

**BEST PRACTICE HRM: BENCHMARKING THE
RESOURCES REQUIRED TO DRIVE EMPLOYEE
PARTICIPATION AND INNOVATION IN THE
WORKPLACE; 'A CASE STUDY OF A SINGLE
COMPANY - THE ESB'.**

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ABSTRACT

This study examines Human Resource Management practices in the electricity industry in Ireland. The focus is on one single company – Irelands biggest electricity provider; the ESB (electricity supply board). Two areas of the state owned company are examined – PG, or Power Generation and ESBI; or ESB International. In recent times, HR management within PG have began paving the way for new HR practices and implementing new policies by way of restructuring the company's overall business units. Currently, the HR management practices are being amalgamated with that of ESBI (ESB International). 'Best Practice HR' polices are examined in relation to the company's overall strategic direction and business focus.

The change initiative resulted from driving forces within the economy – a force which greatly imposes the market conditions presented within the electric industry today. The rise of growing competition has brought about an onset of monopolists onto the market and indeed the presence of independent companies has risen sharply in the last number of years, which has influenced the strength of Ireland's customer bargaining power, external influences and the societal needs that lie within Ireland's economy.

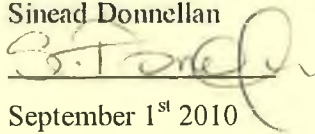
Also the quest for a 'greener Ireland' and the limited fossil fuel shortage has also spurred this transition.

In order to cater for the current economic and climate conditions; the ESB began a restructuring process, which started in 2008 and is due to be fully completed by the year 2015. The emphasis on conjoining PG with the ESBI and the closure of three power stations in the last number of years is also suggesting closer trading within the UK. This is unsurprising, given the attractive market conditions for electricity suppliers in the UK and Europe.

DECLARATION OF AUTHENTICITY

I hereby declare that, except where duly acknowledged, this thesis is entirely my own work and has not been submitted for any degree in any other institute.

Sinead Donnellan

A handwritten signature in dark ink, appearing to read 'Sinead Donnellan', written over a horizontal line.

September 1st 2010

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GLOSSARY OF TERMS

CER – Commission for Energy Regulation

CIPD – Certified Institute of Personnel Development

CO₂ – Carbon Gas

CSO – Central Statistics Office

DSO – Distribution Systems Operator

EC – European Commission

ESB – Electricity Supply Board

ESBI – ESB International

HBS – Harvard Business School

IBEC – Irish Business Employers Confederation

IDA – Irish Development Authority

ITGWU – Irish Transport & General Workers Union

MNC – Multi-National Corporation

MTOE – Million Tonnes of Oil Equivalent

MW – Mega Watt

PG – Power generation

R&D – Research & Development

RD&D – Research Development & Demonstration

SEM – Single Electricity Market

TFC – Total Final Consumption

TSO – Transmission Systems Operator

WIF – Workplace Innovation Fund

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The presence of the electricity industry in Ireland emerged at the beginning of the 19th century. During this time, the Irish nation witnessed a loss in power from both political and economical perspectives. This proved very unfortunate as the average Irish citizen was forced to fight for their independence; unemployment was rising at an all time high and living conditions were mundanely harsh.

So, in effort to restore some aspect of the Irish economy, tentative steps were taken within government and thus the electrical revolution began. The onset of this emergence of to be seen wealth and creativity was welcomed by the Irish people; it not only created a new source of power 'on tap' but also provided a source of employment and stability for the Irish nation.

After the build of the first power station at the Pigeon House for Dublin Corporation's Electricity Department in 1903 and after many discussions about hydro electric power; by 1943 all homes and businesses across Ireland had access to electricity. (ESB, 2010)

In 1927 The Electricity Supply Board (ESB) was established; the ESB is a corporate body set up to run and develop Ireland's electricity network. Furthermore, the Electricity Supply Board Act was also approved in 1927 to help maintain the development process of the ESB. In 1949 an Industrial Development Authority was founded to promote industrialisation and by the late 1950s the Irish economy was beginning to develop rapidly. (IDA, 2010)

Currently, the existence of the electricity industry plays a chief importance in the Irish state. Electricity is a basic commodity inputted into every household and business across the state, providing lighting and heating while also powering a huge range of devices. Changes that occur in the industry have knock on effect for the maintenance of every building in Ireland. For example, high prices lead to fuel poverty and damage industrial competitiveness.

According to a report published by the competition authority (1197) it outlines that Ireland is always ranked third when it comes to most 'expensive' countries for industrial consumers of electricity in Europe.

From a HRM perspective, the electric industry has seen periods of great change, and this change is forecasted and set to continue for the Irish economy as a whole. The sector began extremely closed and privatised, influenced and controlled mainly by the ESB. The industry was and still is heavily unionised with 95% of employers in the ESB belonging to several unions.

Furthermore, existing research indicates a sizable presence of non-union firms among new, Greenfield site operations (Gunnigle, 1992 1994). In order to survive the changing face of relations, the adoption of tighter HR functions throughout companies in this industry has emerged in the light of changing organisation structure.

A noticeable turnaround has seen the presence of unions becoming less of an issue mainly due to management and communication structures evolving; in summary, they are moving towards a more adaptable work environment which is less rigid and more flexible.

A change in government reform, EC policies and the onset of more accountable innovative companies has led to more sustainable growth in the electricity sector. Furthermore, there is certainly an increase of R&D and developing technology to improve the energy consumption from a greener perspective.

At the time of writing, the population of Ireland stood at 4.5 million according to the Central Statistics Office. The electricity sector is a contributing factor in the areas of employment, technological innovation and infrastructure. Generation and supply are the most competitive areas in the industry and the west and south of Ireland play host to most of Ireland's power generation stations along the Shannon; which are also owned by the ESB.

From an employment perspective, statistics from the CSO office showed that in 2006, average annual earnings in Ireland were €37,200; earnings were highest in the electricity, gas and water supply sector at €66,667. It was also outlined that electricity, gas and other fuels sector experienced the highest rate of price increase in 2008 at 9.6%.

Ireland currently supplies 8.7% of electricity demand from wind energy, which is only behind Denmark (19.3%), Spain (11.7%) and Portugal (11.3%) (IDA, 2010). This is set to rise as far up as 40% of renewable energy by 2020.

The focus on producing renewable energy has been a hot topic in the last couple of years, a report published by the IDA outlined that with state support; energy from the sea could be the way forward - *"Catching the global ocean wave"*.

Furthermore to this statement, a report published by the Irish Times (2009) stated that *"Ireland could meet its own domestic needs, and also export electricity generated by offshore wind, wave and tidal energy resources alone"*.

1.2 CHARACTERISTICS OF THE INDUSTRY

The main characteristics, as outlined in the review of the electricity sector report state *"the Irish Electricity market is that it is small bound by high levels of historic features that have needed large amounts of capital investment. It is also important to note that the industry relies on imported resources such as oil and gas"*. (pg 9)

Figure 1 – Characteristics of the Electrical Industry

1. Drivers of end user prices	2. Security of supply
3. Implications of renewable growth	4. Competition
5. Business challenges faced by the ESB	6. Market structure

The electrical industry in Ireland is characterised by in summary, these six factors outlined in the table above. The most prevalent feature of the industry in recent times has

been the implications of obtaining renewable energy. Many conditions have affected this, mainly the fact that Ireland's natural environment simply has limited sources of supply.

A fundamental element for writing this study is the intertwined challenge that these characteristics actually present in a new light from a business perspective. Ireland in the good years has been very fortunate, enjoying the benefit of its location beside the UK who is one of the largest oil and gas producers in Europe.

In a report outlined by The Irish Electricity Market (2005), it stated that *"since 1993, this has facilitated access for the Irish market to gas via interconnectors, for direct importation. The UK is in the process of switching from being a gas exporter to being a gas importer as North Sea production falls from its 2000 peak"*.

A change in market structure has been another feature of the Irish energy industry. This was characterised by the establishment of the Single Electricity Market (SEM) in 2007. This has been the biggest feature of the industry since the privatisation of the electricity market in Northern Ireland in 1992 (Energy Ireland, 2009).

In relation to competition in the industry, the ESB is Ireland's main provider of supply and distribution. However, there are also several non-integrated generators and supplier's active in the market, such as Synergen (generator), Bord Gáis Energy Supply (supply) and more recently Airtricity in 2009 (Deti, 2005). The main players in the electricity market are the ESB and Viridian, who are both vertically integrated and therefore are engaged in both electricity generation and supply.

Electricity services in Ireland are provided by the Electricity Supply Board (ESB), a state body that is owned and controlled by the Government. The ESB owns and manages the electricity network and operates 19 major power stations throughout Ireland and a number of smaller stations in 28 sites around the country.

1.3 THE FUTURE OF THE IRISH ELECTRICITY INDUSTRY

The future direction of the industry lies in the development of renewable sources of energy which include natural gas, hydro, wave and wind power, bioenergy, green energy and generating power from imported resources.

Ireland has some of the best wind and wave resources in the world; and being ideally positioned so close to the UK and European periphery it makes it a prime catching location. The Irish Government has been very supportive in obtaining competitive advantage in the greenmarket and has outlined some very strong renewable energy targets.

For instance Ireland plans to have 40% of all electricity generated from renewable sources by 2020. (IDA Ireland, 2010)

Focusing on the HR function; the marketplace is extremely competitive and technology driven, the main utility provider the ESB now competes almost alongside Bord Gáis and Airtricity. Such companies place a high emphasis on R&D, primarily because electricity cannot be stored and needs to be constantly in supply. An innovative approach to the management of human resources is required to maintain competitive and achieve success in the marketplace. (Hoban 2008)

1.4 DRIVERS OF CHANGE WITHIN THE INDUSTRY

The economy of Ireland has developed in recent years; transitioned from an agricultural focus to a modern knowledge economy. The focus on services, high-tech industries, trade, industry and investment; these have become more prevalent. During the late 1990's, low levels of corporation tax for companies were a result of the 'Celtic Tiger' period, in which the industry and manufacturing sectors of Ireland experienced a huge growth spurt.

The second dominant feature of Ireland's economy was the financial crisis of 2008; where a bleak outlook revealed by the CSO that Ireland have the highest level of household debt relative to disposable income in the developed world at 190%. (CSO, Europa, 2010)

Challenges presented in Ireland's economy in recent times have affected the electricity market, as regards power generation; it is evident that the levels of peat and oil used for burning and consumption are naturally limited. This has been a massive turning point for the electricity sector in Ireland as a whole; because one time Ireland played host to being hugely successful in obtaining these sources as through Bord ná Mona for example.

It is also reported by Sustainable Energy Ireland that in the coming future; natural gas will be the dominant resource at 71.3% (of the total share), coal at 9.2%, and renewable energy at 8.2% of the market. However, this remains to be seen; currently the Corrib gas field is surrounded by ongoing controversy but it may also provide new sources of supply. (Renewable energy policy, 2010)

Government regulations and the quest for reducing CO2 emissions are important for the electricity generation industry. Outlined in a report issued by the Business community of Ireland headlined 'Green Ireland: The business of climate change (2009) concluded findings about the future of Ireland's position for 'greener energy'. It stated that Ireland plays a much needed role in the quest for climate change and this can only be fulfilled with support from the Irish government.

The prominent feature of Ireland's position is that it has the potential of having more green energy than any other European country due to its geographical location along the Atlantic coast.

To date are listed below instrumental changes that have occurred the electric market in the last number of years.

- ◆ Deregulation: In February 2000, as a result of EU directive 96/92/EC, the electricity market in Ireland was opened to competition. Larger customers using 4 gig watt hours or more of power per year became free to choose their own electricity supplier. The retail electricity market opened fully to competition in February 2005.
- ◆ Full market opening: Under the agreement, all industrial and commercial users of electricity and gas became free to choose their suppliers starting on 1 July 2004.
- ◆ In 2007: The establishment of the Single Electricity Market (SEM) for Northern Ireland and the Republic of Ireland.
- ◆ East – West interconnector: The construction of an undersea electricity connection between Wales and Ireland in 2009.
- ◆ The establishment of EirGrid as the independent electricity Transmission System Operator (TSO) which has full control over the national grid.
- ◆ The Irish government's commitment to have renewable based generation account for at least 13% of total consumption by 2010.
- ◆ The continuing development of an 'all island energy market', which will focus on renewable energy and energy conversion between both the North and South economies.

1.4.1 THREATS IN THE INDUSTRY: CURRENT ECONOMIC CLIMATE CONDITIONS

The integration of generation and transmission activities remains in the hands of the ESB; although legally separated. Independent generation has not been incentivised to enter the market, not least because of the restricted independence of EirGrid, the Transmission System Operator. However, the availability of generation within Ireland along with the shortage of fossil fuels poses a problem.

The cost of rising prices is as prominent as ever in the Irish market; Ireland has always been expensive for electricity prices for the consumer in comparison to European standards. Basically, by means of increased electricity tariffs for the customer, they are

required to pay 100% of the cost of upgrading the entire electricity system to ensure that it can adequately cope with current and future needs.

The cost of these rising prices is 80% higher in Ireland than its EU counterpart; this is significant. This is due to the fact that electricity generated from fossil fuels is expensive and the existence of high taxes compared with Finland and Greece, who have the lowest level of electricity prices.

However a report issued by Eurostat revealed that in the second quarter of 2009; electricity prices had fallen in the EU by 1.5%. This would enhance the fact that Irish electricity companies would look at trading in the EU.

According to a report issued by The Department of Enterprise, Trade and Employment (2005); an additional significant cause of the past and present difficulties concerning the electricity sector can be attributed to the amount of underinvestment in the electricity network. Thus leaving the network in a vulnerable position in conditions of sustained high demand and surprisingly, despite being a strategic national resource, electricity infrastructure was not included in the National Development Plan.

It is apparent that the elements affecting the efficiency and competitiveness of the electricity market are complex and interlinked. Our geographic location, the changeover to a deregulated energy market driven by EU law and climate change provides the backdrop to reflection of these factors.

There are many drivers of change and organisations have to best define how to organise themselves to effectively respond to these challenges and build on capability for future change. More importantly, organisations need to define how best to *realise* benefits from the management of change as Molloy and Whittington (2005 pg 13)

1.4.2 OPPERTUNITIES PRESENTED IN THE INDUSTRY: A CHANGE IN STRATEGIC DIRECTION

The establishment of the Single Electricity Market has led the way for an equal, open market place for providing a competitive, sustainable and reliable wholesale market. The primary aim is to deliver long-term economic and social benefits that are mutually advantageous to Northern Ireland and the Republic of Ireland.

Maintaining and improving the security of electricity and gas supplies is the dominant goal along with reducing carbon emissions for all entities concerned. Under the CER strategic plan, the EU-ETS (EU Emissions Trading Scheme) will become well established and from 2013 power generators will no longer receive free carbon emissions allowances.

Reducing Ireland's fossil fuel dependency and improving fuel diversity is also one of the most significant challenges facing the energy sector. Where fortunate environment opportunities exist; the most prominent feature of Ireland's position is that it has the potential of having more green energy than any other European country (CER, 2010)

Opportunities exist within R&D on improving Ireland's integration with the UK will provide not only immediate opportunities with the construction of the inter-connectors but also a future direction in the trading with the UK and Europe but there will be less dependence on Ireland's fuel reserve.

A number of government and corporate entities have turned the attention to focus on new strategic initiatives such as CER – Commission for Energy Regulation STRATEGIC PLAN 2010 – 2014, The ESB – STRATEGY 2020 and the government proposal to have renewable based generation account for at least 13% of total consumption by 2010.

Viewed in this way strategic choice represents a form of strategic advantage as Burns (1996 pg16) puts it into perspective when he says *"To ignore the presence of choice or not even to recognise its existence means taking decisions by default, and thus possibly missing major opportunities for increasing organisations' competitiveness"*.

This view is supported by Goldsmith and Clutter buck (1998 pg 72) where it is suggested that "*high performing organisations are careful but deliberate innovators and balance the need for continuous change with the need to conserve core values*".

1.4.3 SUSTAINING COMPETITIVE ADVANTAGE: STRATEGIC HRM & BEST PRACTICE POLICIES

Managing business operations in order to achieve competitive advantage in the electricity industry requires a pro-active approach; it is of extreme importance that the HR policies focus on the strategic direction of the business (PG HR Manager, 2010)

Successful reorganisations are characterised by 'higher skill levels' of the reorganisation management team, particularly with regard to political and communication skills. This demonstrates a closer association with the efficient management of the reorganisation process and improvements in organisational performance as outlined by The CIPD - Reorganising for Success study (2004:38).

With regards 'Best Practice HR', since the onset of the economic recession in Ireland in 2004; managers need to be able to create a culture, sustainable of developing employee performance and innovation levels from the ground up, and to promote a learning environment where they get the best from their workers and retain key talent.

As Kaplan and Norton (2001 pg 52) put it, and this view is backed up the HR manager for PG; "*the challenge for organisations today is how to enlist 'Best practice' in the hearts and minds of the employees*". Therefore, even the employees involved in direct production and service delivery must strive for continuous improvement in quality and to keep up with competition. Simply putting it - doing the job as it was done before is unlikely to be enough.

1.5 MOTIVATION FOR THE RESEARCH

HRM and the adoption of Best practice HR places the management of human resources the central point for any company moving forward today in the quest for innovation and competitive advantage. The extent to which policies and functions are carried out illustrates the company's performance in the market place. In light of carrying out business in an extremely competitive economy; there is more focus now than ever on a company's capability to be innovative and driven.

There is a range of empirical evidence to suggest that innovative HRM practices impact a company's performance through its employees in particular which in turn affect the overall business performance. Such evidence is noted in the study of Guest (1989, 1991, 1997), Armstrong (2003), Peters & Waterman (1982), Drucker (2007), Storey (1989) and Ulrich (1997, 2005).

Special emphasis is placed on the significance a company's strategy plays in achieving optimum business performance as with Armstrong (2000).

