteria. Thereby making it an effective means of ensuring that SP is a top priority among managers at all levels.

#### **2.14 Succession Planning and the Leadership Function**

As described above, there are close links between SP and LD. Therefore, the paper will explore briefly the importance in developing Leaders, perhaps the end-game of successful SP.

Kur and Bunning's (2002) viewpoint of SP and LD practices argues that "corporate LD can no longer rely on planning the replacement of existing leaders", and that organisations must focus on developing the leadership function rather individual leaders.

Rothwell (2002) agrees that organisations are facing a range of LD challenges, including decimated middle management levels that rob high potential managers of critical "on the job" experiences and depleted resources for employee development. This creates a shortfall for experienced managerial talent for senior leadership positions (ibid).

Hernez-Broome and Hughes (2004) concurs that increased competition is forcing organisations to be more adaptable and deliver quality products and services in a timely manner. As a result, teams are more prominent and organisational structures are flatter, demanding stronger leadership skill at more levels within the organisation.

Povah (2012) states that the qualities, skills and attitudes of leaders filter down through the organisation influencing workforce productivity and business direction, he believes that with the right leaders in place, the organisation will be in a stronger position for future progression and growth.

Accepting the relationship between SP and LD, the literature review will now review advantages in undertaking a SP process.

### **2.15 Advantages of Succession Planning**

Deal and Kennedy, (1982) states that effective SP ensures the availability of well trained managers who understand the organisation's mission, values, culture and strategy. These managers have virtually "grown up" in the organisation, they identify with its mission, have assimilated its values and have been socialised into its culture. Such characteristics have been associated with more effective individual and organisational performance.

Rhodes (1988) agrees that SP can be an important element in achieving competitive advantage, so long as it is viewed and structured as both a strategic and tactical process. However, he stipulates that it cannot be cumbersome, overweight, slow and focused on hypothetical situations. Rather, it must be forward looking, flexible, lean, decisive and results orientated.

According to Hernandez et al (1991) effective SP can contribute to positive morale of managers, knowing that the organisation is committed to them and to their development.

Development is a critical tool of SP as it drives greater flexibility of the workforce, improves confidence and allows older workers to see that they can still contribute to the success of the organisation Hewitt (2009). This is important in the current climate where the average age of the workforce is higher and retirement age is increasing (CSO 2009).

Phased retirement is an instrument used in SP which facilitates the gradual development of, and hand over to, successors. It allows older workers to share their knowledge and experiences with younger employees on a phased basis. Hewitt (2008) suggests that this helps organisations with knowledge management and retaining corporate memory vested in employees.

Seymore (2008) concludes that SP should not only be seen as a way of averting the dangers of a foreseeable motivational and management vacuum, it should also be

seen as an opportunity to refresh, revitalise or reposition a staid enterprise in a rapidly changing world.

## **Section Five**

The final section in the literature review now focuses on the associated challenges of SP.

### **2.16 Potential problems with Succession Planning**

The main objective of SP is the internal growth of management talent, but Hall (1989) states that too much reliance on promotion from within may sacrifice the inclusion of innovative ideas and perspectives from outside the organisation.

Kanter (1977) identifies “Homosocial reproduction” as a potential problem of SP, this is the term used to describe the tendency of managers to reproduce future leaders in their own image. Hammett (2008) agrees with Kanter’s remarks, going on to suggest that managers are often drawn towards finding and grooming mirror images of themselves or worse, may succumb to organisational politics and favouritism when it comes to promotions and advancements.

Conger and Nadler (2004) highlighted this point by suggesting that leaders who have strong egos and are inextricably linked to their work seldom mentor others and prefer protégés of lesser capabilities who may not have the skill required to lead the company.

### **2.17 Challenges to Succession Planning in a Recessary Period**

Organisations of all sizes are facing a range of SP issues in the current economic climate. Companies are under pressure to reduce staff numbers and cut costs. This has resulted in:

- ✓ Depleted resources for training and development.

- ✓ Decimated middle management levels due to redundancy or retirement that often rob the organisation of valuable tacit knowledge and experience.
- ✓ A rapidly aging workforce that may create shortfalls of experienced managerial talent for senior leadership positions.
- ✓ Increased competition in the labour market for experienced staff (Rothwell, 2002).

Gleeson (2009) argues that many organisations who shed numbers to reduce costs are making short term financial gains at the long term cost to the company. They may not have known who their best people were and subsequently let them go without proper appraisal. He also suggests that one of the greatest challenges for organisations is how to manage those who have remained and how to optimise their workforces by avoiding developing or sustaining a skills gap (ibid).

Groves (2007) suggests the flattening of organisational structures and significant changes in work arrangements has forced HR professionals to rethink how high potential managers will attain development and experiences for senior leadership roles.

If organisations retained their best people but have no clear career paths in place, their staff will become disillusioned, de-motivated and may choose to leave the organisation (ibid).

In conclusion, Stadler (2011) states SP is not a guessing game or a toss-up between candidates, it is a comprehensive process that starts by defining business requirements and talent capabilities for the future success of the organisation. On this basis companies are encouraged to conduct a talent review to identify potential successors for critical roles. This should be followed by a gap analysis and individual development plans which should be measured and monitored. Only then can companies succeed in their strategic HR planning and management (Ibid).

## **2.18 Summary**

After a discussion on the prevailing recessionary conditions within the Irish context and the impact associated with these on HR management, this chapter then outlined the academic thinking on TM. A more defined examination was undertaken on a particular aspect of TM namely, SP. The advantages and disadvantages were discussed along with the challenges facing organisations attempting to foster a rewarding succession management plan.

The next chapter will discuss the methodology applied in the research of this paper.



## Chapter Three

### Methodology

#### 3.1. Introduction

The overarching aim of this research is to add to the academic discussion on TM through the identification of strategic HR practises such as SP, specifically against the back-drop of organisations operating within an economic recessional climate. Allowing for the consideration that different researchers will offer diverse assumptions or interpretations toward the same data, Methodology offers the platform of *justification*, for the decisions which have been arrived at during the course of this study. This chapter attempts to show the reasoning behind decisions made by the Author in following a specific line of enquiry or deciding upon certain forms of action in order to complete the study.

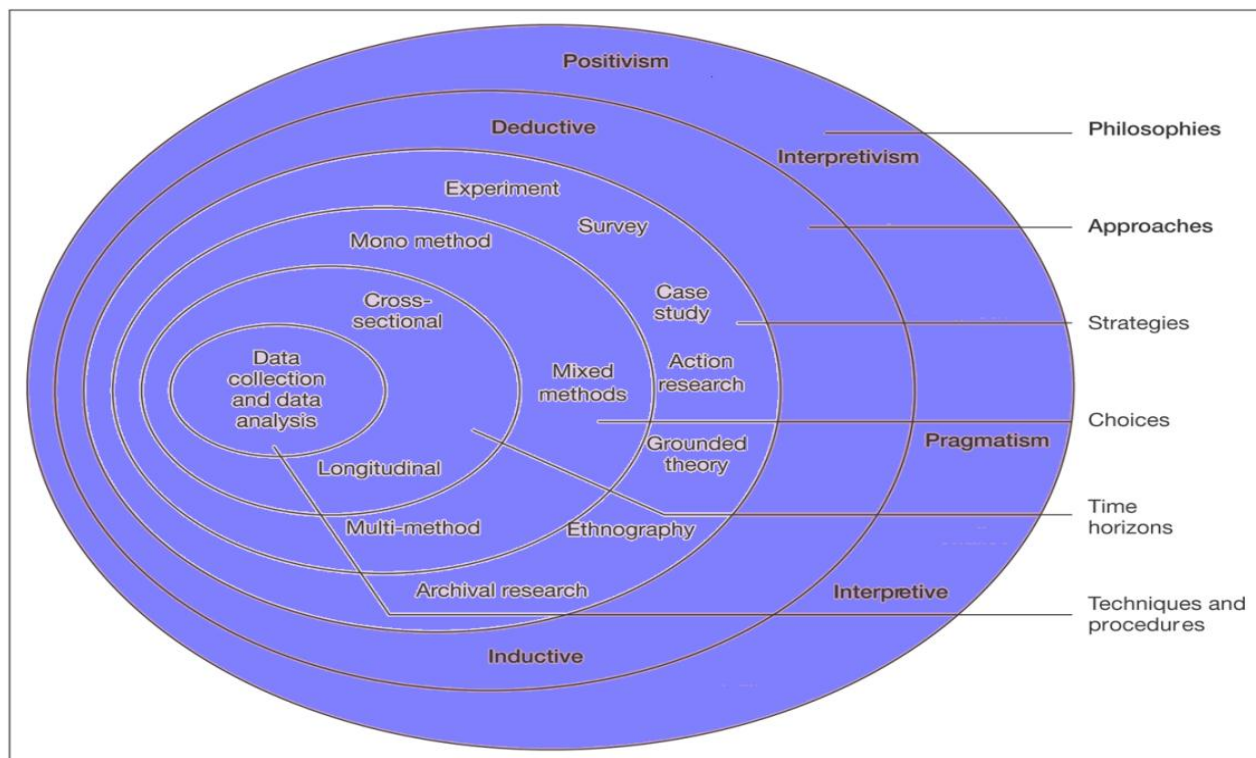
Denscombe (1998, pg 3) suggests the researcher is faced with “*a variety of options and alternatives and has to make strategic decisions about which to choose.*”

Accepting this stance, the work of Saunders, Lewis and Thornhill (2009) will be used to benchmark the various factors which influenced the design of this paper. At each stage of the process the reasoning for Methodology chosen will follow Kaplan’s aims as to,

- **Describe and Analyse**, the various methods applied during the research.
- **Identify Limitations/Resources**, in deciding on a particular course of research.
- **Clarify Suppositions/Consequences**, thereby offering a justification of stance or direction chosen (Kaplan, 1973).