Achieving competitive advantage in Ireland has generally been under utilised as adoption rates remain low. (Roche, 2007) This has been especially true with reference industry heavy companies such as in the electricity sector where the existence of unions play a dominant role.

It will be examined how the freedom of the electricity sector in Ireland had an impact on such company performance; concentrating on HRM policies. Conventional thinking suggests that HRM represent a cost that needs to be minimised and controlled, whereas, HRM see human resources as a 'value creation' (Becker and Gerhart, 1996).

Previous research identified on the development within the electrical industry in Ireland have captured ongoing changes (Commission for Energy Regulation); however, through this study the research aims to identify the particular findings of a particular company as

to what constitutes the best possible practices that are carried out within a company's HR department.

These elements will provide a conclusive indication of how the subject company is positioned for future economic prosperity, growth and productivity.

1.6 OBJECTIVES OF THE STUDY

The primary objectives of this research are to:

- ◆ To provide an extensive and conclusive insight into the particular findings of the study of HRM practices within an industry concentrated through a particular company.
- ◆ To provide the findings of the research into clearly defined elements as to what constitutes the best possible practices that are carried out within a company's HR department.

The secondary objectives of this study aim to:

- ◆ Provide a critical insight of the electricity industry which aims to be analysed in order to provide a grounded theory for which the research of the ESB will be based upon.
- ◆ Provide a background investigation of the history of the foundation of the subject company and their established HR department will be examined.
- ◆ A critical analysis will also be examined concerning the operations of the subject company's HR resources which include the strategic direction, fundamental practices, policies and procedures that contribute to the overall effectiveness of the HR department.

- ◆ The interaction and contribution of the company's HR resources are utilised in accordance with other departments throughout the company will be analysed.
- ◆ The innovative techniques used for competitive advantage – an insight into the company's strategic workforce planning, recruitment, training and development processes and also the integration of these elements in align with the company objectives will be identified.
- ◆ The economic prosperity of the business environment today and the contribution of effective HRM practices and policies to the overall business function within the industry aim to conclude the findings.

1.7 THE RESEARCH QUESTIONS

Since this study is of a single company, the research questions provide the basis for conclusion on the research findings. The purpose of the primary research questions is to identify the level of HRM adoption within the HR department and what techniques are used to remain competitive as shown in figure 1 below.

Figure 2 Primary Research Questions

Primary Research Questions

- What is the overall level of HRM adoption rates within the company?
- What policies and practices are used to remain competitive?

Figure 3 Secondary Research Questions

Secondary Research Questions

- What are the drivers for change and what elements are being implemented in achieving the quest for competitive advantage?
- How do the HRM practices contribute to the overall strategic business function and future performance?

The secondary research questions however aim to identify the drivers for change and factors used in the quest for competitive advantage; and also to determine how the ESB are coping with this change and where exactly the future of the company lies.

1.8 RESEARCH METHODOLOGY

The methodology used for this research included a number of steps taken to gather all relevant information. Chapter one details an introduction to the industry, outlining a complete overview of the electricity industry in Ireland. This was examined to identify the current situation analysis of the economy.

Chapter 2 outlines a comprehensive review of all relevant HRM literature, which was conducted by means of a proposal to establish the link between Best practice HR and company/employee performance.

Chapter 3 illustrates a questionnaire (of Hoban 2208) which was designed and re-altered to specification in order to answer the research questions; this questionnaire was presented in interview format for two individual units of the ESB. Following this, a number of three consecutive qualitative interviews were carried out with HR senior management at the ESB headquarters, Dublin.

The data analysis from conducting the interviews is presented in Chapters 4 and 5.

1.9 LIMITATIONS AND ASSUMPTIONS

This research was conducted for the sole purpose of a Masters qualification based in Galway Mayo Institute of Technology. Based on this information, there are a number of access, time, financial and content limitations.

Regarding content limitation, it is primarily concerned with the adoption of HRM policies in the electricity sector, therefore a range of limitations occur according to different industries. For example, HRM management and adoption rates in the

information communications sector may be described as more 'progressive' or dynamic, intuitive; with emphasis placed on the learning organisation, employee flexibility, 'team leaders', creating a work life balance and optimising employee performance through staff being able to exert change initiatives.

The electricity industry in Ireland began very carefully and it was gradually spun into a web of high end design, world class R&D and top development innovations.

Significantly, with this process came the people; they learned as progress was made and developed. In turn, in order for successful sustainability; such a complex sector needs the highly skilled workforce and also a system to control and monitor the once extremely industry heavy sector.

The HRM function or presence of; in this industry would be deemed as quite low, one may ask why? And an answer would be the development of this industry was too quick in comparison to its allocation of human resources.

This is not the case today, HRM policy is now quite evident and complex within the industry and high levels of monitoring and controls are undertaken throughout the sector in Ireland; mainly due to the onset of more independent companies in the marketplace. The impact of Government regulations also places limitation throughout most of the generation, operational, transmission and indeed customer supply activities.

Due to time limitations, the questionnaire concentrates only on certain 'Best practice' issues which include training and development, recruitment and selection and reward systems. It also identifies innovation and change management, strategic HR, the employee and the learning environment.

This study is also only concerned with the views of HR professionals within the Power Generation segment of the ESB and ESB international. This is so a detailed insight can be gathered solely from the internal operations of the HR department. These interviews form the data analysis of chapter five.

1.10 LAYOUT OF THE THESIS

This thesis is presented in six chapters:

- ◆ Chapter one consists of an introduction of the electricity sector in Ireland and the objectives and motivation behind the research.
- ◆ Chapter two contains the relevant HRM literature needed to present the case findings; concentrating on several HR areas
- ◆ Chapter three outlines the research methodology used to obtaining the field work
- ◆ Chapter four presents the data analysis on the ESB, consisting of a detailed description of how the sector operates, a profile of the company and the future direction of the company in line with its current HR policies.
- ◆ Chapter five illustrates the three interviews undertaken, this is presented by HRM themes in line with relevant HRM functions
- ◆ Chapter six summarises the whole thesis by describing the main findings from the study, conclusions and finally recommendations.

1.11 SUMMARY AND CONCLUSIONS

The changes presented in the electricity sector in Ireland, especially since the full opening of the market in 2005 have increased competition and have also been detrimental to the way electricity companies in Ireland have been progressing. A number of Supply companies have now entered the market in competition with ESB – chief among them are Viridian, Airtricity and Bord Gais Eireann.

Through ESB international, this highlights the grave importance for ESB to expand internationally in order to secure economies of scale and scope against a background of declining share in the Irish market.

Reducing CO2 emissions and preserving our natural environment is a key driver of energy policy; this is reflected in the growing number of policy measures at national and

European level to limit the impact of the energy industry on the environment. The government has been pro-active in setting out policies, supporting new directives and the quest for increasing the amount of renewable energy in Ireland.

In the quest for diversifying in wind energy; meeting the national target of obtaining 13.2% of national electricity from renewable sources by 2010, (EU Renewable Energy Directive); will require an increase in wind generation from the current level of 230 MW to about 1100 MW. Despite this outline, it remains to be a focus of the strategic direction of the electricity industry.

With regards HRM and business performance, the succession and indeed the ongoing status of these changes represent an uptake in the level of HR practices being carried out through all companies concerned; especially those who generate and provide electricity. Although it must be understood that while making progress; there is some considerable progress to be made.

In this study of the electricity industry which will be mainly focused on the literature review and then the attention will turn to the ESB; research from firsthand research will illustrate how the ESB is sustaining its own competitiveness and where it plans to go from there in line with strategy, employee and business performance.

It will also focus on the ESB's STRATEGY 2020 and how that will contend to increasing renewable energy. The main bone of contention will of course surround the actual HR department, and a detailed analysis will describe the ESB's 'Best Practice' policies for continuing to grow and develop its entity. The next chapter contains the HRM literature review.

Chapter 2

Literature review

2.1 INTRODUCTION

The aim of this chapter is to establish a grounded theory on the research that was carried out to facilitate this study, a review of the HRM literature is examined. This chapter also highlights the development of HRM, policies and frameworks and it concentrates specifically on business and employee performance. It also contains empirical evidence of the importance of strategic HRM, Best practice HR and its impact on business direction and future performance.

2.2 THE HISTORY OF HRM

The effective management of people is now critically acknowledged as a crucial factor in achieving organisational success as outlined in E. McKenna, N. Beech, (2001).

However the origins of HRM lie in developments from the late 19th century; from the welfare tradition through to scientific management era to the industrial era leading into the dimension of personnel management and finally, the emergence of HRM.

The welfare tradition in the late 1800's was initially prompted by humane concerns by family members involved in business for example in Cadbury and Rowntree. The focus was on the employee; therefore companies like these began to introduce employee initiatives such as sick pay, pension schemes and unemployment benefit.

In 1918, around 1000 women were appointed as supervisors to regulate the conditions of work, and based upon experiments during World War1; the relationship between welfare and efficiency was defined (Pollard, 1969). The appointment of welfare officers and such was seen as at turntable of events during this period.

The advent of scientific management or "Talyorism" began to emerge post 1920; this efficiency approach based on Taylor's principles had been a characteristic of a typical employers approach to job design since the early years of the 20th century.

In comparison to the welfare tradition, the era of scientific management focused on management practice; more notably - 'work planning' (P. Gunnigle, N. Heraty, M.J. Morely 2006).

In light of this, from the efficiency approach grew a systematic approach that was adopted for work practices by Taylor; however this also received criticism that it caused problems concerned with industrial work, especially regarding high labour turnover and absenteeism.

It has been difficult to pinpoint the emergence of the behavioural science movement. However, various individuals like Abraham Maslow (1943) and Douglas McGregor (1960) gave rise to vital contributions to this era by developing the emotional portfolio of the worker through the development of psychological models of behaviour.

Both these foundational theories have played significance importance worldwide in applying behavioural science principles to the study of organisational and worker behaviour. The principles of Maslow and McGregor are certainly imperative with regard to management style, mainly because it focuses on employee motivation and the design of work.

It cannot be left unsaid that the activity of Jim Larkin and the Irish Transport and General Workers' Union (ITGWU) leading up to 1913 was not just a historical development but also play probably the most significant part in the daily life if the Irish worker at that time.

The surfacing of 'new unionism' began as a result of the growth in industrial relations emphasis in HR work. The most significant outcome of that time was the division of the employees into trade unions and the employers into employers associations; and so a further emphasis was placed on industrial relations being an important aspect of workforce management. (Gunnigle and Flood 1990)

The onset of the national wage agreement in 1970 brought another transformation into play; the role of pay bargaining in trade unions was removed and so they concentrated on issues such as workforce conditions and productivity deals.

For the HR function, IR remained a priority; practitioners in the department became embroiled in workplace bargaining with trade unions. Increased industrial unrest in mid 1960's through to the end of the 1970's served to prove that IR was a key concern for workers.

The literature states that increased government intervention with the introduction of legislation from the 1970's onwards became more common regarding dismissals and equality. This also had an impact on the emerging and developing HR function from a peoples perspective.

It should also be mentioned that the impact of MNCs on HRM in Ireland has had a strong influence on employee relations. As cited in Gunnigle, Heraty and Morley (2006, pg 8) Moony (1998) suggest that firms of particularly US origin have been to the fore in avoiding trade union recognition in their Irish facilities; such companies place a high emphasis on innovation, performance related pay, high performance work systems and have also introduced new methods in communication, training and selection systems.

2.3 PERSONEL MANAGEMENT

Special recognition is given to the area of personnel management because it spurred a turning point in the evolution of HRM in the US and the UK throughout the 1980's due to recession companies being confronted with Japanese competition.

This was first chartered by the work of Beer et al in 1985; where he claimed that that when general managers determine the suitable human resource policies and practices for their firms, they require some technique of assessing the appropriateness or effectiveness of those policies. Beer et al devised the famous Harvard Map.

The era of personnel management also placed an emphasis on the shift away from traditional manufacturing industries towards more a process industry where there was a tendency to refer to 'employee' relations as opposed to 'industrial relations' (Storey, 1997).

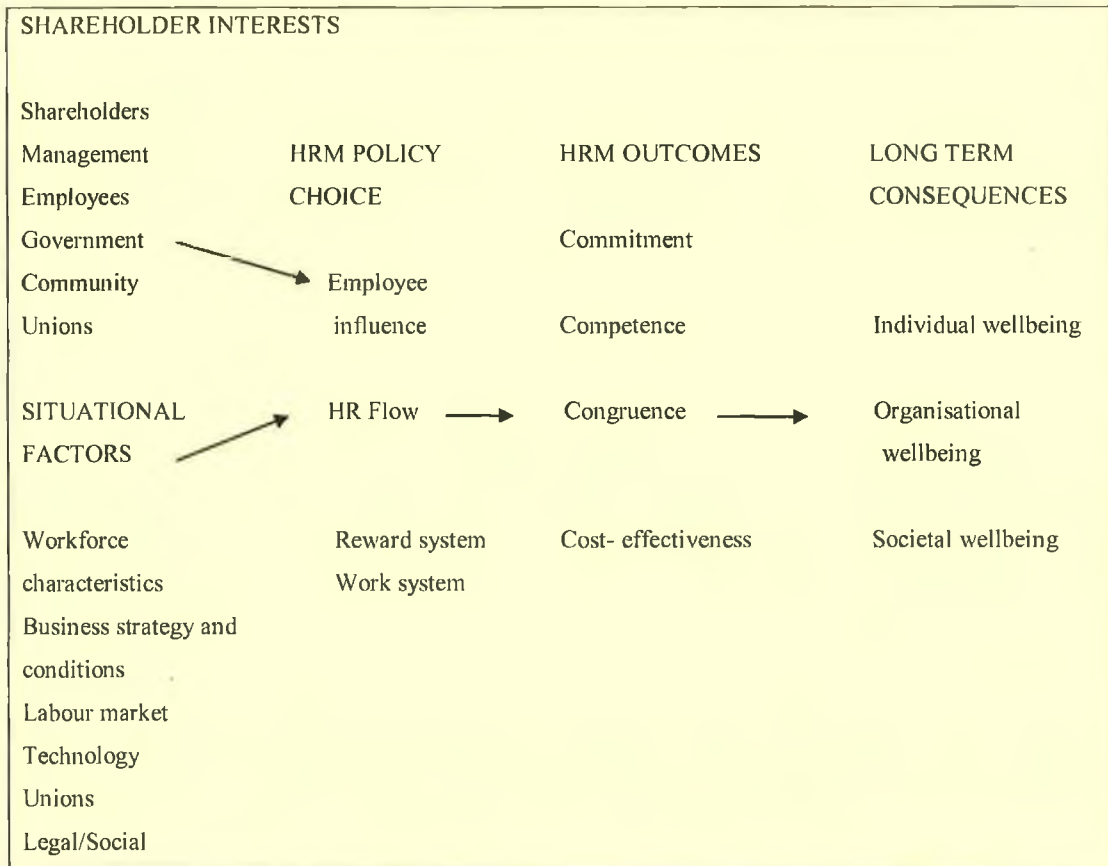


2.4 THE EMERGENCE OF HRM

Coming out of the recession in the late 1980's, business leaders in America were in a position to change the work practices in which they operated, and so came about the emergence of *human resource management* as a distinctive approach to workforce management. Its proactive manner was viewed as a major departure from the reactive industrial relations as mentioned above.

The HRM focus was essentially establishing various approaches to 'personnel management' and was based on two types of literature; the first was on the 'human capital approach' of the Harvard Business School (HBS) and the second source concentrated on the work of Fombrun where the approach considered strategic objectives of HRM as demonstrated below in figure 3.

Figure 4 HBS model of Human Resource Management



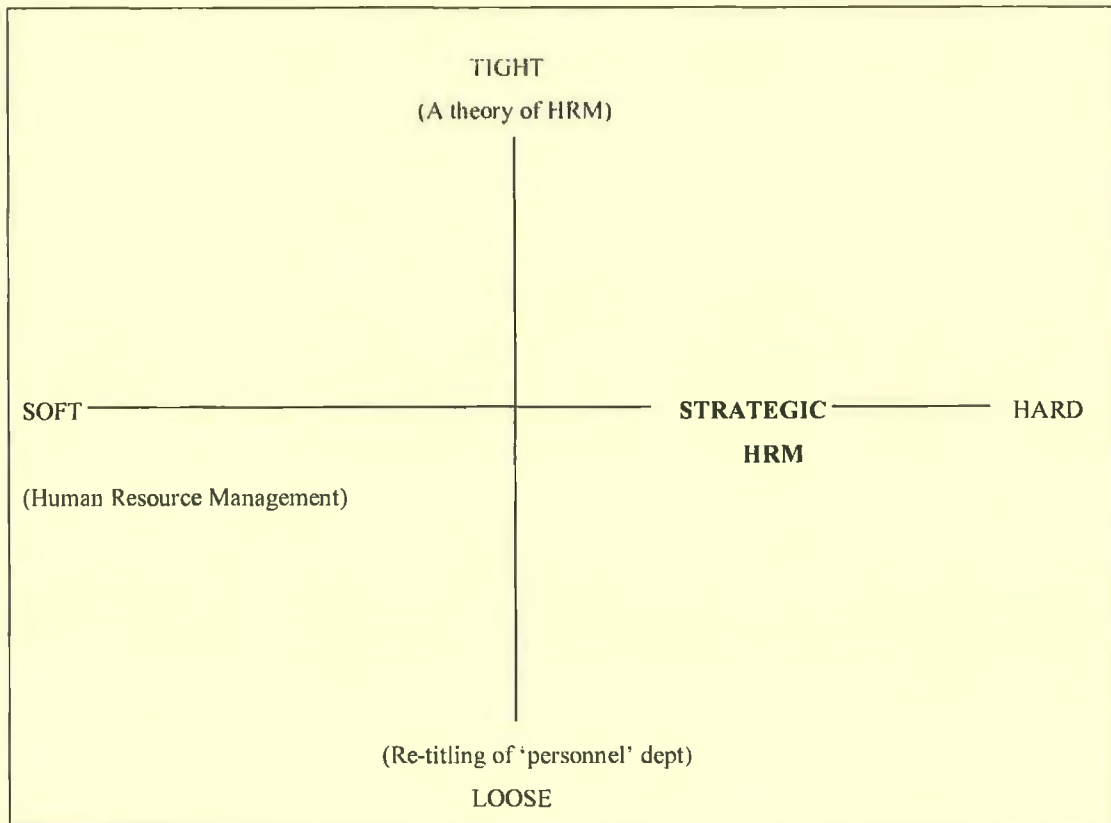
Source: Beer et al (1984) Human Resource Management in Ireland; Patrick Gunnigle, Noreen Heraty, Michael Morley

This thesis adopts the theory of many scholars, but in particular the HRM proposed by Guest (1987, 1991, and 1997). Guest (1991) draws on this approach: 'HRM is too important to be left to personnel managers'.

Human Resource Management could be described as an *approach* rather than an *alternative* to personnel management. Essential concepts arise when discussing the term HRM, including strategic integration, culture management, commitment, total quality and investing in human capital together with a philosophy that the interests of management and employees coincide.

Guest's 1987 hard-soft, tight-loose framework of HRM is quite possibly the most widely referred to when defining HRM and is outlined in figure 4 below.

Figure 5 Definitions of Human Resource Management



Source: Guest (1987) Human Resource Management in Ireland; Patrick Gunnigle, Noreen Heraty, Michael Morley

Further, Guest has identified five necessary conditions for the effective operation of HRM:

1. Corporate leadership
2. Strategic vision
3. Technological/production feasibility
4. Employee relation feasibility

5. Management capacity

Thus, HRM is a distinctive approach to employment management that seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce through an array of cultural, structural and personnel techniques. So, based on this discussion the notion of various ways to seeking competitive advantage are discussed in the notion of 'hard' and 'soft' HRM.

Storey (1989) distinguishes the difference between 'hard' HRM and 'soft' HRM approaches, identifying that managing numbers effectively and placing all control with management as opposed to focusing on communication and motivation.

'Hard' HRM has some kinship with scientific management because people are reduced as passive objects that are not cherished as a whole, but the point is, does the person have the skills/attributes that the organisation requires? (Legg, 1995; Vaughan, 1994; Storey, 1987; Drucker et al, 1996; Keenoy, 1990)

'Soft' HRM is associated with the human relations movement, the utilisation of individual talent, and McGregor's theory Y perspective on individuals (developmental humanism). This has been equated with a concept of a 'high commitment work system'. Soft HRM is also associated with goals of flexibility and adaptability and imply that communication and participation play a central role in management (Storey and Sisson 1993).

It is evident that the emergence of HRM and even more importantly; the development of HRM have placed an increased and extremely imperative focus on the conditions of the work environment today.

There has been a tidal wave of suggestions that companies are focusing on alternative and more innovative ways of capturing their workers as their most beneficial and profound resources.

Organisations are becoming more flexible in the way they carry out the operations of the company, at the core of this is the supporting organisation culture which is also becoming more adaptable to deal with changes in the external environment.

2.5 THE DIFFERENCE BETWEEN PERSONEL MANAGEMENT AND HRM

The HRM argument is that people are not to be seen as a cost, but as an asset in which to invest and add inherent value to the business. Such statement is confirmed as proposed by Cappelli and Singh (1992), they stress that competitive advantage arises from firm specific, valuable resources that are difficult to imitate.

Traditional personnel management contrasted with HRM is very easy to identify; for example personnel practitioners dealt with situations in a very adversarial way, especially with regards to negotiating with unions. There was a severe lack of trust and commitment amongst the employees and management roles were centralised with little or no communication.

The literature argues that, HRM is a core function of a company that is integrated as part of the overall business function; it places emphasis on developing strategic initiatives for the long term success of the organisation. The level of HR stability in an organisation shows the rate of employee commitment, flexibility and communication skills across all lines of management.

2.6 THE HRM FUNCTION

The role of the HR function is to create an environment which enables the organisation to achieve its business goal. It especially plays an important part in maximising the use of resources, utilising the people function and achieving strategic integration so the HR policies are concerned with 'best fit' into the overall business strategy.

Ulrich (1998) argues that HR professionals are 'not fully comfortable or compatible in the role of change agent' and that their task is therefore not to carry out change but to get change done. The point here is for HR practitioners to understand how change can be resisted and how each HR professional can contribute to facilitating the need for change.

Evidently, change is an undercurrent or indeed it can be seen as a catalyst, businesses are currently facing tough climates where the ability to utilise their resources and maximise their full potential is being scrutinised by the management, professionals and of course the company's competitors. The HR function plays a strong presence in initiating and managing the change within the company; it must be organised properly to achieve strategic success.

2.6.1 HRM GOALS

Arising from the HR function, the essential goal of the HRM function in a company is to help the company meet its strategic objectives by attracting and retaining the best possible talent while also managing and leading them effectively to meet the needs of the organisation.

For managers, determining the goals of the organisation is critical due to the fact the decision can benefit or hinder the organisations overall performance. For example, a strategy to become a low cost producer would require the reduction of labour costs. There are many ways to determine which strategy to follow taking into account a company's specific needs. In a report carried out by Tyson and Witcher (1994) they found that the process of formulating the strategy could be more important than the content of the actual strategy.

Guest (1987) suggests the deployment of HRM practices in the various policy areas of recruitment and selection, training and development, reward systems, job design and communication can help fulfil the HRM goals of creating an integrated workforce which in turn achieves competitive advantage through people.

Guests (1987) model also suggests high commitment aspects in terms of recruiting and retaining skilled and motivated employees, having a flexible workforce, building on a capable and integrated workforce which promotes a high quality public image.

2.6.2 HRM POLICIES

According to Guest (1989 1997), he emphasised that HRM policies are concerned with more than just 'good' selection or training, 'they are intended to achieve the human resource management policy goals'.

2.6.3 RECRUITMENT AND SELECTION PRACTICES

Ulrich (1997) and Storey (1992) propose that the survival of the organisation depends on the calibre of staff in the workforce. Much of the literature of HRM states a necessity for recruiting and selecting employees who 'best fit' the organisation by committing to the goals of the organisation.

Effective recruitment and selection practices identify suitable candidates who have the knowledge, ability, skill and commitment needed for successful performance in a job. Matching the person with the job specification is one of the simplest techniques in the selection process but it can also have its complications. It is the management's onus to properly screen candidates and take the appropriate steps to hire the most suitable staff to avoid high turnover and company losses in the future.

Currently, and as Terpstra (1996) suggests that there is an increasing trend for organisations to 'de-layer'; therefore, fewer people are being assumed more tasks. This coincides what Guest has referred to as creating a flexible worker – one who is committed to achieving the goals of the organisation.

Referring to the above statement, there is a growing interest within management of companies to create or yield a higher return of productivity and compliance from each employee. Therefore, the systems and mechanisms put in place for especially retaining staff are becoming more crucial. It is common for companies to outsource their staffing and recruitment requirements.

The literature argues that in trying to cater for the above; high performance work systems 'claim' to increase worker productivity by giving employees more empowerment, greater autonomy and increased action in decision making. However, with regards employee control; management first need to identify proper job descriptions and titles for each worker and the conditions in which surround the control the employee has.

Empirical research has shown that company's who use effective recruitment and selection practices gain a higher competitive advantage in the marketplace. Best practice techniques in recruitment and selection result in increased productivity and reduced employee turnover; also it is concerned with contributing performance to the long term success of the organisation.

2.6.4 TRAINING AND DEVELOPMENT

The literature states that the implication associated with the deployment of human capital in organisations is that employees are seen as an asset not to be maximised rather than a cost to be controlled and minimised. This is crucial for managers to recognise and consider if they want to create a learning environment for each employee.

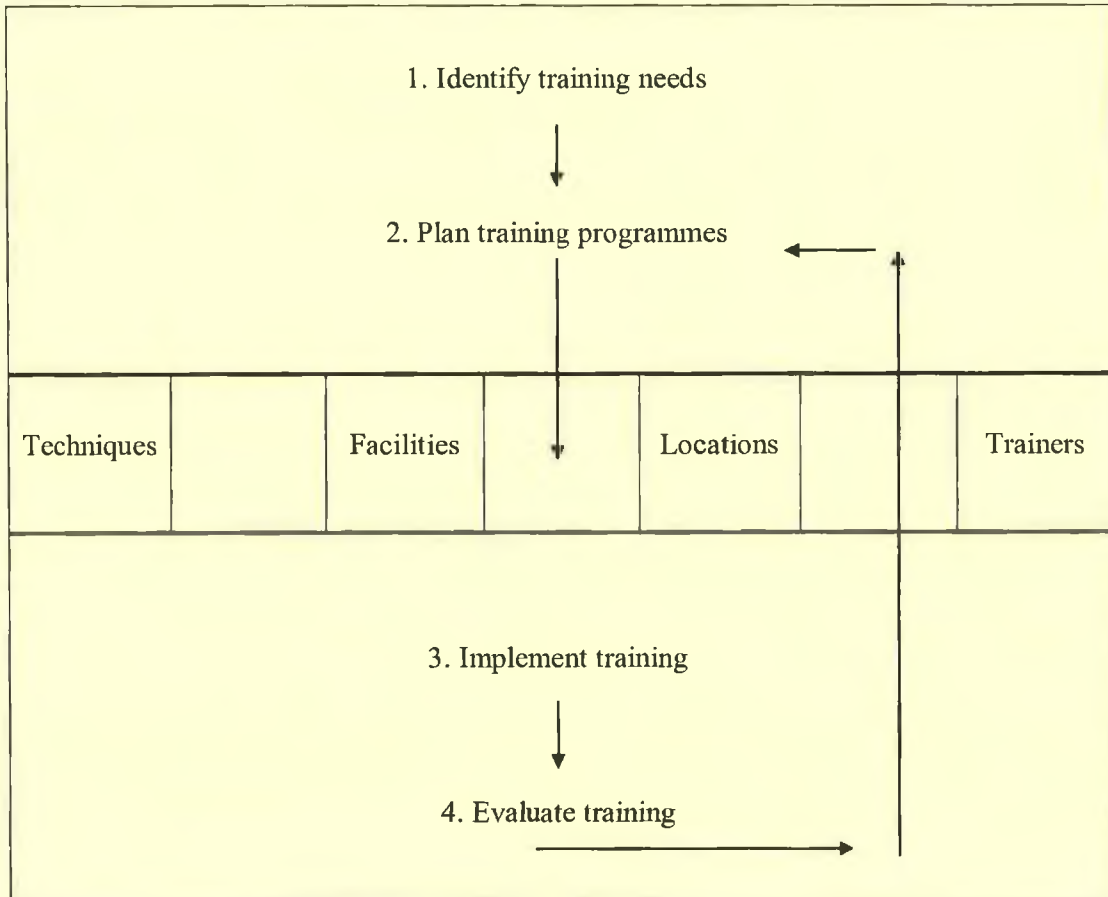
Reynolds (2004) points out that training should play a complementary role in accelerating learning and be reserved for situations that justify a more directed approach. Obviously, conventional training is standard and must be carried out by law in every company to abide e by rules and regulations.

Systematic training involves simply training which is specifically designed, planned and implemented to communicate objectives of concepts needed for job design. The model below shows a typical overview of basic training objectives. The most common types of training are instruction and presentation or visual displays; the information can be transmitted easily and there is time to also for employees to ask direct questions.

The impact measurement framework devised by Josh Bersin (2008) accumulates 'best practices' from his career and research findings into one model and it is very useful when assessing the actual impact training has on a corporate organisation. This model also describes key elements such as addressing issues of the training operation, measuring the impact of training and thirdly it offers elements to subscribe when evaluation and monitoring the training programmes.

This model is based in and extends the limitations of the famous 'Kirkpatrick model'

Figure 6 The systematic training model



Source: Human Management Practise, Michael Armstrong

More frequently there is an increasing focus on enabling learning and development for people as individuals - which extends the scope of development way outside habitual work skills and knowledge, and creates far more exciting, liberating, motivational opportunities - for employees and for employers.

Bass and Vaughan reiterate this view by suggesting learning is a relatively permanent change in behaviour that results from practical experience. For the individual worker, developing the process of learning and development creates an enhanced personal competence and adaptability. On the other hand, the most powerful outcome for the business will be sustaining organisational effectiveness.

2.7.1 CHANGE MANAGEMENT

Change has been researched for many years. Philosophies, theories and models all aim with various degrees of success to deliver sustainable organisational change (Todnem by 2005). Managers today strive in tough economic conditions to search for that 'perfect' change turnaround as research suggests many report failure rates as high as 70% (Balogun and Hope Hailey 2004).

To manage change it is necessary for managers to understand the types of change and in particular why employees resist change and how to deal with it; we are familiar with strategic and operational change.

Pettigrew and Whip (1991) define strategic change to be *'the capacity of the firm to identify and understand the competitive forces in play and how they change over time, linked to the competence of a business to mobilise and manager the resources necessary for the chosen competitive response through time'*

Referring to this statement, the onus is on a business which is required to constantly change and contain an element of employee flexibility with it. One of the most crucial elements in dealing with employees who resist change is to involve them in the decision making process. Research has suggested that involvement in the change process gives people a chance to voice their concerns and make suggestions about the form of change and how it can be introduced.

The change model that was researched for this study includes the work of Lewin (1951). Lewin (1951) suggested that new information was needed from a situation in order to change it and by creating new response; each employee would be on an equal status with regard to the state of the change.

A good manager will motivate and praise performance through change management, therefore not to hinder the employees overall confidence. Techniques such as employee

empowerment, delegation of tasks and leadership are often carried out to help manage the resistance of change more easily.

Job performance and motivation are critical components when change management is discussed; this often can be affected during and for a period of time after the change has been initiated and implemented.

Job enrichment largely attributed to Herzberg (1968); it was developed for the advancement of the dual-factor theory of work motivation. It suggests that employees gain most satisfaction from the work itself therefore it was the intrinsic outcomes of performing tasks that actually motivated the employee.

Hertzberg (1968) answers the age old question of 'how do you motivate employees'? He answers this by using his theory of 'vertical loading': where employees are assigned and delegated extra or more responsible tasks and that this is an important feature of change management.

To sustain changes in an organisation, the environment needs the all important high commitment worker; especially in periods of turbulence. This identifies with three main objectives of Talyorism that include; high productivity, standardisation of work activity and discipline at work Martin (2001).

From a HRM standpoint, high commitment HR is high powered, and well resourced with a significant change agent role. This model suggests also that a combination of sophisticated HR and IR policies are in place to develop employee commitment and emphasis the mutuality of management and employee interests.

2.8 HRM AND BUSINESS PERFORMANCE

Research has indicated that strategic HRM can contribute to firm performance (Guest 1997; Wood 1999; Pauwe 2004). Currently, quite a few organisations are undergoing

changes as a direct outcome of globalisation, new technology emerging and essential changes of work and employment relations. It can be said and as of Beer (1997), there is increasing demand to transform HRM practices from focusing on a *functional role* to a *strategic role*.

2.8.1 STRATEGIC HRM

The concept of 'strategic HRM' refers to the development of a strategic corporate approach to workforce management, whereby HRM consideration become integral to the strategic decision making process as organisations seek to establish a corporate HR philosophy and strategy that compliments their overall business strategy (Guest 1987).

Scholars in the field of strategic Human Resource Management focus specifically on 'the pattern of planned human resource deployments and activities intended to enable the organisation to achieve its goals'. This is concerned with 'best fitting' the integration of the HR system into the strategic goals of the organisation while building this system so as to enable a flexible response to future strategic requirements over time. The inclusion of employee participation and innovative capability could be viewed as components of this structure.

2.9 THE LINK BETWEEN HRM AND BUSINESS PERFORMANCE

A big part of the literature covering the link between HRM and firm performance is based on the universalistic or 'best practices' perspective that implies a direct relationship between particular approaches to human resources and performance as stated by Youndt et al (1996, p. 837).

An increasing body of research in the last couple of decades have delved into the area of organisational performance and the management of human resource capital Pfeffer (1994, 1998), Peters and Waterman (1982); although some literature argues that this still remains a grey area. Pfeffer (1994) argues that a particular set of HR best practices can

increase company profits and Pfeffer (1998) lists seven best practices, which include; sharing of financial and performance information, harmonization, employment security, sophisticated selection, empowered teams, extensive training, and high compensation contingent on organisational performance.

Strategic HRM is built upon two very solid theoretical frameworks: behavioural theory and the resource-based view of the company. The behaviour theory emphasises the change in organisational behaviour as a result of adoption of various HR practices (Guest, 1997). The resource-based view on the other hand, is concerned with developing valuable and inimitable capabilities and core competencies within the company to gain a competitive advantage Barney, (1991); Hamel and Prahalad, (1994); Barney and Wright, (1998); Bartlett and Ghoshal, (2002).

Both concepts emphasise the analysis of strategic fit between organisational business strategy and HRM strategy as of Miles and Snow, (1978); Barney and Wright, (1998); Bartlett and Ghoshal, (2002).

Referring to this statement, it is imperative that companies formulate a strategic approach to managing their valuable human resources while responding to the recent workplace reforms, technological development and market competitiveness in the globalised economy. Elements of human capital management concerned with this approach are also vital to the successful implementation of most other management initiatives and the achievement of the company's strategic goals while moving up the value chain.

Therefore in order for a company to contribute to overall performance, there must be a link between the HRM strategy and the business objectives of the company, evidently the following hypothesis was constructed by Cameron and Freeman 1991 as cited in Leda Panayotopoulou and Nancy Papalexandris pg 502: "*flexibility orientation of the HRM function is expected to be positively related to organisational, market and growth performance*".