### 3.2. The Research Onion

Methodology requires one to follow a discipline in examining the underlying rationale for the choices made in producing valid data. Professor Wilfred Carr states, “*Just as research methods are justified by methodology, so research methodologies are justified by philosophy*” (Clough and Nutbrown, 2002 vii). Whilst the philosophical debate is important, it should not distract from the research topic to hand. Johnson and Clark (2006) embellish this sentiment by reminding us the important issue is being able to defend a stance taken and argue the reasoning in not adopting alternative choices available. The Research Onion (Saunders, Lewis and Thornhill 2009) offers an illustrative perspective of the various schools of philosophy available to researchers and the resulting steps required to be taken to arrive at data collection and analysis, see Figure 3.1.



**Fig 3.1. The Research Onion (ibid)**

### 3.2.1 The Outer Layer

The work of Saunders, Lewis and Thornhill (2009) highlight three schools of thought in shaping our philosophic understanding of the world we live in, Ontology, Epistemology and Axiology.

Ontology is a branch of philosophy which is concerned with the nature of reality, be it as an Objectivist, Subjectivist or Pragmatist. The Ontological perspective describes **what** the research is about in a fundamental way, requiring the researcher to understand how their worldview influences the manner of research carried out (Mason, 2002). The ontological paradigm of this research topic can be summarised as,

- ✓ Humans and the world they live and work in, interact as part of a systematic entity. The ability of an organisation to function requires it to recognise employees who will manage the various functions both presently and in the future.
- ✓ Within this environment, as social actors, Humans act differently to the same situation. An organisation cannot guarantee an employee who has shown management skills at the lower grades will be as successful if promoted without the necessary mentoring, development or talent management.
- ✓ Humans' base values will influence relationships within their system. The impact of a recession on employees' conditions of employment will impact on the psychological contracts between him/her and the organisation.

Saunders, Lewis and Thornhill comment, "*Epistemology concerns itself with what constitutes acceptable knowledge in a field of study*" (2009, pg.112). Scott and Usher (1998) suggest epistemology attempts to distinguish differing claims of knowledge, going on to imply the emphasis is on the criteria that allows the researcher to determine what is legitimate knowledge and what is assumptive knowledge. Within this study, the objective is to show the researcher's epistemology through a set of rules for knowing, that is, the moment any claim is made about the

knowledge and the validity thereof, epistemology is implied. From an epistemological point of view, knowledge sources that represent legitimate knowledge in this study are,

- ✓ The Researcher's professional background within HR coupled with the interactive nature of discussions with fellow practitioners involved in HR, to gather views, assumptions or beliefs around a phenomenon.
- ✓ Participating in an interview process with individuals who are regarded as experts within their field by the organisations they work for.
- ✓ The Researcher's participation in an Honours Degree Programme in HR management, thus engaging in an academic process with people from various backgrounds to achieve an accepted standard of knowledge.

An understanding of Axiology is important, as it requires one to identify and analyse the influence of bias and prejudices on research, following on from this position, Axiology can be described as the Researcher's view of the role of *values* in research (Saunders, Lewis and Thornhill, 2009). The Literature Review section of a thesis provides a good example of a researcher's axiological value toward the subject matter (Scott and Usher, 1998). In choosing one journal article over another or one author over another, you are displaying the values you associate with the data, be it in a bias or prejudicial manner. Therefore, it can be argued the axiological beliefs as displayed in this paper offer the following,

- ✓ It is not possible to separate the Researcher's values against the area of discussion; therefore, opinions, findings and recommendations are subjective in nature.
- ✓ As a member of the CIPD, the Researcher displays a bias toward subject matter.
- ✓ The compilation and subsequent inclusion/omission of primary and secondary data displays a prejudice on behalf of the Researcher.

### 3.2.2 Polar Decisions?

Research is often viewed in terms of polarisations (Clough and Nutbrown, 2002), is it qualitative or quantitative, positivist or interpretative? Before answering these questions a discussion on Pragmatism follows.

Pragmatists link the choice of approach directly to the purpose and nature of the research question posed (Creswell, 2003). How does one address questions that do not sit comfortably within a wholly quantitative or qualitative approach to design or methodology? Darlington and Scott, (2002) answers this question by suggesting that in reality, a great number of decisions of whether to take a quantitative or qualitative approach are based, not on a philosophical commitment, but on a belief of a design and methodology which is best suited to the purpose. Bryman (2004) takes this position one stage further in suggesting Pragmatism looks at the logic of triangulation, an ability to fill in the gaps left when using one dominant approach over another.

The Positivist approach to research follows a belief formed in natural science, using existing theory to develop hypotheses (Saunders, Lewis and Thornhill, 2009). The research strategy employed seeks to derive law-like generalisations, with an emphasis on facts and causes of behaviour (Remenyi 1998). The “motto” for the Positivist is simple, if it exists, measure it (Michell 2003). Positivism rests on three primary notions (Dantley 2002),

- **Explanation**, the Researcher attempts to familiarise themselves with the subject matter through the correlation of facts, coupled with causes of behaviour (ibid).
- **Prediction**, the Researcher will develop hypotheses against the data and conduct testing to verify the hypothesis as accurate, as partially accurate or as refutable, leading to further development of theory, which in turn is tested by further research (Saunders, Lewis and Thornhill 2009).

- **Technical Control**, the Researcher offers their data as a result of an empirical design of rationality, offered in a vacuum devoid of emotion, bias or prejudice (Dantley 2002).

The Interpretative approach to research acknowledges the role of humans, in socially constructing opinions, beliefs or theories surrounding a phenomenon (ibid). The Researcher must engage with the process/actors to identify their subjective motives, actions or intentions. The aim of Interpretative Research is to explore the subjective understanding surrounding an event or phenomenon (Michell, 2003). Taking this point further, Seale (1999) suggests interpretative research acknowledges the numerous ways to understand organisational phenomena, is infinite, accompanied by countless interpersonal and life events, each interacted and interpreted by those involved.

Based on the above discussion, the Author followed an Interpretative approach to researching this thesis, engaging with the actors through a Case Study with Semi-Structured interviews toward the construct of a theoretical framework.

### **3.2.3 Deductive and Inductive Research**

Inductive and Deductive reasoning are two methods of logic used to arrive at a conclusion, based on information assumed to be true (Saunders, Lewis and Thornhill, 2009). Induction is usually described as moving from the specific to the general. Deduction, on the other hand, starts with the general and ends with the specific. Arguments based on experiences and observations are best treated inductively, while arguments based on laws, rules or principles are best treated deductively (Corbin and Strauss, 2008).

Inductive reasoning progresses from observations of individual cases to the development of a generality. Research for this thesis followed Induction, that is, the Case Study reviews four companies who have implemented cost containment

programmes against the back-drop of a recession. The study explores the area of TM and SP employed by the companies and attempts to identify whether or not a skills gap will develop as a result of the various strategies used.

### **3.2.4 Research Design**

Research of this nature can be undertaken using various designs, Creswell (2003) outlines the following,

- **Ethnographies**, the researcher observes a particular group in its natural setting and gathers data from this observation. The process is flexible and changes are made as the research evolves.
- **Grounded Theory**, the researcher attempts to generate theory from the data and often uses multiple stages of data collection.
- **Case Study**, the researcher explores single or multiple entities bounded by time and activity.

It may be argued that as an employee of one of the companies, upon which the Case Study is based, there is evidence of ethnography within the observations made by the Researcher.

### **3.3 Case Study**

Robert Yin defines Case Study research as,

*“an empirical inquiry that investigates a contemporary phenomenon in dept and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”* (Yin, 2009, pg 18).

He goes on to further define the case study inquiry as being able to,

*“Cope with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result, relies on multiple sources of*

*evidence, with data needing to converge in a triangulating fashion, and as another result, benefits from the prior development of theoretical propositions to guide data collection and analysis” (ibid).*

Within the context of this research topic, the use of Case Study research is a strategy for examining, through the use of a variety of data sources, a phenomenon in its natural setting, with the purpose of confronting theory with the empirical world. The phenomena are four Semi-State bodies and the manner in which they employ HR strategies such as SP and leadership training to develop talent within their organisation. The theory to be confronted is whether or not these strategies are working within a recessional climate. It should be noted that the companies involved coupled with the specific questions asked are dealt with in the following chapter.

Yin, who is described by Platt (1992) as a main authority on case study research in business and management studies, has legitimised the use of case studies as a scientific method of research by providing specific guidelines for conducting rigorous case studies. Therefore Yin’s guidelines, which have been identified as coming from a Positivistic school of thought (Piekkari, Welch and Paavilainen, 2009), are followed in this research. In doing so, it is expected to address some common misunderstandings about Case Study research,

1. Theoretical knowledge is more valuable than practical knowledge.
2. One cannot generalise from a single case study, therefore, the single case study cannot contribute to scientific development.
3. The case study is most useful for generating hypotheses, whereas other methods are more suitable for hypotheses testing and theory building.
4. The case study contains a bias toward verification
5. It is often difficult to summarise specific case studies (Flyvbjerg, 2006, pg 219).



### **3.3.1 Case Study Guidelines**

As with other forms of research, a Case Study must concern itself with issues such as methodology, rigor, validity and reliability. This was accomplished through the application of the following,

- Define Research Question.
- Determine Data-gathering and analysis techniques.
- Prepare to collect data.
- Collect data in the field.
- Evaluate and Analysis.
- Draft Report.