Furthermore at operational level, two elements as outlined by the HR manager of PG are probably two of the most important components on a floor level; these include firstly, achieving excellence through people by maximising all resources secondly, attaining Job enrichment through employee relations and communication structures.

2.10 THE EMERGENCE OF 'BEST PRACTICE HR'

Since 1995, Ireland has undergone a decade of economic growth and since 2005 it has also witnessed an era of economic decline. Much attention in these years has surrounded corporate governance and social responsibility along with the changing demographics of the Irish workforce. Irish HR professionals have been forced to look from the inside out and examine the intersection of culture, structure and strategy from all angles.

In order to fully observe the literature relevant in completing this study; the following is examined with regards to benchmarking and driving employee performance.

2.10.1 THE IMPACT OF CULTURE

The concept of culture has been around for sometime but it has only got 'popular' with managers since the 80's, it is impossible to discuss organisational performance without mentioning the culture of the organisation.

Research indicates that there is no such thing as an ideal culture, only an appropriate one, it is also hard to define the organisations actual culture. Cook and Lafferty (1989) illustrate an instrument which assesses the organisational culture under 12 headings.

Figure 7 Organisational culture inventory

1.	Humanistic – helpful	Organisations managed in a participative and person centred way.
2.	Affiliative	Organisations place a high priority on constructive relationships.
3.	Approval	Organisations in which conflicts are avoided and interpersonal relationships are pleasant – at least superficially.
4.	Conventional	Conservative, traditional and bureaucratically controlled organisations.
5.	Dependent	Hierarchically controlled and non participative organisations.
6.	Avoidance	Organisations that fail to reward success but punish mistakes.
7.	Oppositional	Organisations in which confrontation prevails and negativism is rewarded.
8.	Power	Organisations structured on the basis of the authority inherent in the members positions.
9.	Competitive	A culture which winning is valued and members are rewarded for out performing one another.
10.	Competence/perfectionist	Organisations in which perfectionism, persistence and hard work are valued.
11.	Achievement	Organisations that do things well and value members who set and accomplish challenging but realistic goals.
12.	Self – Actualisation	Organisations that value creativity, quality over quantity and both task

Source: Human Resource Management Practice, Michael Armstrong

As described by Furham and Gunter (1993) *“a good culture is consistent in its components and shared amongst organisational members, and it makes the organisation unique, thus differentiating it from other organisations”*.

From a HRM standpoint, Ireland has seen all different types of cultures develop across every industry in the last couple of decades in particular, it is important managers acknowledge this change for their own business environment because current state of business and economics are emerging at a faster pace than has been seen before.

Examining this statement, Purcell et al (2005) describes an organisational culture to be a ‘certain something’ or ‘the big idea’ that differentiates it from other companies. Both these components are the basis for developing a strong culture throughout every employee; it distinguishes that particular organisations own identity while also allowing its corporate culture to be managed effectively and to reinforce the sort of organisation it aims to become.

2.10.2 THE LEARNING ORGANISATION

There are many scholars who define the concept of the learning organisation as ‘facilitating learning’ and ‘transferring of knowledge’ as described in the works of Garvin (1993), Pedler et al (1991) and Burgoyne (1994). All in all, this has become a relatively new concept of the early 2000’s.

Senge (1990) created the term and describes a learning organisation *“where people continually expand their capacity to create the results they truly desire, where new and expensive patterns of thinking are nurtured, where collective aspiration is set free and where people are continually learning how to learn together”*.

This statement is an indication that the whole focus of a learning environment is on collective problem solving, knowledge sharing, using a 'soft systems' approach and encouraging flexibility among workers so innovation and ideas can flow more easily. In agreement with Senge (1990), Burgoyne (1999) suggested that a learning organisation provides a 'healthy environment' for natural learning.

The literature also argues, as outlined by Easterby-Smith (1997) that attempts to create a single best practice framework for understanding the learning organisation are fundamentally flawed. Easterby-Smith (1997) suggested that there is no one right way to do something and a continuous learning process cannot be defined.

2.10.3 THE KNOWLEDGE WORKER

Again, similar to the concept of the learning environment, the 'knowledge worker' is a relatively new HR concept that is proving more existent. Drucker describes his own premise about the power that the knowledge worker contains specifically in the 21st century as any organisations most profound asset on increasing worker productivity.

The literature on the learning organisation ties in very tightly with knowledge management and creating the knowledge worker. Scholars who argue that a learning environment is nebulous admit that the movement has emphasised the importance of knowledge management.

From a HRM perspective, the challenge lies in recruiting and retaining potential candidates who are likely to exhibit the behaviours needed in within a knowledge sharing culture is crucial in the early stages of development as it will be easier to motivate the knowledge worker later on in the workplace.

Retaining these employees reverts again back to the environmental culture and stability; the organisation needs to provide a supportive workplace where motivation through tangible and intangible rewards is demonstrated.

2.10.4 WORK/LIFE BALANCE

Work-life balance refers to how employees balance personal and work responsibilities. It is also the term used to describe policies and practices such as temporal arrangements including job sharing and part time work; flexible work practices such as flexi-time and work-balance supports such as employee assistance programmes as Grady, McCarthy, Darcy, Kirrane, (2008).

The last half of the 20th century has seen an enormous shift in the nature of society in Ireland; the time and commitment that organisations require has grown, people have no time for non work activities, the average commuting distance has rapidly increased, coupled these with our transforming economy, financial pressures and a more diverse work place it is clear that the work/life balance in Ireland is a serious concern.

From an organisations perspective, managing work-life balance issues has been shown to reduce absenteeism, increase employee motivation and promote good employee relations Grady et al (2008). The IRS (2000) considers flexible working is the most practical solution to establishing an effective work-life balance.

The benefits of having a work-life balance policy in the organisation are outlined below as of The Work Life Balance Framework Committee (established under the partnership agreement Programme for Prosperity and Fairness)

- ◆ Enhances recruitment and retention of employees; builds workplace morale and productivity;
- ◆ Assists employees to remain in employment while dealing with other responsibilities;
- ◆ Offers employees the chance to avail of new opportunities alongside their work responsibilities;
- ◆ Supports workplace equality and the presence and participation in the workplace of a diversity of employees from across the grounds of gender, marital status,

family status, age, disability, sexual orientation, race, religion and membership of the Traveller community; and

- ◆ Makes a particular contribution to older workers seeking phased retirement, to migrant and other minority ethnic workers seeking flexibility in holidays and in being able to attend to religious obligations or other cultural imperatives, to people with caring responsibilities seeking to combine caring roles and paid work and to employees with disabilities seeking a reasonable accommodation of their specific needs.

The development of work life balance policies should reflect the reality of the workplace and identify different options that meet the needs of employers and employees.

2.10.5 DIVERSITY

"Diversity is an inclusive term based on recognising all kinds of difference. It is about 'valuing everyone as an individual'. It recognises that people from different backgrounds can bring fresh ideas and perceptions..." CIPD (2005b). Workforce diversity is one key driver of change in relation to the workplace and how it is organised.

As of The Work Life Balance Framework Committee (established under the partnership agreement Programme for Prosperity and Fairness)

Drivers for diversity in Ireland recently include:

- ◆ Significant increase in employment among women and the resultant growth in the number of families with children where both parents are working;
- ◆ Gradual ageing of the working population;
- ◆ Growing presence of migrant workers in the workplace and the continuing importance of their contribution;
- ◆ Continuing religious diversity in the workforce, a new presence for Travellers and people with disabilities in the workplace and the continuing presence of gay and lesbian employees who should be able to 'come out' and remain comfortable within the workplace.

Forecasts for Ireland's potential growth rate over the medium term remain positive. All such forecasts assume a continuing expansion of labour supply. The ability to mobilise, retain and develop diverse sources of labour supply will be a crucial determinant of the future growth rate of the economy.

According to Morley (2004 pg 49), "*to manage diversity is to remove or minimise performance barriers that result from diversity related problems*",

From a HRM perspective, to manage diversity, only the best talent is recruited and actively managing diversity at work acknowledges that, diverse groups can actively improve organisational performance if managed strategically Cullen & Fareilly (2005).

2.10.6 INOVATION

Innovation is the use of inflows and outflows of knowledge to accelerate internal innovation, and to expand the markets for external use of innovation, correspondingly.

Open Innovation has so far been mainly discussed at the organisational level. For policy makers, the role of governments in a world of Open Innovation is still uncharted.

Chesbrough (2003; 2006)

It is evident that, even though around for a period of time, the 'buzz' word of the decade has been – innovation. Why? Something 'new' or different has been the breaking point of a company's survival. Innovation in any organisation simply a result of measures taken to sustain economic prosperity; this also in turn means reconfiguring the business culture moving forward.

An increased focus in the last several years has been placed on R&D functions and indigenous Irish companies to keep creativity at the top of their agendas. The HR function has become more involved in dealing with situations that require innovative problem solving.

The Workplace Innovation Fund (WIF) was set up in conjunction with Enterprise Ireland and its aim is to help small and medium sized enterprises boost their productivity and performance by embracing and embedding innovative workplace practices, while developing employee participation and empowerment as enablers of change and creativity.

2.11 SUMMARY AND CONCLUSIONS

A fundamental feature of HRM is that the effective management of human capital can strategically impact the business direction and future performance of an organisation. Through the utilisation of conventional HRM practices like recruitment and selection, training and development, reward and pay systems, change management and the use of extendable 'Best practices' such as culture, the learning organisation, the knowledge worker, work/life balance, diversity and innovation in the workplace, management seek to deploy their most valuable assets in the most efficient way.

Evidently, the impact or the level of impact that these practices create can benefit or hinder overall organisational performance. Research suggests that the trend regarding people management and people performance has risen towards a more innovative and alternative approach to tailor each organisations needs.

The link between HRM objectives and overall business strategic objectives is a fundamental element of this study; this is discussed as above in relation to firm performance and market growth. For the electricity industry today this contributes as a key success factor when setting and achieving both business and economic objectives.

The most important features with regards the development of HRM in Ireland, concerned with the electricity industry have been the role of unions and the introduction of personnel management where a change was witnessed in practices turning more people soft as opposed to 'hard HRM'.

Another major feature that has impacted the Irish economy has been the level of technological innovation and development that has been carried through the last several decades in relation to the development of the electricity industry. This has had more economic and social benefits than any other revolution in Ireland.

In conclusion, chapter two outlines the literature review in order to establish a basis for which the research will be presented on. Chapter three discusses the research methodology used in undertaking the research for this study.

Chapter 3

Research Methodology

3.1 INTRODUCTION

This chapter outlines the methodology used to carry out the research. The justification for the research methods used is provided as is how the data was collected and analysed. The chapter summaries the all elements of research carried out.

3.2 THE NATURE OF THE RESEARCH

This is a qualitative study based on a case study which also draws on some elements of research carried out by Hoban (2008), as mentioned in Chapter 1. This case study aims to extend on the survey administrated by Hoban (2008).

Qualitative research is a form of scientific research. In basic terms, scientific research consists of an investigation that:

- ◆ Answers to a question
- ◆ Uses a predefined set of procedures to answer the question
- ◆ Collects evidence
- ◆ Produces findings that were not determined in advance
- ◆ Produces findings that are relevant beyond the immediate boundaries of the study

(Source: Qualitative Research Methods: A Data Collector's Field Guide)

Qualitative research shares these characteristics. Qualitative research is especially effective in this study because it explores the phenomena concentrated on one particular culture; and of that industry information about the values, opinions, behaviours, and social contexts of particular populations are shared.

The main qualitative research methods as Myers (2009) are:

Figure 8 Qualitative methods of Research

Case study – interview based	Attempts to shed light on a phenomenon by studying in-depth a single case example of the phenomena. The case can be an individual person, an event, a group, or an institution.
Phenomenology – primary sources	Describes the structures of experience as they present themselves to consciousness, without recourse to theory, deduction, or assumptions from other disciplines
Grounded theory – interviews	Theory is developed inductively from a corpus of data acquired by a participant-observer.
Ethnography – Observation	Focuses on the sociology of meaning through close field observation of socio cultural phenomena. Typically, the ethnographer focuses on a community.
Historical – texts/journals	Systematic collection and objective evaluation of data related to past occurrences in order to test hypotheses concerning causes, effects, or trends of these events that may help to explain present events and anticipate future events. (Gay, 1996)

Source: Myers, M.D. *Qualitative Research in Business & Management*. 2009

Each of these methods provides a primary source of information. Beside others research design can be grouped into secondary and primary sources of data (Aaker, Kumar and Day 2004).

Primary data is classified by information sources collected by the researcher and agents known to them, especially to answer the research question (Cooper and Schindler 2003). The strength of the primary data is that the researcher can collect the precise information they want as cited by Cooper and Schindler (2003).

Saunders, Lewis and Thornhill (2000) mention three main characteristics of qualitative data; it is based on meanings expressed through words, the collection of results in non standardised data requiring classification into categories and analysis is conducted through the use of conceptualisation.

The case study approach is used for this study; rather than a survey sample, it provides a detailed analysis and is based on a total of three interviews with the ESB including two HR professionals.

Also in this study, elements of the other qualitative methods are used; although all information may not be documented. This approach is in essence communicating with the subject during the interview process, which in case was carried out face to face, allowing the answers to questions to be recorded for subsequent data analysis.

In addition, with qualitative methods, the relationship between the researcher and the participant is often less official than in quantitative research. Participants have the opportunity to respond more elaborately and in larger detail that is typically not the case with quantitative methods.

To seek a greater understanding of the ESB and to fully appreciate the complexity; hypotheses and also to create a sharper focus, sections are used as a conceptual structure of the interview process.

This study was administered by conducting face to face both semi-structured and structured interviews; as cited by Saunders, Lewis and Thornhill (2000), structured interviews use questionnaires that are based on predetermined and standardised or identical set of questions. This type of interview enables direct comparisons of figures or when the answer expected is known or rather derived from the literature review (Cox and Britain 2000).

A structured interview is conducted on a personal, face to face basis, because it allows the researcher to clarify misunderstandings and control who is being interviewed (Aaker, Kumar and Day 2004).

Semi-structured interviews combine the flexibility of open ended questions with the directionality of the survey instrument to produce focused qualitative data. The questions in a semi structured interview are preformulated but are also open ended so they can be expanded at the interviewer's discretion as cited by Stephen L. Schensul, Jean J. Schensul, and Margaret Diane LeCompte.

Hakim (1982) defined secondary data as 'any further analysis of an existing dataset which presents interpretations, conclusions, or knowledge additional to, or different from those presented in the first report on the enquiry and its main results'.

Therefore the aim of secondary data is to extract new findings from existing data.

Figure 9 Differences between Qualitative and Quantitative interviews

	<i>Quantitative</i>	<i>Qualitative</i>
General Framework	Seek to confirm hypotheses about phenomena	Seek to explore phenomena
	Instruments use more rigid style of eliciting and categorising responses to questions	Instruments use more flexible style of eliciting and categorising responses to questions

	Use highly structured methods such as questionnaires, surveys and structured observation	Use semi structured methods such as in depth interviews, focus groups and participants observation
Analytical Objectives	<p>To quantify variation</p> <p>To predict casual relationships</p> <p>To describe characteristics of a population</p>	<p>To describe variation</p> <p>To describe and explain relationships</p> <p>To describe individual experiences</p> <p>To describe group norms</p>
Question Format	Closed ended	Open ended
Data Format	Numerical (obtained by assigning numerical values to responses)	Textual (obtained from audiotapes, videotapes, and field notes)
Flexibility in Study Design	<p>Study design is stable from beginning to end</p> <p>Participant responses do not influence or determine how and which questions researchers ask next</p> <p>Study design is subject to statistical assumptions and conditions</p>	<p>Some aspects of the study are flexible (for example, the addition, exclusion, or wording of particular interview questions)</p> <p>Participant responses affect how and which questions researchers ask next</p> <p>Study design is iterative, that is, data collection and</p>

		research questions are adjusted according to what is learned
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3.3 DESIGNING THE QUESTIONNAIRE

The questionnaire was designed for this particular study using a refined version of a questionnaire used by Hoban (2008) following the process outlined below in figure 9 by Bryman and Bell (2007). The questionnaire aims to highlight the strategic direction of the ESB and what practices are being utilised to achieve this.

Before the interview process can be initiated; Kvale (1996: pg 145) has proposed a very useful list of ten criteria of a successful interviewer which is outlined as below.

1. Knowledgeable: being thoroughly familiar with the focus of the interview; pilot interviews of the kind used in survey interviewing can be useful here.
2. Structuring: gives purpose for interview; rounds it off; asks whether interviewee has questions.
3. Clear: asks simple, easy, short questions; no jargon.
4. Gentle: let's people finish; gives them time to think; tolerates pauses.
5. Sensitive: listens attentively to what is said and how it is said; is empathetic in dealing with the interviewee.
6. Open: responds to what is important to interviewee and is flexible.
7. Steering: knows what he/she wants to find out.
8. Critical: is prepared to challenge what is said, for example, dealing with inconsistencies in interviewees' replies.
9. Remembering: relates what is said to what has previously been said.
10. Interpreting: clarifies and extends meanings of interviewees' statements, but without imposing meaning on them.

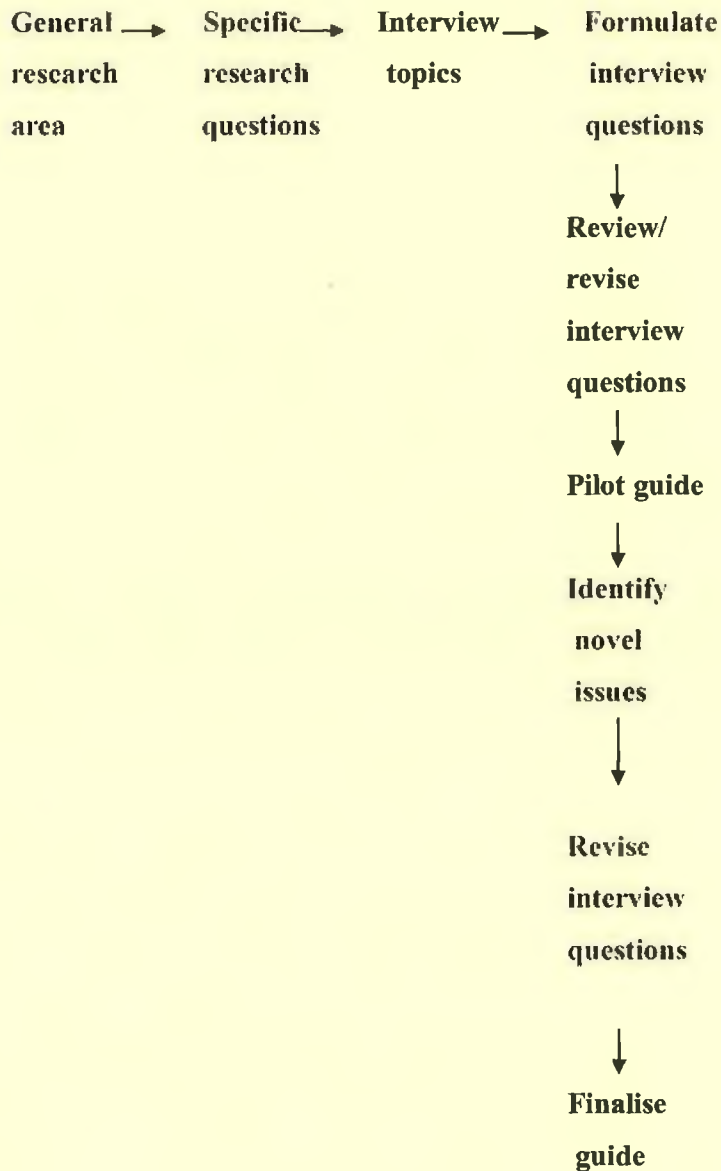
Extending this list, Bryman and Bell (2007) also suggest adding the following:

- ◆ **Balanced:** does not talk too much, which may make the interviewee passive, and does not talk too little, which may result in the interviewee feeling he or she is not talking along the right lines.
- ◆ **Ethically sensitive:** is sensitive to the ethical dimension of interviewing, ensuring the interviewee appreciates what the research is about, its purposes, and that his or her answers will be treated confidentially

The general research area and a background into the industry have already been discussed in Chapters 1 and 2; this next section will identify specific research questions, specific topics examined and the interview process. As stated in Chapter 1, Power Generation, or PG and ESBI, or ESB international will be the only two business segments of the ESB that will be specifically interviewed and concentrated on.

The following chart illustrates a well-informed process about approaching the interview technique; this has been designed by Bryman and Bell (2007)

Figure 10 formulating questions for an interview guide



3.3.1 SPECIFIC RESEARCH QUESTIONS

This research is concerned with identifying the/and to what extent best practices are used within the HR department of the ESB and how they are contributing to the overall strategic direction of the company.

Evidently, the questionnaire was readjusted on Hoban's (2008) version to a more defined aspect of the direction the interviews would take. The research is also concerned with how the ESB is sustaining its own competitiveness and it will also focus strongly on its STRATEGY 2020 and how that will contend with environmental issues and addressing increasing renewable energy.

The research questions provide the foundation on how this research will be collaborated and built up to form conclusive opinions about the best practices used to form the strategic direction of the ESB.

Of course it must be noted that the ongoing status of economic changes represent an uptake in the level of HR practices being carried out through all companies across Ireland today. Conclusions about the electricity industry as a whole will also be drawn from the research questions further on in Chapter 6.

Figure 11 Objectives of the Research Questions

Primary Research Questions	Objectives
- What is the overall level of HRM adoption rates within the company?	Provide an extensive and conclusive insight into the particular findings of the study of HRM practices within an industry concentrated through a particular company.
- What policies and practices are used to remain competitive?	Provide the findings of the research into clearly defined elements as to what

	constitutes the best possible practices that are carried out within a company's HR department.
Secondary Research Questions	Objectives
- What are the drivers for change and what elements are being implemented in achieving the quest for competitive advantage?	Provide a critical insight of the electricity industry which aims to be analysed in order to provide a grounded theory for which the research of the ESB will be based upon.
- How do the HRM practices contribute to the overall strategic business function and future performance?	The innovative techniques used for competitive advantage – an insight into the company's strategic workforce planning, recruitment, training and development processes and also the integration of these elements in align with the company objectives will be identified.

3.3.2 INTERVIEW TOPICS AND QUESTIONS

The questionnaire is broken into several interview topics; including 6 sections with a total of 52 questions. Two questionnaires were distributed to the respective participants based at the ESB headquarters. Figure 12 displays the questionnaire layout.

Figure 12 Questionnaire used to conduct interviews

Section	Objective
1a Background Information	<i>Establish an overview of the ESB</i>
1b The Culture	<i>Identify the culture and the presence of a learning environment</i>

2a Workplace Innovation & HRM policies	<i>Determine the drivers for change and highlight innovation practices and change initiatives</i>
2b HR now and in the Future	<i>Identify the HR function and any future plans</i>
2c External Relations	<i>Examine the contribution of external bodies</i>
3 Recruitment & Retention	<i>Highlight policies used in this area</i>
4 Training & Development	<i>Establish the driver for training and the existence of the knowledge worker</i>
5. Pay systems & Pay Determination	<i>Determine the method of compensation for employees</i>
6 General	<i>Explore the future direction of the ESB</i>

The first section deals with an introduction to the company and is divided into two parts; the background of the organisation is explored as is the type of culture that is in the business environment. This section identifies the nature of the HR department and how it contributes to overall effectiveness of the business objectives.

An important aspect outlined within this section also is the type of culture that is inherent in the organisation; and how has it changed in recent years.

The second section of the questionnaire examines firstly the power of change initiative and issues addressed with that, the level of innovation levels in the organisation and their presence in the workplace.

A core aspect of this section also determines the role that HR played in bringing about both these initiatives and what plans it has for the future.

The third section deals with the composition of the Irish workforce and its effect on attracting and retaining employees, it also examines work initiatives put in place to cater for employee's needs and wants.

Section four asks the questions surrounding training for management and looks the primary drivers for training on a whole and which has contributed most to firm performance. Questions are also asked in relation to how basic pay is determined.

The fifth section looks at payment initiatives and incentives for employees and how this has changed in recent years. It also importantly looks at what performance measures are used to determine performance related pay.

Finally, the last section explores the future of the industry in Ireland, it helps identify what factors contribute or affect the stability of the organisation in the future.

Evidently, each section of the questionnaire is perceived by senior HR professionals working within the HR department to gain specific insightful and first hand knowledge based on the criteria for research.

3.4 THE INTERVIEW PROCESS

The use of the interview as a research method is nothing mysterious: An interview is a conversation that has a structure and a purpose. It goes beyond the spontaneous exchange of views as in everyday conversation, and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge (Kvale, 1996)

The interviews were carried out in the ESB headquarters based in Dublin, a total of three interviews were carried out at separate occasions between March and May 2010. The interviews were completed on time and three interviews was the total amount agreed in the beginning between all consenting parties.

Although in the beginning it was difficult to contact and gain access to a company to for research purposes; this illustrates the growing difficulty that companies are not as willing to par-take in research. This is probably due to the change in the economic climate.

For example, when Hoban conducted her research in 2008, 11 firms granted access for research.

Two senior HR professionals were interviewed during the three meetings and the respondents were extremely helpful and willing to participate in the research process any way possible; accurate and detailed information was constantly provided in a positive manner.

The duration of the interviews was an hour and a half to two hours respectively, depending on time limitations; all three interviews were followed up with emails detailing more information if requested by the interviewer. It is deemed that as much information as possible was exchanged and retrieved in order to calculate the data and analyse the research gathered.

Each interview was recorded by writing all answers to questions and making notes as the interview progressed; this allowed for qualitative material to be collected specifically at times where a conversational method flowed within a certain topic. It was not necessary to record the interviews on tape due to the sheer volume of data exchanged.

Transcribing a typical single interview takes several hours and can generate 20-40 pages of single spaced text. Transcripts and notes are the raw data of the research.

3.5 ANALYSING THE DATA

Analysing qualitative data is not a simple task; Contrary to popular perception, qualitative research can produce immense amounts of data. These may include verbatim notes or transcribed recordings of interviews or focus groups, jotted notes and more detailed "field notes" of observational research, and the researcher's reflective notes made during the research.

Transcripts and researchers notes provide a descriptive record of the research, but they cannot provide explanations. The researcher then has to make sense of the data by examining and interpreting them.

The *generation of concepts* is frequently used when mentioning methods of analysing qualitative data and suitable to this research process. Hammersley and Atkinson recommend searching out particular patterns, possibly discovering phenomena and being sensitive to inconsistencies

During each interview in addition to recording the interviewee's answers on paper, sufficient time was made after each question to allow the interviewer to make jotted notes to record any other relevant information relating to a particular question. This also gave the interviewee an extra chance to replay what they had just said and add any other information or indeed minus any information previously stated.

After each interview, the researcher then made substantial field notes based on observation and replaying the interviews through the information gathered earlier. This was done intricately and carefully and took a great amount of time to exactly record the responses given in an honest manner.

These field notes were written up and included the whole interview; this was then categorised under the various HRM practices outlined in the questionnaire and indeed the primary and secondary objectives of this research outlined in chapter one. This was completed to allow for clear, effective interpretation of the data; which is analysed and illustrated in Chapter 5.

3.6 ETHICAL CONSIDERATIONS

Ethics is often described as the study of moral conduct; after gaining access to the company; the onus was on the researcher to carry out ethically sound research. This was communicated and consented by the responding parties in the beginning of the research process.

The objective of performing ethical research is to make sure there are no adverse effects on anyone as a result of research activities according to Cooper and Schindler (1998) (cited in Hoban 2008, pg 47)

Newman (2000) (cited in Creswell 2003 pg 64) indicates that is important to release the details of the research with the study design so that readers can determine for themselves the credibility of the study.

Ethics in data collection and analysis is concerned primarily with several important issues; most of these are concerned with the research prior to it being carried out. These are illustrated below in figure 12

Figure 13 Issues in data collection and analysis

Data Collection	Data Analysis
Informed consent agreed and signed off from the start	How the study will protect anonymity of respondents
Confidentiality – protection of privacy	Establish who owns the data
Purpose & procedures of the study	Accurate account of information to be provided
Respondent obtains a copy of the results	
Benefits are outlined to the participant	

Seeking informed consent 'is probably the most common method in medical and social research' (Bailey 1978 pg 384) as cited in Kumar pg 212.

Informed consent is the first step in breaking the barrier of gaining access to the research and also places a degree of trust between the participant and the researcher. It should outline the significant steps of the research process such as why the respondent was chosen for the study, benefits of the research and information on how the conclusions might be drawn. The objective is to create a rapport with the participant and reassurance of any risks that may rise.

With regards data collection, all interviews were performed face to face for a long period of time; this gave the participant a chance to withdraw from the interview at any time or review any information exchanged. This did not happen and was not the case.

According to Myers 2009; there are three main types of data collection;

Figure 14 Types of Data Collection

<u>Interactive interviewing</u>	People asked to verbally describe their experiences of phenomenon.
<u>Written descriptions by participants</u>	People asked to write descriptions of their experiences of phenomenon.
<u>Observation</u>	Descriptive observations of verbal and non-verbal behavior.

Source: Myers, M.D. *Qualitative Research in Business & Management*. 2009

Respondent bias must be considered, this study represents the views of senior HR managers working within the company. This study was carried out with the sole intent of obtaining views from management inside the company; however no biases were created from the respondents due to the style of questioning by the researcher. The emphasis was on a fair, equal and honest interpretation of the HRM practices being deployed.

3.7 THE RESPONDANT SAMPLE

This is a thesis for completion of a Masters programme at GMIT; this research is compiled for a case study analysis of one single firm – the ESB.

As previously mentioned the study involved interviewing two respondents from the company; both are senior HR managers of each of their divisions. The first is Power Generation and the second is ESB International. The difference in relation to Hoban's (2008) survey; is that this study is focused on one company only, where Hoban's (2008) survey is concentrated on several firms in a particular sector.

The company was chosen through personal choice and first contact was made with the company in December 2009. The research and interview process lasted nine months until completion.

Originally it was thought a comparative study with two other firms could be administered, but both firms declined due to economic reasons and the focus was put on the ESB for a case study example.

3.8 SUMMARY AND CONCLUSIONS

This chapter outlined the research methodology used to undertake the research; the nature and objectives of research, questionnaire design and data analysis and collection was also presented. Ethical considerations were also examined in relation to the respondents of this study.

To conclude, this chapter finished with an introduction to the subject company which will further be identified in Chapter four in much greater detail.

Chapter four will contain the data analysis of the ESB which details the profile, history and background. It will examine the opportunities and challenges of the ESB and explore the strategic role the company plays.

Chapter 4

Further analysis of the industry and the

ESB: A company profile

4.1 INTRODUCTION

In order to present the findings on the ESB accordingly; chapter four begins by outlining a critical analysis of the electricity industry in Ireland, exploring the industry from an economic standpoint, identify the functional characteristics of the sector and look at the role the government plays. These are critical components worth noting before examining the company profile.

This chapter displays the first section on the qualitative research findings; this process commences by outlining the ESB in terms of the history of the company, profile and overview, while also specifically exploring an insight into the operations of PG and ESBI. The strategic direction and future opportunities for the ESB are also discussed which leads appropriately into the chapter of findings.

Chapter four concludes with a summary overview and prepares the reader for examining chapter five, which outlines the findings with regards best practices used within the company.

4.2 THE ECONOMIC EFFECTS ON THE ELECTRICITY INDUSTRY

It is to be noted that the presence of the electricity industry in Ireland is one of enormous economic value nationwide and extending overseas. Its chief role is to provide electricity to all types of economic activity, while also powering a vast range of household appliances.

Therefore, any changes to the industry will have a dominant and adverse effect on every household and business in the country; essentially, a knock on effect.

The introduction of more players in the market in recent times has been desirable for the economy as a whole. (Massy 1997)

Economically, Ireland's dependence on exports is concerned mainly with oil from the UK and Scandinavia with the UK also being the only provider of natural gas for Ireland.

Renewable energy has been increasing in Ireland recently due to the increase in wind capacity and available resources. (Ireland Energy Fact Sheet 2007)

A huge complexity of trading electricity is that it is difficult to store which may pose problems due to the extent and uncertainty of the demand. So, unlike other products, it is not possible, to keep it in stock or have the customer physically queue for it. Furthermore, as discussed later on; demand and supply vary continuously.

From a HR standpoint, the economic effects associated with controlling the supply and demand curves have increased in recent times due to more independent players in the market and tighter regulatory systems. The result was the restructure of the total electricity sector, which, furthermore lead to the centralisation of the HR function and allocation of human capital. In recent years, the focus has moved from a natural monopoly player in the past was vertically integrated to an open market with generation, transmission and distribution segregated into separate activities.

The strategic role that the electricity sector plays is vital - enabling Ireland to achieve its international climate change obligations, while maintaining security of electricity supply through smart clean renewable energy systems for the future. The driving force behind the need for restructuring the industry has been essentially the desire to stimulate competitive pressures in order to reduce rising costs, promote technological innovation and reduce overall electricity prices.

Currently, these objectives are the mind frame of any electricity provider on the market and are, or should be the focal point of which the HR functions in a company span from.

4.3 HOW ELECTRICITY IS GENERATED?

Electricity is a highly traded commodity which is based on supply and demand to determine the overall price. Demand for electricity is a prevalent feature of determining usage; namely because electricity cannot be stored, so in the long run this may pose a problem. A balance between supply and demand must be kept in accordance with capacity measures otherwise blackouts will occur.

The production and supply of electricity to consumers can be broken down into four stages; generation, transmission, distribution and supply. Power generation and customer supply are two of the most forceful activities; these areas currently drive 90% of competition in the industry on the island of Ireland.

Electricity is generated by the ESB (60% in total) and other independent entities, such as Eirtricity which specialises in producing green energy through wind farms. The industry is regulated by The Commission for Electricity Regulation. There are six power stations operating in Ireland owned by the ESB.

In domestic terms, the island itself produces minimal amounts of energy, mainly peat and natural gas. The existence of solid fuels has decreased in recent years leading to a declining total domestic production. However, on the other hand; energy production based on renewable sources has increased by 94% since 1990 leading to a share of domestic production higher than EU-27 average of 12 %.

The actual transmission of electricity happens through the national grid where power is generated by power plants and wind farms throughout the country, utilising a variety of fuel or energy sources – including gas, oil, coal, peat, hydro, wind and other sources such as biomass and landfill gas.

Significantly, the transmission system operator (TSO) plays another major role; it has to coordinate the dispatch of generating units to meet the expected demand of the system across the transmission grid. Otherwise, if there is a difference between supply and demand the generators speed up or slow down causing the system frequency (either 50 or 60 hertz) to increase or decrease.

The TSO is known as EirGrid (plc), which assumed the role from ESB Networks in 2006. EirGrid is state owned and was established as a result of a government decision to create an independent organisation to carry out the TSO function in order to assist the

liberalisation of Ireland's electricity industry and the growth of a growing competitive market.

ESB Networks operates and develops the distribution system in the Ireland. The distribution network consists of systems operating at 230 V, 400 V, 10 kV, 20 kV, 38 kV and part of the 110 kV network. ESB Networks is known as the Distribution System Operator (DSO) and the ESB also own the transmission and distribution assets.