#### **Define Question**

The first step of the process was to establish a focus or intent of the study by formulating a question that would challenge current thinking within the HR field. The Literature Review for the Paper was a source of validity, in highlighting a position as yet unidentified within the Irish context.

#### **Determine Data-Gathering and Analysis Techniques**

This element of Case Study research is the most significant, as the construction of the process must offer internal/external validity and reliability (Piekkari, Welch and Paavilainen, 2009). The construct validity is offered by following Yin's guidelines in Case Study methodology. Internal validity demonstrates that the conditions being observed will necessarily lead to other conditions and is discovered by triangulating various pieces of evidence. External validity determines if the findings of the study can be applied beyond the scope of the individual case undertaken. Reliability refers to how well the procedures were documented to ensure that the research can be replicated.

## **Prepare to Collect Data**

Preparation of the Data collected, followed three principles as defined by Yin (2009),

### **A. Use Multiple Sources of Evidence**

This allows the Researcher to identify converging lines of inquiry, with triangulation and corroboration as the driving forces. Internal company reports, interviews and government legislation were identified as sources of evidence for this study.

### **B. Create a Case Study Database**

A library of notes, interview transcripts and reports was formulated to provide a trace of primary and secondary sources of information. In doing so, it allowed for the observation of possible patterns or themes to emerge. An electronic diary was set up by the Researcher to assist with the cataloguing of said data.

### **C. Maintain a Chain of Evidence**

The purpose of maintaining a chain of evidence is to offer a roadmap to the reader, of the journey from initial research question to case study conclusion. This feature of the Case Study also adds to the reliability of the process.

## **Collect Data in the Field**

The investigatory nature of the study made it evident data collected at the outset of the exercise may determine subsequent sources of data available to the Researcher, thereby expanding the field of evidence. This requires the Researcher to make formative evaluations of which data is applicable and which is not. Finally, there is a need to identify at what stage data collection is terminated to allow for analysis.

Lincoln and Guba (1985) highlight four criteria for determining when it is appropriate to end data collection,

- ✓ **Exhaustion of Sources**, data sources recycled with little more evidence gained
- ✓ **Saturation of Categories**, coding of data highlights minimal variant of information gathered.
- ✓ **Emergence of Regularities**, consistencies, or lack of, in data allows the Researcher develop patterns or themes.
- ✓ **Overextension**, new data is removed from the central question and does not add to defining emergent factors worth considering for analysis.

### **Evaluate and Analysis the Data**

The evaluation and analysis of data is, according to Yin, “*one of the least developed and most difficult aspects of doing case studies*” (Yin, 2009, pg 127). For the purpose of this research topic, three strategies were identified as a means of triangulating data, thereby strengthening findings.

#### **Quantitative Analysis.**

The Researcher reviewed historical data in the companies to identify previous strategies applied in the development of the managerial team. Consideration was given to the economic climate prevailing when these strategies were applied. This objective data was also utilised to define themes against which semi-structured interviewing took place (see Section 3.4 of this chapter).

#### **Structural Analysis.**

This course of action was used to recognise patterns inherent within the four transport companies under review in the Case Study.

### **Reflective Analysis.**

This analysis acknowledged the Researcher's epistemological, axiological and ontological considerations for the evidence collected. The qualitative nature of some of the data collected did not allow for unambiguous classification, therefore the Researcher was required to rely on their intuition and personal judgement to code the information.

### **Draft the Report**

The goal of the report is to present the conclusions to the questions posed by the Researcher in a manner that the reader can understand (ibid). Therefore one must acknowledge the target audience and their preferences for case study format. For the purposes of this study, a "Theory Building" structure, as defined by Yin (2009) will be used.

### **3.4 Interviews**

Saunders, Lewis and Thornhill (2009) suggest the nature of interviewing should be consistent with your research question and objectives. Clough and Nutbrown (2002) argue the relevance of questions/interviews is defined by one word, "why". Why this research topic, why this method, why these participants, why ask the proposed questions? In effect, answering these questions offer justification. However, the task of interviewing in an unbiased, non prejudicial manner is recognised through Fontana and Frey's comments when they say,

*"Asking questions and getting answers is a much harder task than it may seem at first. The spoken or written word has always a residue of ambiguity, no matter how carefully we report or code the answers"* (Fontana and Frey, 2000, pg 645).

Yin (2009) highlights strengths and weaknesses of the interview process as a source of evidence. By understanding and being aware of these strengths or weaknesses, the Author is better positioned to structure the interview process and audit the data gathered in an unbiased fashion.

### **Strengths,**

- Targeted-focuses directly on research topic
- Insightful-provides perceived causal inferences and explanations

### **Weaknesses,**

- Bias due to poorly articulated questions
- Response bias
- Inaccuracies due to poor recall
- Reflexivity-interviewee gives what interviewer wants to hear (ibid).

The decision to use interviews for this paper is derived from the Author's position within one of the companies and the ability to gain access to senior managers who are responsible for shaping the strategic HR function of the respective companies they work for. The interview process affords greater insight into decisions made by the individuals as compared to a questionnaire or survey. Time was also a deciding factor the Author took into account, as the interviews could be tightly controlled from a time-management perspective, thus ensuring the paper met with their academic institute's rules for production of the research paper.

Having made the decision to interview, and identified those who will be interviewed, the next step is to decide structure, style and tone of interview (Clough and Nutbrown 2002).

#### **3.4.1 Typology of Interview**

Interviews can be described as structured, semi-structured and unstructured (Saunders, Lewis and Thornhill 2009)

##### **Structured Interviewing**

This type of interviewing is based on a standard set of questions posed to all participants. It is commonly used when questionnaires are required, as a data gathering technique, and the sample size is relatively small (ibid).

### **Semi-Structured Interviewing**

Within the context of semi-structured interviews, the interviewer offers themes for discussion with the interviewee. The interview allows for follow-up questions, to gather more information on the topic under discussion.

### **Unstructured Interviewing**

Regarded as the most informal type of interview technique (ibid), unstructured interviews have no predetermined sample of questions to follow, rather, the interviewee is allowed discuss the topic freely, allowing for in-depth views to be expressed.

For the purposes of this study, Semi-Structured Interviewing was used for the following reasons,

- I. The qualitative nature of the research topic did not allow for questionnaire type data gathering techniques such as structured interviewing.
- II. Semi-structured interviews allow the researcher to probe the candidates on their opinions, thereby granting the interviewees an opportunity to develop their theories.
- III. The method of interview technique chosen afforded an opening of lines of enquiry the Researcher had not considered prior to the process.

Appendix One lists the semi-structured questions posed during the interviews.

### **3.4.2 Defining Data Collection Techniques**

This paper follows a Mixed-Method approach to data collection and analysis. The Case Study utilised both quantitative and qualitative sources of evidence, whilst the interview process followed a Semi-Structured process.

### **3.4.3 Time Horizons**

A Cross-sectional approach has been taken over the course of this study. Whilst the Case study allowed for a historical review of practices within the relevant companies, the interviews conducted were taken over a relatively short space of time. Academic issues also required the Researcher to undertake a cross sectional approach.

### **3.4.4 Data Collection and Data Analysis**

At the core of any research is the need to underpin data collection and analysis with reliability and validity (ibid). The Researcher affirms reliability by,

- Acknowledging the impact of the various schools of philosophy, thereby highlighting the position of the Researcher to the paper's audience.
- The maintenance of a thesis diary and database to ensure opinions expressed during the interviews were recorded accurately, whilst information gathered during the Case Study is available for verification.
- Interviewees were allowed review final drafts of the process to ensure a lack of bias on behalf of the Researcher.

Validity is established through the use of a recognised structure for the production of a case study (Yin, 2009).

### **3.5 Summary**

To highlight the various methodological steps taken throughout the paper, the Research Onion (Saunders, Lewis and Thornhill, 2009) has been utilised to assist in mapping the choices made by the Researcher. A single Case Study involving semi-structured interviews was identified as the most applicable form of research method for this piece of work. The following chapter discusses the analysis and findings of data collected.

# Chapter Four

## Analysis and Findings

### 4.1 Introduction

This chapter is broken down into three sections. Section One will introduce the companies who were approached to take part in the case study with a brief outline of each company's history. Section Two details the process leading to the formulation of semi-structured questions posed to the candidates during the interviews. The chapter concludes with Section Three, a summary of the group's responses to the questions debated during the interview process.

### 4.2. Case Study Participants

Conducting single case studies have associated risks in not achieving a level of research acceptable to the academic profession. As part of the strategy toward ensuring this single case study would merit acceptance, consideration was given to those who would be studied in the process. Four Semi-State transport companies were chosen, namely, Coras Iompair Eireann (CIE), Iarnrod Eireann (IE), Dublin Bus (DB) and Bus Eireann (BE). Within these organisations, senior managers with HR responsibilities were approached and requested to assist with the research matter.

#### **Coras Iompair Eireann**

Coras Iompair Eireann (CIE) was formed as a private company by the *Transport Act 1944*. Its mission was to provide bus and rail traffic throughout Ireland. Until 1986 CIE operated as a single legal entity, however in 1986 the Transport Act (Reorganisation of Coras Iompair Eireann) split the company into four distinct organisations. It now acts as the Holding Company for Iarnrod Eireann, Bus Eireann



and Dublin Bus. Its own activities include Group Property (Including CAN Advertising), Insurance/Liability Management, Group Information Technology, Legal Services and Group HR / Finance. It employs one hundred and ninety seven staff, a senior manager in HR kindly agreed to be interviewed for the purposes of this research paper (CIE 2013).

### **Dublin Bus**

Dublin Bus is a commercial semi-state organisation that operates as a subsidiary of CIE. It commenced trading on 2<sup>nd</sup> February 1987. It is the main public transport service provider for Dublin City and its environs. It currently has a staff of three thousand two hundred and forty. Its stakeholders include, employees, the unions, the Board of CIE, the Department of Transport and the National Transport Authority (Dublin Bus 2013). A senior manager in HR agreed to participate in this research.

### **Iarnrod Eireann**

Iarnrod Eireann (IE) was formed in 1986 and is charged with the responsibility of all rail related activity within the State. It employs approximately three thousand eight hundred people. Its headquarters is based in Connolly Station, Dublin (Iarnrod Eireann 2013). A senior manager in HR agreed to be interviewed as part of this research.

### **Bus Eireann**

Bus Eireann is a commercial semi-state organisation that operates as a subsidiary of CIE. It commenced trading on 2<sup>nd</sup> February 1987. It is a transport management company whose principle activities are the management and planning of an integrated network of services using its own and sub-contractors resources. This integrated network covers long distance coach services, local rural commuter services and provincial city and town bus services. The company is also responsible

for the management and provision of national school transport scheme on behalf of the Department of Education and Skills. It currently has a staff of two thousand five hundred people (Bus Eireann, 2013). A senior manager in HR agreed to be interviewed for the purpose of this research.

### **Funding**

As the companies under consideration are all Semi-state organisations, the issue of funding is a relevant topic which requires some discussion to assist in clarifying responses made from the individuals.

Each year funding is provided by the National Transport Authority (NTA) for socially necessary but financially unviable public transport services in Ireland. DB, IE and BE provide these services, known as Public Service Obligation (PSO) services, under contract to the NTA. The Holding Company, CIE, secures funding from relevant charges it places on the three individual companies within the group.

The PSO Contract with the NTA is a five year contract which commenced on 1<sup>st</sup> December 2009. The contract outlines the performance requirements that each company must meet in return for the payment of a public subsidy. The NTA monitors the contracted performance of each company on a quarterly basis (NTA 2013).

There has been a steady reduction in subsidy in the last few years, by way of example, in 2010 DB received €75.7 million, 2011 €73 million and in 2012 the subsidy payment amounted to €69.4 million. A proportion of that payment is withheld each month and is only paid if the performance targets are met by DB.

### **4.3 Formulation of Semi-Structured Interviews**

Yin suggests that for Case Study analysis, one of the most desirable techniques is to use a pattern matching logic (Yin 2009 pg 136). The pattern proposed in this study is to review and compare the experiences of four different companies operating under

similar conditions and funding/budget restrictions to identify how talent management is or is not being applied. The results of which are then explored against the current academic thinking on the matter in the following chapter.

Whilst the literature review was used to formulate the open styled questions each candidate was asked, the Researcher added a number of questions to subsequent interviews based on topics which came up for discussion during the first interview and at that stage, had not been considered by the Researcher.

Each interview was broken down into two parts. Part one of the interview focused on the impacts of the recession and globalisation on the relevant company. Part two began with a discussion on TM before moving to more in-depth questioning on SP and PM. Appendix One lists the questions posed to each candidate.

The Author was conscious the content some of the questions posed to the candidates were of a sensitive nature, in that answers could contain information deemed by their respective company as private and confidential. To mitigate against this, the candidates were offered anonymity against their individual answers (See Appendix Two). Therefore no reference is made to a specific company in the next section, instead the four companies are denoted as Company A, Company B, Company C and Company D.

#### **4.4 Interviews**

##### **Interview Part One – Recession & Globalisation**

#### **1. How has economic external factors affected your organisation?**

**Company A:** We have downsized and we have reduced the payroll costs over the last four years, there are harsher cuts to come on top of what has already come down the line. The HR department alone has been reduced from a staff of seven to three since 2008.

**Company B:** We have three elements of our business, we have what you would call our PSO services which receives subvention from the government, we have a commercial end which has huge competition and then we have school transport which is also funded by the government, but obviously that is being looked at in terms of what the government want to pay for. Bearing in mind, they are looking at it all the time, trying to reduce their costs at every opportunity.

**Company C:** Going back to 2003 there was 6000 employees in the Company, today there are 3800 employees. Technology arrived and eliminated a number of roles and others were outsourced i.e. network catering. All staff left through natural attrition or voluntary severance.

**Company D:** Going back to 2008 we were all taken by surprise. The Company had to undergo cost reduction and we needed staff on board to go through that process, in 2009 we had to introduce cost reductions due to a reduction in subvention. In 2010 a radical review of the network of services was undertaken, this resulted in the commencement of the Network Direct Project. This project was completed in 2012 and resulted in a 20% reduction of the bus fleet and a 17% reduction in staff through a voluntary redundant programme. The Company is pursuing further cost reductions in 2013 and is currently in negotiations with unions over changes to substantive terms of the employees' contract. The current climate is proving very difficult for people because people have had it for four years and are saying enough is enough. They realise there is a problem out there, they understand the problems the organisation is facing but are tired of it.

## **2. Have you found with downsizing that you have been left with a skills and knowledge gap?**

**Company A:** No, if we need extra skills and there is not a permanent need, we outsource to contract companies.

**Company B:** Yes, and you just try and plug the gaps as well as you can, this has created a few industrial relation issues as the knowledge went and decisions were made differently or situations were dealt with differently. I definitely think a

knowledge gap formed as you were getting people of the same age cohort leaving, it was a significant group to go in a very short period of time. It did result in a knowledge gap and we now have to pick up the pieces.

**Company C:** The Government's Regulator came in around 2010 and had a look at our systems and procedures. They had a conversation with us about us leaking knowledge as a result of our Voluntary Severance (VS) programme. We employed consultants and out of that we got a formal process for a "knowledge management interview" on departure. In the last three months of departure there is a structure and format set down to capture key issues.

**Company D:** Through downsizing we have taken out about six hundred employees from various categories of staff, the majority from the driving grades, but we have taken a lot out of the senior management and middle management layer and we have had to backfill a number of those and we are using the pool of talent available to us, we have nearly exhausted these resources. If you look at area administration managers and area operations managers, they have a very challenging role and there have been a number of new appointees over a short period of time. Historically there was always a supporting network between all the depots in that you could ring and the knowledge and experience was there. However, voluntary severance criteria based on age resulted in a lot of experience and knowledge exiting the organisation at this level quite quickly, which left a void of knowledge and experience.

### **3. How has the financial crisis affected your training & development budget?**

**Company A:** Probably no different, didn't impact one way or another, however when the training manager retired in 2009, the training function was effectively devolved to departmental heads.

**Company B:** For me there are two things, yes our budget has decreased, not for technical training because there are certain regulatory requirements we have to meet. The talent training and development budget has been significantly cut.

**Company C:** The career development centre is closed and the career office or career development programme doesn't run any more. We haven't funded an MBA in two years so the spend focused on senior managers has been cut. The shift is to more in-house training and development. Safety critical training and regulatory training is still carried out. The funding for further education is still there but the applications are gone through more rigorously and the amounts awarded are much smaller.

**Company D:** No, we made a decision in 2008 when we realised there was a need for cost savings not to cut the Training & Development budget. The bulk of our staff are drivers, so we have concentrated on developing this area but we haven't cut back on developing managers and identifying people with a certain skill set that we believe are in line for succession in one area or another.

**4. Have you noticed an impact of the recession on employee engagement, commitment and psychological contract?**

**Company A:** Not notably yet but it will definitely be a factor in the future as there are harsher cuts to come on top of what has already come down the line. We have downsized a considerable bit and we have reduced the payroll costs over the last four years. There have been considerable reductions since I came here and considerable reductions in the pay-roll bill.

**Company B:** Yes, two key things, people are generally more insecure and more anxious, their job is more important to them, this doesn't necessarily mean that people are performing better, if anything I think they have got a little bit more wary and are now questioning things that are going on. Because of the environment we had to change people's terms and conditions which led to a strike. What is demanded of people, more productivity for less pay, has now impacted on the PC between both parties. Also, because we are making so many changes to our way of operation, this has impacted the contract.

**Company C:** Not noticeably, we haven't run a staff culture survey in four years and we are about to run one, we have put together an internal survey committee, this will

be a “tick box survey” and the result will be analysed externally. This, we hope, will give us a better understanding of how engaged and committed our employees are following major restructuring.

**Company D:** I don’t get a sense that there is any resentment or lack of engagement or commitment from employees. The company enjoys a good working relationship with employees and unions. We work hard to ensure good communication lines are always maintained.

**5. Have development tools been used to gain more commitment and engagement from your employees during the recession?**

**Company A:** Departmentally, but not as an overall business strategy.

**Company B:** We have in cases where we are asking people to take on more responsibility with no increase in wages, as a result of people exiting on VS Programmes, but it has probably been limited at that. I think we will have to deal with the fallout from the whole process and deal with disengagement and the subsequent re-engagement of staff.

**Company C:** The organisation is committed to giving people opportunity and support if they wish to develop their careers within the company. This is a win/win situation for both the organisation and the employee, the organisation retains staff and the employee experiences higher job satisfaction which increases loyalty and commitment.

**Company D:** Yes, I think development is a useful tool to gain commitment and engagement from your employees, particularly in the current climate. The employment contract is a two way contract, you have a contract of employment but the employee also has a contract for the organisation to communicate with them, give them opportunities to develop, give them opportunity to be heard. If you look after employees in the bad times it will pay dividends in the good times. We have very good staff retention, a recession will always give you that but I would like to think that people are staying because we are a good employer, we give opportunity

for development through all grades. This is highlighted by the fact that so many former drivers are now senior and middle managers in the organisation.