Electricity has to be distributed at a high voltage to be able to reach homes and businesses; 240 volts is what is needed for a regular household. The Commission for Energy Regulation (CER) in Ireland is responsible for the security of supply of electricity and is also responsible for the promotion of continuity of supply. The CER also regulates the System Operators (both TSO and DSO),

The Commission for Energy Regulation have outlined in their strategic plan that Innovative demand side management technologies such as Smart Metering will become much more established as a course of action to comprehend this.

From a retail viewpoint this is imperative, it will enable customers to adjust their 'buying' behaviour in correlation with fluctuating energy costs.

As discussed in Chapter one, Ireland is extremely dependent on fossil fuels, 90% of electricity produced in Ireland is from imported gas, coal and oil. This in turn has a severe effect on Irish energy prices, leaving suppliers vulnerable to the volatile international fuel market which is driven by the need to move towards increased renewable generation.

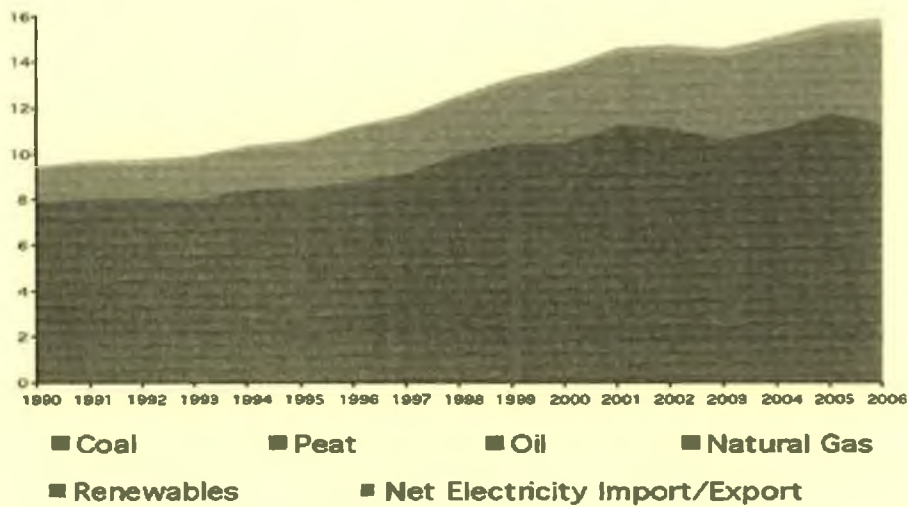
4.4 TRENDS IN THE ELECTRICITY INDUSTRY 1990 – 2006

"Ireland's energy trends are characterised by significant demand growth (3.7% per annum average growth since 1990), high import dependency (91%), low renewable energy penetration (2.7%) and the fact that energy accounts for 66% of Ireland's

greenhouse gas emissions. Set against these challenges, Ireland has witnessed an 8% improvement in energy efficiency over the past ten years and rapid recent growth in wind energy (46% in 2006 alone)". (Energy in Ireland; www.energyireland.ie, 02/06/2010)

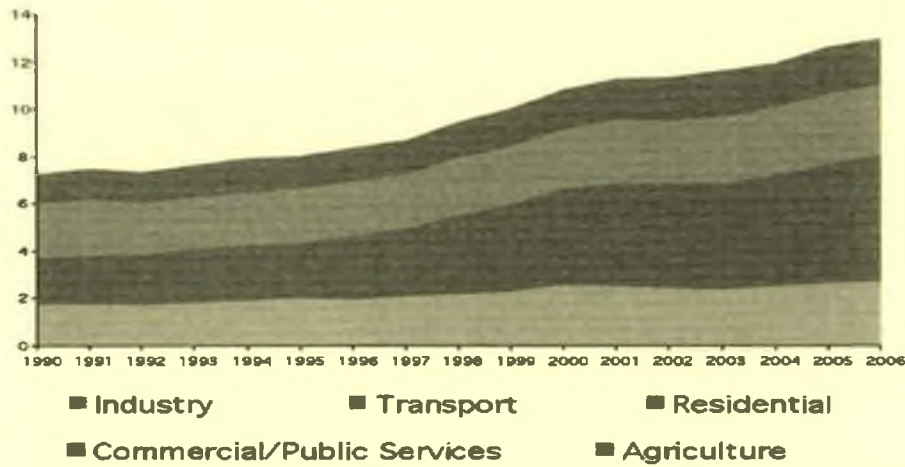
The following charts give the reader an idea of what the trends in electricity in supply and consumption have been like for the period 1990 to 2006.

Fig 15 The trend in energy supply from 1990 - 2006



Source: Energy Ireland

Fig 16 Total Final Energy Consumption by Sector 1990 – 2006



Source: Energy Ireland

Figure one shows the actual trend in energy supply in Ireland from the period 1990 to 2006 has overall increased. It is defined by the four different types of energy fuels used; coal, peat, oil, natural gas, renewable and net electricity import/export.

Oil is still the dominant energy source reaching a peak of 59% in 1999 and also wind energy experienced the highest growth in 2006; increasing to under 1% of Irelands total primary energy requirement.

On the other hand, figure two illustrates the total final consumption (TFC) and is basically the total primary energy less the quantities of energy needed to transform primary sources such as crude oil into forms fit for end use consumers such as refined oils, electricity, patent fuels etc.

Ireland's TFC in 2006 was 13 Mtoe (million tones of oil equivalent); an increase of 2.7% on 2005, indicating a continuing improvement in the efficiency of supply to the end consumer. The growth in Transport final energy use increased to 7.2%, the highest sectoral growth in the year 2006. Agriculture experienced a decrease of 4.3% in energy consumption in 2006.

4.5 CURRENT STATUS OF THE ELECTRICITY INDUSTRY

The basis for discussing this thesis is based on the fact that the energy sector in Ireland and globally is facing a challenging period of momentous change.

European and national policies are moving towards increased renewable penetration, growing competition and interconnection. The HR manager (PG) stated that "*Strategies to reduce carbon emissions will become the focal point of discussion in the coming years*".

Faced with the recent economic recession, customers are becoming much more aware with regards the choice of providers on the market. There is now a responsibility on all energy producers and suppliers alike to become more efficient and control their costs.

In earlier years, the privatisation of the UK electricity supply industry was a major turning point that was used as a model for the deregulation of other economies including Ireland. In 2000, the electricity market in Ireland was open to competition; customers began choosing their own electricity supplier. In 2007 The Single Electricity Market came into effect with the trading of wholesale electricity in Ireland and also Northern Ireland on an all-island basis.

As a result of these key changes, the structure of the sector began to develop and today it results in a blend of high prices, increased competition, divestiture of the ESB, the increasing demand for electricity and limited generation capacity. This makes Ireland very different from any other EU country. The upgrading of the connection with the electricity grid and the construction of interconnectors across the Irish Sea has also powered competition in the retail market.

A concern posed for the industry is how further capital is going to be raised for future investments. A result or an answer to this one would think would be to getting the market structure right. If current levels of generation availability persist, then major deficits will

result and the system will be well outside standard. It is critical that the commercial operation of the market should discourage poor availability performance.

The Commission for Energy Regulation's (CER) strategic plan again attempts to address some of these important questions which will be of relevance to policy makers and all stakeholders in the energy sector.

4.6 GOVERNMENT AFFILIATION AND REGULATIONS

The impact of the government has been a defining role in the life time of the electricity industry in Ireland. It is aimed towards achieving innovation and development by providing financial assistance for delivery of research, development and demonstration ("RD&D") breakthroughs in supporting basic science and earlier phases of technology development. (Fergal McNamara, ESB 2008)

The Department for Transport, Energy and Communications set out proposals for the development of the electricity supply industry in Ireland. It includes a number of provisions in respect of generation, transmission and distribution and access to the system. It states that the proposed structure of the industry needs to be sustainable in the long term. (Massy 1997)

The electricity industry is regulated by the CER which also regulates the natural gas market. It was established in 1999 and work towards progressive market reform. The functions and duties of the CER have been altered and expanded significantly by legislation under EU directives.

Laws governing deregulation in business and domestic markets are legislated by the CER and include that there must be three active suppliers, a minimum of two independent suppliers, each having a minimum 10% share of total electricity consumption and the ESB Customer Supply and ESB Independent Energy must supply 50% or less of the market by consumption in each of the relevant business markets.

Regulations concerning the domestic market include the most significant – the HR manager (PG) noted that “*the ESB Customer Supply’s (CS’s) customer share must fall below 60%*”. Also, switching rates must be greater than 10% and the ESB supply companies must rebrand themselves

4.7 THE ESB: COMPANY OVERVIEW

The 19th saw the onset of the electrical revolution in Ireland, as it swept Ireland; so did a new age of technology. After much discussion, the ESB was founded in 1927 as a demanding result for change in both an economic and social existence. The ESB began as a state body and also still runs to this day – a monopoly. Its primary objective is to control and develop the Irish electricity network.

4.7.1 PROFILE OF THE ESB

The ESB mission statement as stated on their website is as follows:

“Our mission at ESB has always been to provide a safe, efficient and cost effective supply of electricity in a socially responsible manner to all our customers in Ireland, along with the rest of the world”

Clearly, the ESB have recognised the importance of this global and environmental era in terms of climate change. They have set about adopting a strategy that incorporates ‘Best practice’ by leading by example. The strategy, which is discussed further in this section, includes devising a dedicated target plan of creating a 30% reduction in our internal carbon footprint by 2012, and a net carbon-neutral company by 2035.

Environmental development, objectives and concerns continue to be the fore front of the ESB’s operations. The ESB has and still is providing a superior service that has improved the lives of the Irish nation.

"We are committed to further enhancing Irish quality of life by continuing to provide safe, secure and competitive energy services with due regard to protecting the natural environment". Evidently, environmental concerns will form an essential part of all policy development and planning. This aims to increase expertise levels of persons working in the field of science and technology. (ESB 2008)

The ESB has set about aims in line with their future direction: (ESB 2008)

- Conduct our core activities and those of our subsidiary companies in an environmentally responsible manner
- Be at the forefront of environmental stewardship within Ireland
- Continue to care for the environment while providing for the generation, transmission and distribution of power for the electrical needs of the nation

In response to growing electricity demand and new legislation that specifies power quality and network downtime; in 2001, the ESB initiated a €6.5 billion project to renew the entire transmission and distribution network in Ireland. This was a substantial gain for the industry as a whole carried out by the ESB.

From a company standpoint, the HR manager (ESBI) noted that *"sustaining these objectives is vital in achieving top quality performance; commitment to leadership in sustainability through partnership at all levels in the organisation provides a working basis"*.

In 2008, the ESB engaged and developed Strategy 2020 which focuses on sourcing energy from renewable, wind and wave sources. *"The importance of this strategy focuses on the responsible use of scarce resources through the utilisation of innovative methods like smart metering and networking". "A major aim of this plan is obtaining one-third of all electricity from renewable generation". (HR manager PG)*

ESB Networks are due to invest €11 billion into the project concerning crucial infrastructure to assist the development of up to 6,000MW of generated power by every wind generator on the island of Ireland.

4.7.2 CONFIGURATION OF THE ESB

The ESB group is divided into eight business units consisting of ESB customer supply, ESB networks, ESB international, ESB independent energy, ESB telecoms, ESBI solutions and ESB limited companies.

ESB Customer supply – ESB Customer Supply is a business segment that operates in an open market competing for the supply of retail electricity to residential customers. In recent years, the entry of other suppliers such as Airtricity and Bord Gais Energy onto the market; both have made a positive reputation with regard low cost and green energy. ESB customer supply sells its electricity at a payment of 10% above market price in order to encourage new entrants to the market place.

A core focus of ESB Customer Supply strategy is in light of the ‘green buzz’ is to place the business unit as an energy marketing company, which provides a range of services that add value for their customers.

ESB Networks – ESB Networks is the independent Distribution Systems Operator (DSO) in Ireland; its primary function is concerned with building, developing and maintaining the electricity network. ESB independent energy, ESB telecoms, ESBI solutions and ESB limited companies are all other regulated businesses of the ESB but for the sole purpose of this research it is not relevant to discuss them in any further detail.

4.7.3 THE GROWTH OF ESBI INTERNATIONAL

ESBI is an expanding international energy business and operates as part of the ESB’s non regulated businesses. *“Its primary function is to develop, operate and maintain power stations both in Ireland and abroad”*. (HR manager ESBI) For the last 35 years, ESBI’s

operations reaches across the entire energy value chain, from developing, constructing and operating power plants and wind farms, to generating, trading and supplying electricity in competitive energy markets.

ESBI has carried out projects and engaged in innovation technologies in over 115 countries worldwide. They also carry a proven track record in investing and running major power projects and are a trusted partner in the industry. The company is committed to looking after all aspects of power engineering including design, generation, transmission, distribution and delivery.

An example of where ESBI has collaborated with a company to provide engineering services includes WaveBob, which is an Irish owned wave energy company. This essentially means ESBI will work with WaveBob on the design of its first grid device which is due to be completed fully by 2011 in Portugal. ESBI have generation plants in Malaysia, Vietnam, Japan and Spain to name but a few.

In recent times, the HR manager ESBI stated that "*ESBI has committed exceptional resources to emerging wave and solar technologies to ensure that top potential technologies achieve commercial viability*".

The development of playing its part to harness over 6,000MW of potential wave energy off the Irish coast which as discussed in chapter one – is an essential component of the industry's future direction.

4.7.4 ESB GENERATION - POSITION AND DEVELOPMENT IN IRELAND

Electricity generators in the Republic of Ireland are the ESB, Airtricity, Synergen (70% ESB), Edenderry Power and Huntstown (Viridian).

ESB Power Generation PG began using hydro power which, through the decades turned its dependence on the usage of fossil fuels for burning. As trends are forming and as discussed earlier, electric energy will become the fuel of the future.

Today, PG in Europe accounts for 33% of total CO₂ production. Recognising that this means a major change in generation practices could prove difficult. Attempts in addressing this issue have proved highly successful.

In the last decade, the development and deployment of wind generation has exceeded all expectations - Europe had 65,000 MW of wind installed at the end of 2008 which is outstanding progress. In line with this, the HR manager (PG) stated: *“the ESB are divesting their old techniques and turning their attention very much on developing new technologies towards clean coal and carbon capture and storage (CCS)”*. *“The structure of high efficiency gas turbines and the increased installed wind generation capacity are paving new lengths in this conquest for a cleaner, greener Ireland”*.

Ireland has a responsibility that all industry players work towards a target of achieving 40% of electricity from renewable sources by 2020 - a challenge that all the industry players, along with ESB Networks, EirGrid and research bodies are focused on obtaining. (EirGrid annual report 2009)

Up until 1998, the ESB operated as a vertically integrated state owned monopoly. The opening up of the electricity market has happened in phases, with the market wholly open since 2004.

From a HR perspective; in response to changing climate conditions, the HR manager for PG declared that the ESB group in 2005 decided to totally reconstruct the configuration of the business units within the group. The deregulation of the industry in early 2000 forced the company to rethink their presence as Ireland's top energy provider in the market. Building a smart economy is now fundamentally placed at the forefront of the ESB's corporate objectives.

This thesis focuses on the HR practices carried out within ESBI and PG, (PG includes Loughrea and West Offaly power stations, Ardnacrusha power station and Moneypoint power station). The headquarters of the ESI are based in Dublin where the centralisation

and amalgamation of HR practices are currently taking place and indeed are ongoing. The HR practices utilized by both units are described in the next chapter.

4.8 THE STRATEGIC DIRECTION OF THE ESB

The ESB has shown early and consistent commitment to developing initiatives, process and objectives has been released through strategy 2020; which also is assisting heavily in R&D programmes. The HR manager (ESBI) stated that *"the ESB has invested in showing strong financial performance and continuing rigorous funding to sustain the value of the investment plan while also achieving the important shareholder and customer value"*.

In a statement posted by press release on the ESB website; it said *"ESB will maintain its market share of power generation at well below 40 percent to facilitate continuing competition in the energy market. Completion of the present closure/divestment of 1500 megawatts of its stations and sites will assist this process. ESB will continue to enhance plant availability and performance in line with EU norms"*.

Therefore, its main objectives are depicted as concentrating on the innovation, promotion and support of technologies like the smart metering, electric vehicles and its dedication to wave energy.

Significantly, the ESB's international profile will continue to expand towards a more international level mainly due to the structure of a single British-Irish electricity market by 2020. The HR manager (PG) noted that *"the company will also invest in more generation plants and renewables in the UK and further plants around Europe"*. This is where the mainstay of the ESB's future sustainability lies.

It was also stated that *"the trend towards increased scale across Europe as companies consolidate to compete is growing at more effective rate in the larger European market"*
The ESB plans for continuous development are hinged on the fact they too will be competing with other large competitors following this consolidation process.

Prior to the change in the market, The ESB benefited from being the sole provider of electricity throughout homes and businesses in Ireland; however this has changed. The ESB still play host to being Ireland`s premier utility company (having 2,149,633 customers in 2007).

In an economy that has a much more competitive marketplace consisting of cost conscience consumers, this is not to say that the ESB are going to fall short. Innovation, technological developments and skills transfer within the ESB group provide ample opportunities to strengthen the company`s developments especially overseas.

Of course reference to the environment and the challenges that it presents cannot go unnoticed; the problems introduced by climate change result in the consequent need for massive reductions in carbon emissions. These, together with concerns over future fuel supplies, have moved the overall industry towards more central and distributed power production of electricity.

The HR manager of ESBI noted that: "*The sustainability challenge on the ESB`s behalf is that outlined in strategy 2020 which is dedicated and committed not just to the environment, but to the Irish economy and community as a whole*". The plan reaffirms our ambition to be Ireland's leading renewables company and sets out stretching targets to achieve these objectives.

4.9 MOVING UP THE VALUE CHAIN

It was clear during the three interviews that the ESB are committed to long term sustainability of their company and the environment in which they operate. Meeting the objectives to close the gaps in the value chain is evident but also ongoing. The introduction and utilization of new technologies like smart metering have started to fill the gap and reiterate everything ESBI stands for.