## **6. How has the recession impacted on your recruitment policy?**

**Company A:** For technical/professional positions there has been no change we still need to recruit when positions arise. We outsource for particular projects rather than taking on permanent members of staff. For clerical positions we now offer more fixed term contracts.

**Company B:** Officially we are not recruiting, however, if it is a vital role and somebody retires yes we fill the job, the biggest impact is that there are more fixed term contracts. If we are recruiting externally it means we don't have the skill set in-house. Outsourcing will certainly be looked at in the future.

**Company C:** We have recruited at senior level and even though there is a recruitment bar in place we have had to recruit for safety critical positions. For every role now, whether it is internal or external, they have to have a business case to justify the recruitment for a position. There is an increase in the use of temporary fixed term contracts.

**Company D:** We have not recruited externally since 2008, except for managerial or technical positions which were not available in-house. We have increased the use of fixed term contracts. . The majority of positions that arise are filled internally, recently we had a vacancy due to VS and it was a failing on our part that we did not have anyone to slot into it there was a number of people within the department that could have been developed to fill the position. Decrease in staff due to downsizing has prevented a lot of cross training particularly in small departments, due to lack of time and staff.



## **Interview Part Two – Talent Management**

### **1. What is your understanding of the term Talent Management?**

**Company A:** I don't know what it means

**Company B:** I would distinguish strongly between training and TM, for me I wouldn't consider the technical training that we do CPC, customer care training, and the technical training we do with the maintenance staff as TM. TM is more about what we would be doing with our managers or executives and the clerical staff and supervisors, so it is more about their skills development even their knowledge development. So for me TM is more looking at skills, trying to develop and align their skill set to what you want to develop in the organisation to deliver the goals you need to achieve. So it is all about organisational strategy and you are aligning that skill set to make sure that strategy is achieved. TM is more about what we need to develop in our managers and what skill sets have we got already there to ensure that we are delivering the right services to our customers.

**Company C:** My understanding of the term would be the systems, structure and processes that you have in an organisation to capture good performance to measure it and how that process is linked to your recruitment, your employment strategy, PM system and SP.

**Company D:** TM is about identifying the right people for recruitment, making sure they have the right skill set, employing them, managing them through a career path, developing them and reading the road ahead for the employee where they fit in the organisation. Overall it's making sure that they are part of the organisation, that they are not in isolation doing a job they should feel that they are part of the overall aims and goals of the organisation.

## **2. Do you have a Talent Management Strategy?**

**Company A:** We don't have an overall company strategy as I say it is departmentalised.

**Company B:** In my opinion it is a little bit hit and miss. What we should be doing is have a team looking at our strategy for the next five years, what are our people doing that could help us achieve that and looking at each individual at a certain level.

**Company C:** We have recently drafted a five year plan on people management initiatives, in terms of development and training, the culture of change programme, shift from semi-state to customer orientated approach, formalised management performance linked to companywide performance, SP and a formalised engagement strategy.

**Company D:** We have a good recruitment policy and a training and development policy. We are not as active as we possibly should be given that we are in the middle of a recession. I would like to see it a bit more activity.

## **3. At what level is the talent Management Strategy developed in your organisation?**

**Company A:** Department level.

**Company B:** It is a bit ad hoc and not aligned with the business strategy, it is decided by HR.

**Company C:** We would have a fortnightly HR managers meeting, five HR managers all reporting into the Director of HR who is part of the senior management team. Developing a TM strategy is one of his key performance indicators for the year. At this meeting a standard item on the agenda is roles to be filled, PM and SP.

**Company D:** There is nothing formalised we don't sit down at any one time and say that this is what we are planning for in five years time, it is something that evolves as we see things developing in the organisation particularly at executive level. By and large it would mainly be dealt with by HR. We would identify gaps that we need to fill due to retirement etc.

#### **4. How do you identify talent for development?**

**Company A:** By their work performance really and by the local manager. At interview stage employees with potential for development are also identified.

**Company B:** When there is a staff vacancy people apply and are interviewed, that is a good way for us to see others in the organisation that might not get the job and highlight them for future potential and development. Then a lot of managers would identify employees who had potential and informally let HR know.

**Company C:** As HR we do have informal discussions with managers asking them about the people around them, how are they bringing them on, what development do they need? This we hope will be eventually linked to our PM system.

**Company D:** A lot of time it would be through managers recommendations, but you also get a fair feel for it yourself, when you are at cross-functional meetings you will see supervisors coming up with a plan and volunteering their ideas, feedback from managers, keeping your ear to the ground. What we really need is the employee to be willing, we are not going to go knocking, there has to be some sort of a signal from the employee of their intention to stay here and make a career here in the organisation, where they want to be in four to five years time and how do we help them get there. What skills, training and courses do they need, we are there to support that.

## **5. Do you conduct a skills audit on your employees?**

**Company A:** Not centrally, it is departmentalised.

**Company B:** That is on my list to do, now that the Core HR integrated software system is up and running for training data, I can get a print of all the training that people have done and identify possible skills gaps.

**Company C:** We have an academic register that we had compiled in the corporate career development centre, but this has not been updated since 2008. For the Government's Regulator we need something separate to show safety critical competencies of employees in order to secure our licence to operate, this has been top priority in recent years.

**Company D:** We are currently updating the Core HR integrated software system which will give us a summary on each individual staff member, which will highlight training & development needs or skills gaps.

## **6. What activities do you use to develop the identified employees?**

**Company A:** Informal career mentoring is given to employees by department managers. We have an educational support scheme for employees, if they want to pursue further education related to their work they are refunded half the fees on successful completion of the course. Some people at senior level have been sponsored to do MBA's. We run a three day leadership training course for newly appointed managers because often within this company people have the technical ability but might not necessarily have the people management skills to lead or manage a team.

**Company B:** Last year we did a big development plan "one team one plan" with all our supervisors and front line managers. It focused around communication and developing managers influencing skills, making sure that they were in a position to deliver the company strategy down to the staff on the ground and influence them in

terms of how they behave. This was driven by the fact that we were faced with a hugely difficult environment and we wanted to be sure that staff understood what we were facing and it wasn't just a whim of the company to introduce financial cuts.

Back in 2005/2006 a development gap was identified where drivers or mechanics were promoted into supervisory roles or into management they kind of went into freeze mode, all development up to that had been concentrated on their technical ability. We offered employees at this level block release to take part in a one year aviation and transport diploma programme. It was to get them to understand that there is an adjustment period, so the course initially did a lot of work on basic skills around Industrial Relations, HR, Finance, Business Management and People Management. It has definitely helped, particularly changing the mindset to their role as a manager, to a certain extent it has encouraged managers to go on and pursue further education as we just let them do the basic certificate. We do support further education through an educational support system. This was something quite important to us in terms of talent development and TM.

**Company C:** There is an Institute affiliated to the nature of our business who run a course, where operating managers from different areas can nominate people to attend this course. There is also a practical leadership programme which is run with a few training companies over in England. People are nominated through their local manager for this course. From time to time we need to bring in external professionals to coach individual managers, it is more reactive where there may be a problem in an area.

**Company D:** Yes, we put about twenty inspectors through a twelve month Fetac Diploma course to help them with their new line manager role and to help with their progression to middle management. The training and development manager would have identified a number of years ago that by and large we promote from the driving grade up to supervisor grade but we didn't do anything to identify them or up skill those before that opportunity arose. With this course they have a better understanding of what the next layer entails. As we appoint managers now we offer individual coaching from an external expert, allowing new managers to talk openly about problems they may have encountered and to help them develop in their role as a manager.

## 7. Have you a Performance Management System?

**Company A:** No not formally, maybe informally, he/she may do it within the team, but there isn't a PM system in place, but informally, managers would be doing that with their own staff.

**Company B:** We have tried PM on a couple of occasions and it has not worked, for two reasons. The first time we brought in consultants and it was too much too soon. We never linked it to money and it was very much based around performance and achieving your goals. In about 2008/2009 we decided we would do a pilot in HQ and the Eastern region, we simplified it and put a focus on training and development. It was firstly about communication, about getting the strategic goals from the top down to the guy cleaning the buses, so they all understood the challenges facing the company and also about developing a skills gap analysis, it was beginning to work. The problem was we had tried to bring in PM without the emphasis on performance. It died a death because with the financial crisis we had so many other things going on, cost cutting, changing people's terms and conditions of employment, anything "soft" got hijacked.

I would suspect it will be back on the table now as the senior team are working hard on developing a new strategic plan and I think we will have PM back.

**Company C:** Yes, we have a PM system for approximately one hundred and twenty staff. Up to 2008 we had a PM system linked to a bonus scheme, however with the downturn, it was reintroduced without the bonus scheme in January 2012. We are trying to link the new PM system to career opportunities and development. This is the incentive we are using, to gain high performance from employees instead of monetary incentive.

**Company D:** If you were to ask me straight up I would say no. We certainly have developed a PM system, competency based framework and developing the role profile and having those regular reviews we have it up and running in one department at the moment and are hoping to spread it to other departments. For the moment we will be concentrating on senior management staff, executives, supervisory and clerical staff. We do review new employees and contract staff but it

is not as often as I would like. In 2003 we put in place a PM system for executives which was pay related and people would have two reviews in a year, a tick box affair. It then moved on from that and it was a far more stringent review. It went well for about twelve months then we hit the recession and we stopped it. What we need to do now is to get it back to where it was with no financial attachment.