4.10 SUMMARY AND CONCLUSIONS

The importance of the contribution of the electricity sector in Ireland is undisputable; the presence of the ESB has greatly impacted the country from economic, social and welfare viewpoint. Innovation, technology and R&D have been at the forefront of their success. Irrefutably, the presence of the government and the dynamic changes which occurred in the industry throughout the last number of years have been defining overall characteristics which furthermore have affected the future position that the market players now have to grasp as quick as ever and move forward.

The ESB have significant growth plans which are committed to overseas deployment in the areas of engineering, design and innovation. The process of consolidation, delivering new technologies, centralising systems and committing to the generation of greener energy are the basis of the ESB's future.

This chapter started out by examining the participants of this study in great detail; it concentrated on introducing the two areas (ESBI & PG) which are the subject of the HR reconfiguration. The development and amalgamation of HR policies and practices will be discussed in chapter five through the primary objectives which were outlined in the early stages of this study.

The second half of this chapter determined the opportunities that lie ahead for the ESB in the economic environment and also presented strategies in how it can achieve its future direction (strategy 2020). It will be examined and discussed in chapter five how the HR policies are currently deployed.

Chapter 5

Data Analysis - HRM practices at the ESB

5.1 INTRODUCTION

The previous chapter introduced the ESB and outlined its position in the electricity industry, discussing future opportunities and challenges and the importance of strategy and future performance.

This chapter aims to discuss the interviews carried out with the ESB with regards to the HRM practices deployed at the company under certain themes – the themes run in correlation with the nature of the interviews. The last section of this chapter concludes with a discussion on the amalgamation of HR practices and the future of the centralised HR department at ESBI. Also, the growing importance of HRM practices is examined with regards to employee performance and business development. Finally, this chapter ends with overall conclusions and summary.

As outlined in the questionnaire, HRM practices that were discussed are as follows: recruitment and selection, training and development, pay systems, change management, culture, work/life practices and innovation in the workplace.

The three consecutive interviews took place at the ESB headquarters, Fitzwilliam Square and ESBI headquarters, St Stephens Green both based in Dublin.

Two interviews took place on March 23rd 2010 and April 6th 2010 with Mr Brendan Kennedy, HR manager of Power Generation (PG). These two interviews covered the questionnaire and a discussion on the staff agreements for each power station. (See Appendices) Each interview lasted one hour and thirty minutes.

The third interview took place on April 28th 2010 with Mr Billy Byrne, HR manager of ESBI international. During the course of this interview, the questionnaire was discussed in detail. The duration of this interview lasted two hours.

5.2 QUESTIONNAIRE ONE – HR DEPARTMENT DEMOGRAPHICS AT ESBI

The overall nature of the HR department at ESBI was described as a '*effectively a people business*' (HR manager ESBI) where management skills are concerned with people soft techniques utilised through initiatives such as team leaders, continuous performance management programmes and where the focus is initially on obtaining 'the best' from 'our' people (HR manager ESBI).

The HR department at ESBI consists of 20 employees who are all professionally qualified with a university degree in Life sciences, engineering, and of course those who obtain a high level of business acumen developed from local universities and colleges, namely Trinity College Dublin (TCD), University College Dublin (UCD) and University College Cork (UCC).

The workforce is made up of relatively young employees that could be characterised as an early employee lifecycle; which means at the moment and for the next few years a high turnover of staff would hopefully not be a problem. Hardly no persons working in the department come from the West of Ireland; this is mainly due to the fact the HR department is small in size. Also, currently it is not necessary to look very far for candidates as in our economic climate, supply exceeds demand in the workforce. It is also preferred that potential employees entering the department have a background in engineering and a deep knowledge of the industry.

On observing the physical surroundings of the department it must be noted that the layout is open plan, offices are divided by partitions, when asked the HR manager how effective this is, he replied '*it allows for and encourages continuous open communication*'.

On probing questions concerned with the initial make up and nature of the department, a response included '*our HR practices in Performance Management (PM), recruitment and management are most important to us here; we have a young, prosperous and innovative workforce who continually strive for perfection and improvement, we also want to make sure we are staffed with the most motivated, intelligent and flexible people*' (HR manager ESBI).

The initial reaction received by the author at ESBI was that HR was devoted to high performance work methods in a very intelligent and open work environment. On discussion, it was learned that the effectiveness of the type of management skills concerned with staff is mainly related to encouraging communication, feedback, empowerment, stretch programmes and the importance of in house training for continuing development.

5.2.1 THEME 1 – THE IMPORTANCE OF RECRUITING AND SELECTING THE BEST QUALITY PEOPLE

'The onus is on management to ensure we recruit and retain the best quality talent' (HR manager ESBI), ESBI currently employ on average 1300 people including the UK and overseas. Their entire workforce comprises of 27 nationalities and an even gender mix ratio, on commenting about this; the HR manager for ESBI stated that *'the range of nationalities and the fact we operate abroad. allows us to handpick top quality people'*.

One area of difficulty where ESBI have found it tough in attracting applicants has been in the area of key roles – specialised functions that not every university in Ireland particularly may cater for because there is limited amount of roles available in the particular position. Examples of these types of roles are specialised IT and engineering design; the HR manager also stated that it was easier to obtain this type of talent overseas.

In the area concerned with retaining people it was found that recently there was a trend of key people at all levels moving to competing companies such as Airtricity, Bord Gas or mainstream EirGrid. To contend with this, ESBI actively are taking measures such as *'staff development, creating work/life balance policies and engaging in employee value propositions'*.

Work/life balance agreements at ESBI include part time, job share and other flexible agreements. The other two options listed on the questionnaire were working from home

during normal hours or flexi time – both of these are not in operation at ESBI. The HR manager specifically noted that the recent enhancement of ESBI's pension scheme as a staff incentive to reward long serving employees.

When asked about if ESBI are planning recruit in the next 12 months, the answer was yes – *'we plan to engage in further staffing arrangements and plan to recruit people for certain roles in the next coming months'*. The most challenging expectation ESBI anticipate for the future is retaining staff to competitors like Airtricity and Bord Gas.

5.2.2 THEME 2 – TRAINING AND DEVELOPMENT PRACTICES DEPLOYED AT THE ESB

'Training is particularly important at this stage in the company's development for continuing technological innovation'. (HR manager ESBI) The core drivers for developing training initiatives are employees up skilling and having the competence to deliver in quality design engineering. The use of external agencies such as training consultancies is the ESBI's number one method of carrying out training and development programmes.

The average number of training days received by an employee at ESBI in a period of twelve months is five days minimum (anywhere up to fifteen days) The outsourcing of ESBI's development programme allows for HR professionals at ESBI to concentrate their resources on other HR issues.

In relation to the type of training available for management, which is again, outsourced – specifically focuses on a 'personal development plan' called IDTP. IDPT concentrates on finding new roles so positions can be easily matched to each manager's skills and capabilities. The measurement of this system is unknown –

At ESBI, it was stated by the HR manager that the best training initiative that contributed most to firm performance in the last two years was a re-launched mentoring and coaching

programme, which achieved results of obtaining more product added value in twelve months.

5.2.3 THEME 3 – THE PRESENCE OF REWARD AND PAY SYSTEMS

At ESBI, the determination of pay and compensation rates in the electricity industry – is primarily salary depending on external market rates and also is concerned with internal career structure. The level of basic pay is determined by reference to industry comparators. Individual performance related pay (PRP) is recognised on an individual basis in conjunction with a manager. (See Appendix for PRP appraisal)

The payment system has changed a little in recent years, in terms of ‘stretching’ and ‘maturing’. In total, ESBI rank top third in the locality with regards salary and compensation and wage structure agreements.

5.2.4 THEME 4 – ADDRESSING CHANGE MANAGEMENT

Change management at ESBI has been the turning point for creating a new organisational structure aligned with new HR practices and strategies.

The HR manager of ESBI noted that *‘in relation to our HR practices, the single most influential change has been our business partner model has been reconfigured considerably – there is now only one single point of control’*.

‘Reactionary measures are the key to help employees resisting that all important dreaded change’ (HR manager ESBI)

The resistance to change has almost been non existence at ESBI, as discussed previously; this is due to the reactive approach taken by management in accordance with communication and feedback tools, delegation and leadership skills The provision for shared services has also improved collaboration between departments internally which

has also provided for the empowerment of employees. Empowerment as noted by the HR manager of ESBI improves productivity and decision making.

Addressing change management at ESBI *'is about predicting key issues and barriers to change'* as stated by the HR manager, furthermore, implementing these policies mentioned above will increase future performance in the areas of decreased costs, reduced time and risk management and increased employee acceptance and profitability.

'For our employees best interests, it is necessary for us here at ESBI to recognise both strategic and operational change' (HR manager ESBI) Companies today are changing constantly, therefore employee flexibility is becoming an important part of an employee's job specification. The HR manager at ESBI noted that this is often asked when interviewing for potential candidates.

5.2.5 THEME 5 – THE IMPACT OF ORGANISATIONAL CULTURE

The organisational culture of the working environment at ESBI can be described as 'an open' environment that encourages learning, development and innovation.

The culture has changed in two major ways at ESBI in recent times, with regards managers – the change has been related to increasing capability – managers need to be more adaptable and be able to work outside of their 'area'. Where culture has impacted employees has been concerned with the commitment of each worker – employees are expected to not just be fully committed but also to dedicate themselves to increasing flexibly in their roles.

Performance management policies and communication processes were two policies implemented recently at ESBI which successfully increased productivity and output levels. These two initiatives were part of an annual development programme rolled out at ESBI to increase employee productivity.

On questioning the HR manager of ESBI expansion about policies to improve the culture; the manager responded *'we are planning a management development programme for managers of all levels to engage in emotional and social intelligence'*. Building on social and emotional intelligence is a profound and useful tool for the development of managers; it allows for creative and flexible thinking. *'An alternative method of solving a problem'* (HR manager ESBI)

5.2.6 THEME 6 – CREATING AN INNOVATIVE ENVIRONMENT

Encouraging and providing the support needed to engage in innovation methods and techniques is becoming more prevalent across businesses today; due to a highly competitive environment. As outlined by the HR manager of ESBI, the drivers for workplace innovation in relation to the ESB include creating opportunities to learn, creating job enrichment and employee motivation.

ESBI is working towards increasing their levels of innovation by engaging in techniques and skills to improve management-employee relations. Of course, the most major innovative incentive brought about recently by ESBI has been the whole restructuring process – the company is constantly evolving and steps have to be taken to contend with this, which is exactly what ESBI are doing.

From an employee perspective, when asked if any problems were encountered when initiating the restructuring process, an answer was: *'NO – in order to roll out this plan effectively, we needed involvement across all areas of the board – joint problem solving, informed decision-making were essential when delegating tasks to our employees'* (HR manager ESBI) It was stated, when asking: what level of involvement did the workforce have in introducing and implementing these changes? The response given was 'a lot...'

These change initiatives proved successful and measurable through the development plan, it was stated again that the desired impact was made in rolling them out. A

significant contribution to the succession of the roll out included positive attitudes from employees and the fact that the workforce was not heavily unionised.

The role HR played in rolling out these initiatives included two major elements: communications and partnership agreements, the HR manager ESBI noted that *'the consultation model worked particularly well, due to the fact we were dealing with highly professional people'*

5.3 QUESTIONNAIRE TWO – HR DEPARTMENT DEMOGRAPHICS AT PG

Currently, the HR department concerned with PG is effectively going through great periods of change characterised by *'streamlining HR operations in linking with overall strategy'* (HR manager PG) The restructure process that started in 2008 and is due to be finished in 2015 has been the foundation and driving force behind the response to changing climate conditions as discussed in Chapter four.

The HR manager of PG stated that *'the focus is on linking the HR strategy with the overall business objectives'*.

The makeup of the department at PG consists of a decentralised process in which each power station has its own HR function, reporting to the HR manager of PG in the ESB headquarters. The HR manager of PG is part of the ESB O&M group, which stands for Operations and Maintenance, reporting to the director of this group. The HR manager of PG takes on an extremely operational and functional role, being based in Dublin three days a week and based in Ardnacrusha two days a week. There are 28 people employed in the HR department.

The background of the HR persons working in PG have been characterized by functional roles – their experience being in educated in engineering and having lots of floor experience. The makeup of employees working in HR in PG is very important in the structure and communications process. There has been a move towards a more flatter

organisational structure in recent times which impacts employee productivity. On asking the HR manager of PG what has been done to control this, the response was *'it's all about pro-active measures; moving towards cultural management has been the focus of this process'*. The introduction of a flatter organisational structure has encouraged a more innovation, flexible and open culture, regular policies and the line structure have implemented a certain quality control to the process.

On probing questions about the main changes implemented in the department, a response was *'A definite measure has been placed on strategic communications, employee relations and support services that have been implemented through our succession planning development'* (HR manager PG).

There has been a strong focus on the actual development of HR services, policies and practices within PG, which as stated in chapter one is being done for the amalgamation of services with ESBI.

5.3.1 THEME 1 – THE IMPORTANCE OF RECRUITING AND SELECTING THE BEST QUALITY PEOPLE

"All staff commit to co-operating with the continuous improvement, full implementation and operation of an effective work management system" (MoneyPoint staff agreement pg 3)

"ESB are committed to effectively recruiting and retaining top quality human capital for the ongoing performance and livelihood of the company". (HR manager PG)

There are around 7000 employees working for corporate power generation in the ESB overall, 900 of these are positioned in plants around Ireland. The most significant change in recent years concerning staff numbers has been the impact of voluntary redundancy on account of company reorganisation.

In relation to composition of the current workforce, there is a trend of low turnover of staff from a floor level; this is because these employees obtain a high skill level which is mastered on experience of working within the ESB. There is also a high level of job security; employees are reluctant to move around.

At MoneyPoint PowerStation for example, a major project is being developed where hardly any Irish are working on it; this is attributed to the extreme skill level that was adapted from our European counterparts – again reverting back to the fact that currently, the availability of this skill and qualification is not available in Ireland.

On probing about the current 'employment crisis' and how this has affected the electrical industry, the HR manager at PG replied, *"in order to move with the economic times we are positioned in, it is important to us here at PG we plan for the future. An implementation of 'formal succession planning' has been devised to carry out a proactive approach for the future"* The HR manager went on to explain... *"employee flexibility will become a standard feature of all our job specifications from now into the future"* As outlined in the MoneyPoint staff agreement, it says *'in the context of a stabilised reward mechanism flexibility will be a key feature in work accomplishment and it is envisaged that demarcation issues will no longer feature'*. There are also similar statements outlined in the Loughrea and Ardnacrusha staff agreements.

One of the challenges mentioned by the HR manager of PG when discussing the future of recruiting people was *"Our key people need to be recognised as key drivers of this company, empowerment of workers will be playing a bigger role in the workplace and again, we plan to implement this by up-skilling our current workers to a more flexible mindframe"*.

Generous pay rates have been a determining feature of successful initiatives that have been developed in recent years. The industry conditions have allowed for this and in time, it remains to be seen if this is still the case. This element has been linked to firm performance, so is it now that other elements have to be found to be drivers of firm

performance? When probing the HR manager of PG on his, a reply was *“it’s all about realistic assumptions; employees need and have recognised that change is becoming a huge factor of the work climate, how we integrate and manage this change for our future strategy is the important part”*

5.3.2 THEME 2 – TRAINING AND DEVELOPMENT PRACTICES DEPLOYED AT THE ESB

The nature of the type of training that takes place at PG can be described as ‘highly technical’, traditionally; the training is carried out on site or in house and develops the employee through skill attainment. A difficulty encountered in the past has been that the development of new training initiatives has been ‘slow moving’, which can usually be the case with any industry related employment.

The ESB have a solid ongoing training development system in place, so there doesn’t appear to be any issues in relation to getting operators up to speed.

“To ensure that necessary is carried out that station staff will be trained to a high level and assisted in their task by a full work management system. In addition, the use of external resources, particularly contractors will be a normal feature of both these stations”. (Loughrea best practice work agreement pg 3)

At PG, the HR manager spoke passionately about staff-management training and the importance of its development for the future. *“We have a high level of SMT (Staff-Management Training) here at PG and it is our focus to ensure the longevity of this programme”*. This suggested to the author that there was a very close staff-management relationship where managers preferred to manage from the floor up, breaking down any glass ceilings.

On probing about specific training courses, the HR manager at PG described FLM (Training courses for middle management/supervisors) as the best that has contributed to firm performance in the last two years. Supervisors have been trained on specific

proposals such as grievance and disciplinary issues, raising awareness, setting aspirations and developing communication initiatives for measuring performance levels.

5.3.3 THEME 3 – THE PRESENCE OF REWARD AND PAY SYSTEMS

The primary system of compensation in PG is categorised by the annualised hours work scheme. This essentially means employees are required to work to an annual contract in terms of hours rather than weekly. This initiative was brought in to PG in recent years to cater for a more work/life balance environment; also it adjusts for staff flexibility.

Working time can be scheduled to deal with seasonal variations and fluctuations in the demands of the business throughout the year - for example an employee may work a 39 hour week or a 30 hour week, depending.

When asked about plans to make changes in the pay system, the HR manager for PG replied "*Yes, we are aiming to introduce more personal contracts where performance dictates progression*". Personal contracts will be set in line with the market and the industry subject to national regimes.

'MoneyPoint's cost recovery mechanism is linked to the delivery of best industry practice. A key element of the delivery of this is an appropriate reward package which supports flexibility while improving the overall working environment'. (SRP)

(MoneyPoint staff agreement pg 6) Again, driving business from floor level is a prominent feature impacting reward packages.

In recent years, the ESB's position in the dominant market has been a factor influencing pay determination from an economic point of view as discussed in chapter four. The ESB's position as a monopoly means that unions have more leverage in terms of pensions and workplace issues.