#### **8. Has your organisation a Succession Planning strategy?**

**Company A:** No, the organisation does not have an overall SP strategy. Most departments would have natural successors as positions become vacant.

**Company B:** Very ad hoc, it is invariably when an employee leaves the company the question is asked who is going to replace them.

**Company C:** Ad hoc in previous years but, SP was part of the five year people management initiative recently drafted and presented to our board of management.

**Company D:** No, SP is carried out on an ad hoc basis.

#### **9. Has your organisation developed a competency framework?**

**Company A:** We do competency based interviews based on individual role profiles, but we haven't developed an overall competency framework

**Company B:** We have a competency framework based on role profiles but I think we need to be looking broader than that and developing the skills and behaviours required to achieve the strategic goals of the organisation.

**Company C:** We are currently developing role profiles for each position based on competencies required for the role and we are looking at developing those competencies.

**Company D:** We currently develop people for individual roles but are in the process of developing role profiles for each position based on competencies this will be linked to our PM system. This will help us identify what competencies need to be developed.

#### **10. Do you strategically recruit base grade clerical staff?**

**Company A:** No we are not allowed to advertise for clerical staff so we recruit from CV's that come in, people who are recommended from one of the other three companies or secondments from one of the other three companies.

**Company B:** Since I have come into the Company in 2004 we have never recruited clerical staff, people generally come in on temporary contracts and are made permanent after a few years. It is not strategic recruitment and it means you are fishing from the same pond the whole time and you are getting the same type of person in the whole time and not necessarily with the skill sets you need.

**Company C:** We have a recruitment bar so we can't advertise positions. We would often bring people across from engineering or station positions to fill these roles.

**Company D:** Generally we fill base grade clerical positions with fixed term contract employees who would have come into the company to cover holiday periods.

#### **11. What percentage of your senior management team are external appointees?**

**Company A:** Fifty percent of our senior management team are external appointees. We recruited two senior managers in the last two years externally, the Chief Financial Manager and a Chief Operating Manager.

**Company B:** They are all internal members of staff except for one external who was recruited in 2006 and the HR Manager who came from another Semi-State company.



**Company C:** Fifty percent of our senior management team are external appointees including the CEO. In 2001 a report carried out by three consultants under the direction of the then Minister for Enterprise concluded that our management bench strength needed to be significantly strengthened with experienced outsiders, the report suggested the company did not have enough commercial acumen at the senior table.

**Company D:** Only one of the five senior management team was recruited externally.

**12. Have there been any efforts made to identify and develop the next layer of senior managers?**

**Company A:** Not really, for example in this position as HR Director there is no natural successor because of the size of the department. The successor would probably have to come from the outside whereas the other departments would probably have a number two there to act up into the position.

**Company B:** Not really for senior managers, succession planning can be as easy or as difficult as you want to make it. It can be as easy as an excel spreadsheet, who is currently in the job, who could fill that job in two or four years time? If they can't fill it now, then why not and let's look at the gaps, it can be as simple as that.

**Company C:** Yes, already some of the senior team who are on contracts are looking internally to develop their successors.

**Company D:** When you look at the senior management team most areas I would say yes. In specialised areas like marketing not everyone can slot into those positions you have to look at the layer below. Ideally we should be in a position to have internal candidates to go into those slots because you get more commitment and loyalty from employees. Whereas, if you adopt the attitude that we are not going to fill those slots from within, the organisational moral and loyalty of employees is reduced.

## **4.5 Summary**

Haven introduced the companies and briefly reviewed the concepts around which questions were drafted. The chapter outlined the various responses from the semi-structured interviews which took place. This now forms the primary source of data for this research. The next chapter will analyse the responses against the theoretical framework being considered by the Author.

## Chapter Five

### Discussion on Interviews

#### 5.1 Introduction

The following chapter will review the outcome of the interview process against the issues highlighted during the literature review. Note, in this chapter a singular **A**, **B**, **C** or **D** will be used to denote the comments of the particular company.

#### 5.2 Effects of the Recession and Globalisation

The effects of the recession, technology and deregulation are apparent in all four organisations. **B** and **D** admit to cost cutting as a direct result of decreased subvention from the Government since 2008. The reduction in financial support from the Government is as a result of pressure from the European Union to introduce spending cuts and thereby reduce the fiscal gap (Whelan, 2011). The collapse of the construction industry and high unemployment figures played a significant part in reducing passenger numbers using **B**, **C** and **D**. The impact of this has led to a reduction in revenue for all four companies, thus requiring the need to downsize. This point is clearly evidenced by **C**'s comments, in that it has reduced its staff substantially by two thousand two hundred employees since 2003 and **D** has reduced its staff since 2008 by approximately six hundred.

**A** also experienced downsizing but unlike **B**, **C** and **D** it is not an operating company and cost reduction programmes resulted from a reduction in services being required by the other three companies. The HR department in **A** was reduced from a staff of seven to three since 2008, with training and development becoming departmentalised. This corresponds to the Roche *et al* (2011) article which suggests that one of the effects of the recession on HR is that numbers working in HR could be cut disproportionately compared to other support functions.

In line with Roche *et al's* comments (ibid) all four semi-state companies have experienced downsizing, cost cutting and headcount reductions. Downsizing was achieved by VS and natural retirements, but as pointed out by **B**, VS criteria in their company was based on age. This resulted in a large number of people in the same age cohort exiting the organisation within a short period. This, according to **B**, did result in a knowledge gap and on occasions created industrial relation issues.

This coincides with Gleeson's (2009) view that many organisations who shed numbers to reduce costs are those at greatest risk, they may not have known their best people and may have unwittingly let them exit the company. This loss of knowledge, as a result of downsizing, was highlighted to **C** by its government Regulatory body. In order to counteract this they introduced a knowledge management interview process to retain some of the tacit knowledge and experience of staff exiting. Hewitt (2008) suggests phased retirement is an instrument used which facilitates gradual development and handover to successors. It helps organisations employ a knowledge management process and thereby retains corporate memory.

McDonnell (2011) stated that restructuring as a result of the recession often de-layered organisations with middle managers being the prime targets. **D** acknowledged that through downsizing they had reduced the numbers of their middle and senior management layer, leaving a lack of a supporting network for managers remaining in the company. This resulted in a reduction of knowledge and experience within the company. This is in line with Rusaw's (2004) comment that retrenchment programmes has meant the removal of individuals with institutional memory and tacit knowledge, this has depleted the supply of mentors and coaches who provide a common perspective on organisational problems.

When asked how the financial crisis had affected the T&D budget, **A** answered that when their training manager retired in 2009 he was effectively not replaced and the training function was devolved to department heads. The Researcher was unable to audit **A's** T&D records to gauge the impact of this decision.

**B** had their T&D budget significantly cut, but the budget for technical and regulatory training remained in place. However, at a later stage in the interview **B** said that during their downsizing programme they conducted a significant development plan

with all supervisors and front line managers. This plan was focused around communication and developing managers' influencing skills. This was driven by the fact that they were faced with a hugely difficult and changing environment. This was a strategic move, similar to Gunnigle, Lavelle and Monaghan's (2009) suggestion that during a recession it emerged that strategic T&D initiatives have survived, particularly those aimed at senior managers involved in managing change. It is also in line with Roche *et al's* (2011) comments in how the HR department responds to the recession, in that HR have a new role involved in providing advice and mentoring for managers to deal with the implications of business decisions.

**C** appears similar to **B** in that the safety critical training and regulatory training budget remained in place, but their career development centre was closed and money spent on MBA's for senior management staff had been severely cut. There also was a shift to more in-house training and development of staff. This would also concur with Gunnigle, Lavelle and Monaghan's (2009) findings that during the recession, spending in the area of T&D was highly susceptible to cuts as changes in priorities became more focused on organisational survival.

**D** made a conscious effort not to cut the T&D budget, but rather target T&D mainly on the driving grade, the front line staff delivering the service to its customers.

When organisations are considering reducing their spend on T&D of staff they need to be mindful of Collings and Mellahi (2009) point, that in the current era of increased competition the knowledge, skills and abilities of employees represent a major source of competitive advantage, there is a growing need to ensure that talent is effectively identified, developed and retained (ibid).

### **5.2.1 Impact of Recession on Engagement, Commitment and Psychological Contract**

**A** did not notice any impact but did predict that there would be an impact in the future as there are harsher cuts to come down the line on top of what has already happened.

**D** did not get a sense that there was any lack of engagement or commitment from employees. However in an answer to an earlier question, **D** stressed that the current climate was proving very difficult for employees, faced with the third cost reduction programme in five years. This is evidenced further in that since the interview was carried out, workers are voting for strike action in response to the Labour Court recommendation on the proposed cost cutting strategy.

**B** did experience a two day strike during implementation of its cost reduction programme, admitting that people are a little more insecure and anxious, value their job more but are not necessarily performing better. They admitted that the changes to the terms and conditions of employment and the fact that employees are being asked to take on more responsibility for no extra money has had a negative impact on the PC.

The reaction of **B** and **D** employees to cost cutting programmes is in line with empirical evidence to suggest that the outcome and overall consequences of downsizing are largely negative (Cascio 1993). The two day strike in **B** or threat of strike in **D** is an indication that employees feel their PC have been breached.

**C** had not noticed any change in employee commitment and engagement. However, they are due to run a staff engagement survey later this year, the previous survey was run in 2008, changes to employees' terms and conditions of employment and cost reductions have taken place since then so it will be interesting to see the outcome of the new survey.

### **5.2.2 Use of Development Tools to gain Commitment and Engagement**

**D** said that they used employee development as a useful tool to gain commitment and loyalty from staff. **D** believed that if you look after employees in the bad times it will pay dividends in the good times. **C** also said they were committed to giving people opportunity and support if they wished to develop their careers within the company, suggesting it as a win/win situation which leads to higher staff retention and increased loyalty and commitment.

The points above would concur with Sadler's (2011) opinion on the advantage of a TM process, in that it motivates employees to engage with the organisation to assist in improving their career path.

**A** did this departmentally but not as an overall business strategy with **B** stating that they had more pressing demands to deal with first.

### **5.2.3 Impact of the Recession on Recruitment Policies**

The impact of the recession on the companies' recruitment policy was very similar in all four companies, which signalled an increase in the use of fixed term contracts. This concurs with Millward and Herriot's (2000) theory that old relational PCs of security in exchange for loyalty have been replaced by new short term transactional contracts of employability for flexibility.

**A** continue to recruit for professional positions but outsource for particular projects if there is not a permanent need. **B**, **C** and **D** all have a ban on recruitment but at times have had to recruit externally for senior management or for technical positions. This was done where the skill set was not available internally or had not been developed internally. **D** added that due to reduced staffing levels, particularly in small departments, there was not a lot of time and staff available for cross-training. This point is highlighted by Rothwell (2002) as one of the challenges to TM and SP in a recessionary period.

Hall (1989) however states that too much reliance on promotion from within may sacrifice the inclusion of innovative ideas and perspectives from outside the organisation. Stadler (2011) argues that, external recruitment can lead to resentment by internal staff. He proposes a combination approach, promoting talent from within as well as drawing on talent from the workforce.

Both **A** and **C** use outsourcing as an alternative to recruiting permanent staff, this can add to people being insecure and anxious in their employment (ICTU 2012).

### **5.3 Talent Management**

**A** was unfamiliar with the term TM and accepted the company had no specific TM strategy in place, pointing to the fact it is departmentalised. **B**, **C** and **D** were all aware of the concept.

**B** understood what a strategic TM process entailed but said that it was a little bit hit and miss at the moment as they had more pressing issues under review. **D** said that they have a good recruitment and T&D policy but that nothing is formalised, they do not sit down and look at what is being planned for the next five years and develop a TM strategy around that. **D** admitted that it is something that evolves as things develop in the organisation.

Bersin (2009) advocates a more strategic approach to TM, where companies align employee capabilities and career aspirations with the company business strategy and talent needs, this approach avoids costly mistakes in hiring developing or promoting the wrong employee for a critical position.

The need for strategic TM development is strengthened by the fact that **D** now find they have a talent gap at middle management level in the organisation. Through downsizing they had taken a lot out of middle and senior management levels and had to backfill with the talent pool available to them, this pool had almost dried up now and will take time to build up again.

According to Miles and Bennet (2007) many organisations are not equipped to confront a talent crisis. Stadler (2011) agrees that organisations, which do not have an integrated TM process, meet their recruitment needs on a reactionary basis and lack a detailed career and SP process.

To avoid a skills gap forming (Gandz 2006) highlighted a number of pitfalls to be avoided in the development of talent:

- Talent needs to be developed for future needs not past needs.
- Ensure you are targeting TM at the right level in the organisation.

**C** were the only company who had recently drafted a strategic five year plan on people management initiatives incorporating T&D, formalised PM, engagement strategy and SP.



According to Stadler (2011) this strategic approach to TM can reap many benefits for the organisation such as:

- Developed talent pools of possible successors for every critical role
- Defined future skills required for the success of the organisation
- Retention of employees

### **5.3.1 Talent Management, who is responsible?**

All organisations except **A** said that their TM Strategy was the responsibility of HR. **A** said that TM is decided at department level. Gandz (2006) in citing pitfalls of developing TM programmes stated that without personal involvement of the CEO, backed by a strong HR department, a TM strategy is unlikely to be successful.

### **5.3.2 Identifying Talent for Development**

All four organisations said that it was the local manager who identified talent for development. There can be a danger to this method according to Hammett (2008) in that managers are often drawn towards finding and grooming mirror images of themselves or worse, succumb to organisational politics and favouritism when it comes to development and promotions.

The interview process was highlighted by all four companies as an opportunity for identifying candidates for future development, however, **D** pointed out that there has to be some sort of a signal from the employee as “no one is going to come knocking”.

Hatum’s (2010) states that true integration of several critical HR systems such as workforce planning, recruiting, career development, PM and SP is necessary to get the most out of TM whilst also being a useful tool to help organisations identify high performers (ibid).

### **5.3.3 Skills Audit**

None of the four companies had conducted a skills audit of their employees. T&D is departmentalised in **A**, so each department keeps track of their own staff requirements.

**B** and **D** had not previously carried out a skills audit of staff but have introduced a Core HR integrated software system which has a training facility to link to each staff member. Both are in the process of updating this system which will enable them to get a clear picture of T&D requirements for each member of staff.

**C** had an academic register up to 2008 but advised it had not been updated since. **C** did acknowledge staff engaged in safety critical duties did have their competencies recorded and updated regularly.

In light of the above comments, according to a paper on managing talent, Gandz (2006) suggests that the first step in smart TM is to have a clear picture of your talent and talent needs over the next several years and having the established learning and development pathways that turn raw potential into polished performers.

### **5.3.4 Activities engaged in to develop employees**

All four companies have an Education Support Scheme, where employees can identify an area of third level education they would like to study and apply for fifty percent funding on successful completion of the course. This can be seen as a career development intervention as defined by CIPD (2009) by encouraging individuals to develop new skills for the benefit of themselves and the organisation. According to Stadler (2011) this involvement of the organisation in their career growth is one of the advantages of TM and can help motivate employees.

**B** and **D** were similar in that they identified a development gap when drivers were promoted to a supervisory role, all their training up to then was on their technical ability and were now expected to progress into a line manager role. **B** said that they often went into a freeze mode. A FETAC one year diploma course was designed to help line managers in their new role and to enable their progression to middle level management.

**C** run a course for nominated staff with an external institution and a practical leadership programme which is run with a few training companies in England.

Both **C** and **D** use external professionals to coach managers, in **C** it is mostly on a reactive basis when there is a problem identified in the area, **D** are more proactive and all new managers are offered individual coaching sessions.

Cameron (2007) suggests that to develop a pipeline of talent you need to give potential successors a broad education. Banhart and Walker (2009) agrees with this and proposes, to develop high performers a variety of developmental activities should be used to include training, mentoring, coaching, on the job experiences, expanded duties, job rotation and assuming leadership responsibilities. Hewitt (2009) agrees that development is a critical tool of SP as it drives greater flexibility in the workforce and improves confidence among your employees.

### **5.3.5 Performance Management**

Roche *et al's* (2011) article suggests that during the recession performance was being managed more rigorously, with poor performers being pursued more insistently. **A**, **B** and **D** do not have a current PM system, but **D** are in the process of developing one. **C** had a PM system linked to a bonus scheme up to 2008. It was reintroduced on a phased basis without the bonus in January 2012. They are now trying to link the new performance system to career opportunities and development instead of a monetary reward.

PM, according to Whelan and Carcary (2011), helps the organisation identify high performers and in implementing initiatives for addressing developmental needs. Evidenced from the interview process suggests none of the four companies are currently operating a robust PM system.

## **5.4 Succession Planning Strategy**

When asked if any of the companies had a SP strategy, **A** said no, but that most departments would have natural successors as positions became vacant. **B** and **D** said that they carry out SP on an ad hoc basis and **B** said that it is invariably when an employee leaves the company the question is asked who is going to replace them. **C** said that SP was ad hoc in previous years but was now included as part of a five year strategic people management initiative.

All four companies carry out SP similar to one of the approaches identified by Stadler (2011), short term planning or replacement planning. This approach is focused on an urgent need caused by a sudden development in the organisation, generally the organisation will try and fill the role from within the organisation but they will often have to turn to external recruitment.

Barnhart and Walker (2009) suggests a five stage process for effective strategic SP:

1. Access the need – using the strategic plan access future talent needs
2. Identify competencies required
3. Identify high performing employees with potential to fill key management roles
4. Develop high performers
5. Evaluate the process regularly

### **5.4.1 Competency Framework**

Three out of the four companies are in the process of developing a competency framework based on roles profiles. Guinn (2000) states that most organisations tend to focus on the job titles in their organisational charts when they do SP, he stresses that this results in a backward focused planning which is not future orientated or strategically driven.

What globalisation, downsizing and technology changes have taught is that positions can often disappear before an employee reaches their development. He purports that successful SP should concentrate on the key skills and behaviours needed to successfully lead the business to accomplish its competitive strategy (ibid).

### **5.4.2 Recruitment for Clerical Positions**

All four organisations have a recruitment bar and cannot advertise externally for base grade clerical staff. **D**, **B** and **A** said that clerical staff generally come in on temporary contracts and are often made permanent after a few years temporary service. **B** added that this is not strategic recruitment and means that you are fishing from the same pond the whole time and not necessarily getting the skill sets you need. **C** said they often bring people across from engineering or station positions to fill these positions.

Guarino (2007) describes talent recruitment as evaluating the match between candidate's competencies and the key aspects of a position, this helps organisations source high performers. Hatum (2010) describes it as one of the critical HR systems in the TM process.

### **5.4.3 Senior Managers**

Over fifty percent of the senior management team in **A** and **C** were recruited externally. **C** further added that the high percentage of external senior management team was due to a report carried out by the Government in 2001 which concluded that **C** did not have enough commercial acumen at senior management level to deal with changes facing the organisation. One fifth of **D** and **B** senior managers are external recruits.

Deal and Kennedy (1982) states that effective SP ensures the availability of well trained managers who understand the organisation mission, values, culture and strategy, these managers have virtually "grown up" in the organisation. Such characteristics have been associated with more effective individual and organisational performance.

Hall (1989) however argues that too much reliance on promotion from within may sacrifice the inclusion of innovative ideas and perspectives from outside the organisation.

Hatum (2010) proposes a combined approach provides a balance in terms of promoting experienced incumbents based on corporate views, policies and plans as

well as benefiting from the diverse perspectives, fresh knowledge and a drive to change from new recruits.

#### **5.4.4 Developing Successors to Senior Managers**

**C** and **D** are both confident that they can identify and develop the next senior management team internally. **D** added that they are committed to filling most of the slots internally as it meant that you get more loyalty and commitment from employees if they can see a career path.

Hills (2009) suggests a succession strategy can be a combination of buying in key talent when required and building talent internally. Buying in key talent can bring in new ideas and fresh perspectives but can be expensive and they are unproven in the organisation. Building talent from within can save you money and can enhance career mobility and engagement within the existing workforce, but, there is less opportunity for injecting new knowledge and perspectives.

**A** said that most areas would have a natural successor, but in his own case the HR department was so small that his successor would probably come from the outside. **B** said that their SP was not great in terms of developing the next senior management team but acknowledged that they were aware of what needed to be done and that it could be done simply or strategically.

Seymore (2008) points out that SP should not only be seen as a way of averting the dangers of a foreseeable, motivational and management vacuum, it should also be seen as an opportunity to refresh, revitalise or reposition a staid enterprise in a rapidly changing world.

#### **5.5 Summary**

This chapter has reviewed the comments of four HR professionals against academic opinion on a number of issues relating to the research topic and theoretical framework. The next chapter offers a number of conclusions drawn by the Author, coupled with recommendations which add to the academic debate.

## **Chapter Six**

### **Conclusions and Recommendations**

#### **6.1 Introduction**

In the previous chapters the paper has discussed the academic opinion on the effects of a recession on companies and the various strategies available to prevent a skills gap developing. The primary source data collected demonstrated the actions taken by four companies against the backdrop of the current economic climate.

Having analysed the data in the previous chapter, this chapter will now offer conclusions and recommendations by the Author. The Chapter finishes with a discussion research limitations and areas for future research.

#### **6.2 Conclusions**

As suggested by the academic literature in chapter two, a recessionary climate does lead to downsizing, embargos on external recruitment, diminished training budgets and has a negative impact on PCs.

The reactive nature of the four companies to the reduction in subvention and decrease in revenue highlights a lack of strategy in downsizing. The impact of this may not impact on the immediate operating stance of the company. The lack of an employee/managerial skills data base or a PM process perhaps explains this response by the companies.

There is an absence of a strategic long term TM planning in three of the four companies, the fourth having only recently developed such a strategy. This is further evidenced by the ownership of TM resting solely with HR and not driven by the CEO.

Whilst the recruitment embargo exists, evidence found some managerial positions in all four companies were recruited externally, this highlights the presence of a skills gap. Base grade clerical employees are recruited in all four companies for seasonal

employment. When a full time position does become available they are made permanent due to the lack of a recruitment strategy, this employee may not have the necessary competencies to carry out the role.

Evidence from this paper suggests none of the four companies are aware of the prevailing PC with their employees. Whilst those interviewed all recognised the cost containment programmes had impacted on employees PC, there was no evidence of a strategy to deal with this.

The above comments suggest the theoretical framework as proposed in this paper is valid, that is, companies are not strategically positioned to stop a skills gap forming as a result of cost containment programmes.

The following recommendations are offered by the Author as a means by which companies can prevent a skills gap forming during a recession.

### **6.3 Recommendations**

- TM and SP require the full backing and input of the CEO in any company. Without this support HR activities will appear ad hoc and reactionary. By ensuring the support of the CEO the business strategy can be aligned with the TM strategy. This should also help to protect against threatened reductions in T&D budgets.
- A critical aspect of TM is the formulation of an employee skills data base. This data base can identify the possible early formation of a skills gap allowing HR to intervene.
- Recruitment at entry level in any organisation should be mindful of the future competencies required by the company to offset advancements in technology and protection against future downsizing strategies.



- It is important to conduct an analysis on the effects of the PC with employees when making cost-containment decisions. In doing so the company can identify an appropriate communication strategy to ensure employees fully understand the financial reasons for relevant actions taken by the company.
  
- TM and SP cannot reach their full potential in the absence of a PM regime. In its simplest term, how can one manage something if it is not being measured? Recognising the current economic climate a performance system should not have a monetary reward but should be linked in to the employee's career path.
  
- Companies should offer their senior managers a forum by which TM and SP can be openly discussed. Having a horizontal management forum in place allows managers from the various functions of an organisation to identify possible skills gaps or oversupply in their department. This offers the HR professional another avenue to proactively identify employees to be considered for future development.

#### **6.4 Limitations of this Research**

Throughout this research the Author has focused on Semi-State companies in the transport market. The Author acknowledges other Semi-State companies, operating in other markets such as Utilities, were not included in this research. Also, companies from private industry were not included in this research. Resource and time limitations led the Researcher to discount being able to investigate companies from a broad spectrum.

## **6.5 Future Research**

There are two areas for future research as a result of the findings from the primary sourced data from this paper.

The increased use of fixed term contracts offers an area of study to identify how such contracts impact on PCs between employer and employee.

Acknowledging the impact cost containment programmes have had on TM within the Public Sector, future research could analysis how the Private Sector has coped in a comparable operating climate to identify if a similar skills gap developed and what strategies were applied to combat such gaps.

## **6.6 Summary**

Academic literature suggests companies who implement cost containment programmes without properly addressing TM and SP leads to the development of a skills gap amongst their managerial grades. A theoretical framework was proposed in this research to test this stance, the findings of which guide the Author to concur with this line of thinking. A number of recommendations have been proposed as strategies to mitigate the impact of a skills gap forming whilst bolstering the PC between employer and employee.

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# **Appendix One**

## **Questions for Interviews**

### **Section 1 - Recession & Globalisation**

1. How has economic external factors affected your organisation?
2. Have you found with downsizing that you have been left with a skills and knowledge gap?
3. How has the financial crisis affected your training & development budget?
4. Have you noticed an impact of the recession on employee engagement, commitment and psychological contract?
5. Have development tools been used to gain more commitment and engagement from your employees during the recession?
6. How has the recession impacted on your recruitment policy?

### **Section 2 - Talent Management**

1. What is your understanding of the term Talent Management?
2. Do you have a Talent Management Strategy?
3. At what level is the Talent Management Strategy developed in your organisation?
4. How do you identify talent for development?
5. Do you do a skills audit on your employees?
6. What activities do you use to develop the identified employees?
7. Have you a Performance Management System?
8. Has your organisation a succession planning strategy?
9. Has your organisation developed a competency framework?
10. Do you strategically recruit base grade clerical staff?
11. What percentage of your senior management team are external appointees?
12. Have there been any efforts made to identify and develop the next layer of senior managers?

## APPENDIX TWO

### EXAMPLE OF CONSENT LETTER FOR INTERVIEW

Helen Byrne  
BA (Hons) HRM  
National College of Ireland  
Dublin 1

Dear Interviewee,

As part of my Honours Degree in Human Resource Management, I am conducting research in the area of Talent Management/Succession Planning in the climate of an economic recession. There are three purposes to this research

- To explore the concept of Talent Management/Succession Planning as practiced by Semi-State Companies in Ireland.
- To identify how the current economic recession has impacted on Talent Management/Succession Planning strategies.
- To identify specific Talent Management and Succession Planning tools available to organisations and their application within a recessional climate.

If you accept to be part of the study, you will be asked to participate in an interview with myself. No one else will be present unless you would like someone to accompany you. I will record the information you give using notes and voice recording (subject to your permission). No one else will have access to this information. The notes / tape will be used to make a concise record of this interview that will then be sent to you for your appraisal.

This agreed record will be kept securely in my home and all other notes / recordings destroyed. When I complete my thesis, that record will also be destroyed. If you choose your

identity can be omitted from the research paper and you can be referred to by a number. No person, other than the researcher, will know the correspondence between names and numbers.

For the purpose of the study, I will ask you about your opinions/experiences in Human Resource Management and in particular about Talent Management/Succession Planning practices your organisation may or may not engage in. I will also inquire what effects, if any, the current recession has had on your Human Resource Management strategy and what practises you employ to ensure the management sector of your organisation is positioned to lead the company through the recession.

You can decide not to partake in this research and if you do decide to take part you are free to decline to answer any of the questions posed. You are also free to withdraw from the interview at any time.

I would like to thank you for taking the time to read this letter and consider your participation. Should you require further information about the study I am happy to answer your questions. If you are happy to be interviewed I would be grateful if you would sign the attached consent form.

My thesis is due for submission on 2<sup>nd</sup> September 2013 and should you wish to receive a summary of the findings of the study please fill in a contact email on the consent form.

Yours Faithfully,

Helen Byrne

Helen.Byrne@ncirl.ie

0353 86 1234567

## **Certificate of Consent**

I have been advised that my participation in this study is voluntary and that I can withdraw at any time. I have had the opportunity to ask questions about it and those questions have been answered to my satisfaction. I consent voluntarily to be a participant in this study.

Print Name of Participant

Signature of Participant

Date