The most important element concerning compensation for PG has been the replacement of working overtime with the annualised hour's system; this has measurably increased job motivation, enrichment and encourages continuous performance within the industry.

5.3.4 THEME 4 – ADDRESSING CHANGE MANAGEMENT

Changes in the electrical industry have been the key driver for PG's reorganisation and succession planning in the last few years. On a whole, the business structure has been affected, the dropping portfolio of power plants has been a feature, the business on a whole is becoming smaller; these elements also point to one very notable fact – PG operate at a lower cost base with a growing presence in the UK.

The HR manager of PG noted; *"these change initiatives that have occurred at PG all indicate to one thing – the future sustainability of the company and the direction in which it points. Its times like these, the nature and calibre of your staff are tested, and yes, we found some resistance to change in some areas"*

The problems associated with implementing new change policies were mainly concerned with staff resistance at MoneyPoint power plant in particular, This was outlined as being very 'traditional' due to the fact the presence of unions at MoneyPoint was more prevalent. The move from traditional to 'new' practices was the changeover feature. The overall result of the initiatives was successful, although the level of employee involvement was not as strong, compared to operations at ESBI. However, it did result in increased productivity and the impact of client services also was important. The HR manager at PG mentioned that *"the staff over at MoneyPoint had a serious 'get it done' attitude when "it came to any level of involvement of work activities"*.

The HR manager noted that the most important element of implementing the change initiatives was the input of HR in developing these new policies. *"Management took an a very bureaucratic style of decision making so closely related with HR, that they had 'huge involvement', furthermore, planning carried out by HR was very specific, introducing development succession planning policies in line with strategy 2020"*.

The HR manager noted and discussed the important HRM practices that work extremely well in this type of sector and commented that relationship and partnership building were key success factors in building and maintaining business. Key stakeholders, both informal and formal were a significant contribution to the nature of the work environment and business. Resourcing/employee flexibility were also dominant factors associated with successful HRM policies, the HR manager also commented that *"the ability to get work done has radically changed"*.

5.3.5 THEME 5 – THE IMPACT OF ORGANISATIONAL CULTURE

It was stated earlier that the knock on effect culture had on productivity was detrimental to PG moving forward. This has overall been a smooth transition complemented by creating a flatter organisational structure and bureaucratic leadership style.

The movement towards cultural management could be categorised as reactionary measures moving forward. The HR manager of PG outlined that the need to change PG's culture was driven by entirely competition in the marketplace.

One effective measurement discussed in relation to policies increasing output levels was the introduction of the best practice staff agreements because a couple of years ago – staff were driven by earnings, whereas now, employees are relying on earnings. These agreements set out 'best practise HR' policies which enable employees to effectively carry out their work duties.

When probed about what specifically has changed about the culture of PG, the HR manager replied *"Best practice management is the way forward, we are constantly seeking to better ourselves in every way possible and that has to come from the nature and culture of the environment in which we work in. The use of contractors, elimination of overtime, PRP (performance related pay), cost effective management, change in market reality and shrinking back plus amalgamating with ESBI have impacted the way in which we do business – for the better"*.

PG is dedicated to achieving success in line with strategy 2020 sustainability plan. Future plans on expand on current HR policies are included in the amalgamation process with ESBI and will focus on: addressing cost issues, creating a balance in the workforce and specifically concentrating on HR realignment in line with the core structure of the ESB.

5.3.6 THEME 6 – CREATING AN INNOVATIVE ENVIRONMENT

The foundation that PG's restructuring process – has been built on one element – the willingness to switch through all involved in the process. According to the HR manager of PG, this has been driven from HR management and communicated to all employees on a notable level.

The primary drivers of workplace innovation are concerned with breaking down the glass ceilings, getting the most out of the employee and increasing performance. This was initially done through three factors: communication, support and access. The future success of PG as outlined by the HR manager is all about “moving in the right direction”. When probing about increasing the current levels of innovation, the answer was “absolutely”, *“We at PG want to ensure we are constantly moving ahead of the game and to be different or create something unique we believe is the way forward and this is being utilised through our best asset – our people”*.

Policies concerned with improving levels of innovation are all about achieving excellence through people – The HR manger at PG identified this through specific elements such as empowering the workforce, aspiring people through development programmes and creating an informed decision network as ways to contribute to performance. Another important element mentioned was building good relationships with unions were also important for development.

5.4 THE AMALGAMATION OF HRM PRACTICES

It is clear that there is development and continuous improvement in the strategic plan between ESBI and PG for sustaining future performance of the work environment. The restructuring process which began in 2008 and is due for completion in 2015 is “well on target” (HR manager PG). From the evaluation of research from both business units, it is also evident that compliments like between the two HR departments. ESBI and PG are both dedicated to providing a ‘HR people soft’ function, built on the grounds of a flatter structure, open communication plans, and higher degrees of flexibility, also not forgetting the internal support of a creative, effective learning environment.

ESBI are dedicated to finding a balance between a highly intelligent workforce who can commit to hands on projects with a degree of adaptability and opulence. PG is totally concerned with striving for future performance obtained through excellence through people. The two managers when interviewed both specified one element: flexibility, change constantly occurs all the time – it is a growing importance that employees can live up to and adapt to these ever changing market conditions.

The transition of HRM policies from both sides will be a creative and prosperous task; it is foreseen as positive with a healthy outcome. So far, plans are running smoothly and are on course. The operational and proactive approach taken by both units and the ESB as a whole is a steadfast contribution to the ongoing sustainable performance. So before total completion of the integration of both HR departments – only time will tell as to how this in fact collaborates as a single unit, but right now at the time of writing, it can only be seen as a huge learning and development curve for the ESB that will only make it a stronger force on the marketplace for providing electricity services both in Ireland and abroad.

5.5 THE GROWING IMPORTANCE OF HRM ON EMPLOYEE PERFORMANCE

As discussed earlier in chapter two, company's who use effective recruitment and selection practices gain a higher competitive advantage in the marketplace. The evolving change of pace within the work environment at the ESB has been categorically a proactive approach to managing the change conditions presented in the market; both internally and externally.

Of course the impact to which the extent of best practices is carried out within the HR department at ESBI can be the indicating of a 'pass or fail' essentially. Unfortunately today, companies like the ESB must provide for the future and see to constantly drive business any where they can. Leaving a shortage or a lack of HR practices can put the company in danger and limit the degree to which their reputation is tarnished.

The HR manager at ESBI stated that "*organisational performance is definitely linked to the deployment of HR practices*". He described the effect and impact that could be presented upon a company if they were not to achieve full potential when dealing with human capital. The most important and beneficial areas of linking these two areas are as follows:

1. People -----→ Business
2. Employee -----→ Productivity
3. Flexibility -----→ Management
4. Communication -----→ Organisational structure

In part conclusion, the HR manager at ESBI summarised the above four elements as "*it's all about accommodating your workforce, being honest fair and having a good support structure in place. Flexibility and adaptable and a much more present feature in the Irish working environment these days – people have no choice but to react and deal with change; we has managers have to roll our sleeves up too and provide for this.*"

HR practices at ESBI to deal with fluctuating business conditions include creating sustainable and measurable employee systems like creating solid work/life balance initiatives and having a measurable system of evaluating any tasks carried out. Having appropriate systems in place is one thing but is it actually worth it? How can you tell if productivity is improving? What are managers doing to evaluate the situation? These are all reasonable questions that are a normal input into any leadership style; as the HR manager of ESBI put it "it is important we set the tone". This statement reiterates the old age fact that, '*leading by example*' is most definitely a visionary tool still in use today.

In particular more measurable methods of HR performance used at ESBI include using performance appraisals on a regular basis, conducting staff surveys to find out exactly what's missing/what's not and also evaluating absenteeism reports is a sure fire method to raise issues concerning staffing levels and business performance indicators.

The HR manager at PG outlined that Human Resource Management at PG play a very defining role on the daily performance of the coordination of the Power Stations. It is evident the HR department in every Power Station not only play a vital role, but also in the coordination and development with their headquarters in Dublin. To properly coordinate and control activities, plant managers meet with group management on a quarterly basis; this is also both management teams engage and communicate on a regular basis. The feeling that emerged during the interviews was that management at PG deploy very hands on approach which is utilised and encouraged within the business every day. The impact the HR department has on daily tasks is laid out within the best practice agreements which are presented to each and every staff member. These detail policies on elements such as working systems, daily routines, training, pay and compensation and environmental trends.

The HR manager noted specifically that the best practice agreements defined the work agreement between a staff member and management and has a huge impact on daily performance.

With regards HR performance, nothing can overrule most situations if it is measurable; for example providing measurable activities may be a costly set up but also contribute to cost effective methods in the long run. The cost of HR and especially the cost of corporate HR is a massive dedication to any business and it needs to be ensured it is carried out properly to be correctly evaluated.

Within PG, the existence of using HR reviews as a evaluation tool is quite prevalent, in particular with regards metrics and maintenance; these can provide tools for HR indicators on performance and future improvement.

One outstanding tool used as a performance indicator for HR and management purposes is the use of a 'business audit'. This firstly not only identifies correct working policies and agreements carried out throughout the whole business but it more importantly acts as a continuous improvement tool which is so important in achieving objectives and being successful in the future.

A professional, pro-active approach must be taken in order to implement sound HRM practices which typically result in superior employee performance. As times progress and industries change from one life-cycle to another, an important feature must remain at all times and this is – continuity.

5.6 SUMMARY & CONCLUSIONS

Improving employee performance and providing for the continuous development of this process is of chief importance in creating and sustaining the appropriate work environment for future success.

Within PG, the main objective of the HR function is – *'improving the management of employee performance'*, therefore it was outlined by the HR manager of PG that this can and is achieved by continually developing and improving employee capabilities and also the fact that a support structure needs to be place for these improvement techniques to

materialize. As mentioned earlier, the use of performance appraisals and reviews is commonly used as is certain training and self development practices as a tool of improving performance.

Linking the business strategy with the HR strategy is connected to one contribution indicator with PG and that is – performance. From a business perspective, the role that the employee makes contributes to performance which in turn should cut down costs for the company. From a strategic perspective, being cost effective in the short and long run will move the business pro-actively into a guidance type role. This is the result of the placement of best practice work agreements at each station.

When asked what the main objectives of PG were, the HR manager replied *“to develop staff by maximizing involvement through creating partnerships with management”*. Work/life policies, Job enrichment and satisfaction are clearly key elements which contribute to business success; the ESB as a whole only have a 1% of employee turnover, this is relatively good considering job stability and security is so rare to achieve in a recession climate.

Adding value and creating HR as a strategic partner of the business has been a changing feature at ESBI in recent years, this has been very beneficial in identifying a new perception of HR which will evidently carry on into the future in terms of company credibility. A core function of the HR department at ESBI is to support the on going process in this transition which means that the company strategies are constantly in line with the re-structuring development.

Chapter Six

Summary & Conclusions

6.1 INTRODUCTION

This research was concerned with analysing the ESB from a HR point of view – to correctly determine the best practice policies carried out within the two departments described – PG and ESBI. Given the economical and environmental concerns within the electricity industry, top performance measures need to be addressed and analysed at all times. There has been a move towards more operation overseas as a direct result. Maintaining a competitive market position is crucial to the success of the ESB both in Ireland and abroad.

Previous research has indicated that the adoption of more innovative HRM policies is being undertaken throughout Irish companies. There is a shift in moving towards a more flexible, creative and adaptable workforce. The literature review provided for this study supplied the base of analysis for which the data was presented through the qualitative research. The interviews carried out with the ESB also provided an opinion based analysis of two senior HR managers for which the grounded theory of this research was provided.

Strategically, the trend towards moving further into Europe and abroad is becoming more attractive as competition and consolidation in the larger companies increases. From a HR perspective, the approach taken to handle this situation is concerned with proactive measures of best possible practice, which is what the ESB is doing already; these also need to be enhanced and sustained. The progress of a learning and development process is presented as an enormous opportunity for the growth of the ESB.

This chapter draws final conclusions about the research undertaken through re-visiting the objectives outlined in chapter one, making recommendations for practice and considering areas for future research. The final part of this chapter details closing remarks of the study.

6.2 OBJECTIVES RE-VISITED

6.2.1 OBJECTIVE 1: To Provide An Extensive And Conclusive Insight Into The Particular Findings Of The Study Of HRM Practices Within An Industry Concentrated Through A Particular Company.

The research for this study is concerned with PG, or Power Generation and ESBI; ESB International. In recent times, HR management within PG has reacted to changes in the external environment and has undergone a restructuring process. Since the restructuring process started in 2008, the ongoing amalgamation with ESBI has seen continuous improvement of employee and business performance through more beneficial and sustainable policies. The ESB obtain a significant proportion of the Irish electricity industry.

There have been many external issues driving this need for change within not only the ESB but also other electrical companies. The rise of growing competition and the presence of independent companies have influenced the strength of Ireland's customer bargaining power making market conditions within the industry extremely tough. This also highlights the importance for ESB to expand internationally in order to secure economies of scale and scope against a background of declining share in the Irish market. However, the ESB also have significant growth plans which are committed to overseas deployment in the areas of engineering, design and innovation.

The HR practices identified within the ESB include recruitment and selection, training and development and pay and reward systems. Best Practice techniques were also identified for this study; they included culture, the learning environment and the knowledge worker, work/life balance, diversity and innovation. Strategic HRM and change management were also discussed as an integral part of the re-structuring process. The ESB operate both in Ireland and abroad, therefore; this presents huge opportunities to learn from other cultures abroad about HRM practices that may not be necessarily used in Ireland.

Recruitment and selection initiatives deployed within both HR departments are primarily concerned with management skills which focus on people soft HR techniques that aim to improve overall performance. The importance of sustaining performance and having a measurable system of evaluation cannot be stressed enough when dealing with human capital. The age of the workforce is a crucial factor being surrounded by the new 'innovation' age as opposed to the 'new technology' twenty years ago. Diversity of the workforce has also been a monumental change in the structure of the workforce at the ESB in general in recent years, it was stated earlier that ESBI employ on average 1300 people including the UK and overseas and the entire workforce comprises of 27 nationalities and an even gender mix ratio.

Succession planning development has been an important focus of both ESBI and PG; a definite measure has been placed on strategic communications, employee relations and support services. Through the planning also, there has been a strong focus on Best Practice HR services, policies and practices within the company as a whole.

Staff commitment and engagement is expected; employees are involved in decision making processes through initiatives such as giving the employee more responsibility, team leader and development programs and implementing more communication support structures between management and employees to encourage innovation and engagement.

Traditional training methods have been a heavy feature of this type of industry for many years, defined by technical and engineering roles. However, this in turn with everything else is changing rapidly also; at PG training is carried out in-house, whereas at ESBI, training is carried out through outsourcing. The two conjoining methods of training is actually proving beneficial because it is more individualized and localized from an employee perspective; catering for the needs of the employee is an aspect of management ESB pride themselves in.

As previously discussed, there is a high level of SMT (Staff-Management Training) within PG; this indicates close communication relationships between managers and employees, allowing managers to manage from the floor up. This training also results in a higher productivity gains output on all levels benefiting the company from an overall business perspective.

At ESBI, the best training initiative that contributed most to firm performance in the last two years was a re-launched mentoring and coaching program, which achieved results of obtaining more product added value within just twelve months.

FML (Training courses for middle management/supervisors) has contributed most to firm performance in the last two years. Supervisors have been trained on specific proposals such as grievance and disciplinary issues, raising awareness, setting aspirations and developing communication initiatives for measuring performance levels.

The primary system of compensation is the annualised hours work scheme which was implemented in recent years to cater for a more flexible working arrangement. Individual performance related pay is recognised on an individual basis in conjunction with a manager. The introduction of personal contracts where performance dictates progression is an objective of PG in the near future. Personal contracts will be set in line with the market and the industry subject to national regimes.

As previously stated, the payment system has changed in recent years, in terms of 'stretching' and 'maturing' which essentially is adapting to new climate conditions and cost effectiveness measures.

The HRM practices deployed at the ESB can be defined as professional, pro-active and accommodating while continuously improving employee performance in line with business objectives for the future of the company.

6.2.2 OBJECTIVE 2: To Provide The Findings Of The Research Into Clearly Defined Elements As To What Constitutes The Best Possible Practices That Are Carried Out Within A Company's HR Department.

Every company – organisation – business in the world identifies and institutes their own method of 'Best Practice HR'; it has grown into a worldwide phenomenon, some regions developing faster or slower than others. Various factors come into existence when identifying the level of best practices adopted by a company, these would include internal capabilities, technology development, environmental and industry practices and the extent to which R&D is carried out. For this particular study the elements of best practice were chosen in line with industry trends, areas of research examined and what is carried out within the ESB.

'Best practice' HR policies that were most defined within the two units of the ESB are described below; it is important to note that change management was a huge component of the entire working process.

Pettigrew and Whip identified change management as the capability of the company to respond to competitive forces in the surrounding environment. This is particularly true on recognising the measures the ESB have in place to deal with change because changes in the electrical industry have been the key driver for PG's reorganisation and succession planning in the last few years. The reconfiguration of the business model and the whole restructuring process has been the main change initiative that has occurred at the company since its foundation. Therefore, aiding this, it is important to recognise the input the HR department actually have in integrating change into the strategic model of the ESB. Of course already stated, the mainstay of employees dealing with change is actually in their profile make up which is – flexibility. To sustain these changes in an organisation, the company needs the all important high commitment worker; especially in periods of turbulence.

Cook and Lafferty (1989) identified an assessment tool to examine what type of culture was situated within a company. Of this, twelve elements were described, with regards to this tool and the ESB – ‘Humanistic’ and ‘Achievement’ were the two factors outlined by ESB managers when discussing culture. The movement towards cultural management was a pro-active approach; Best Practice management within the ESB is outlined as the way forward. The nature of the environment has an effect on the level of productivity produced; it was stated in Chapter five that a few years ago, employees were driven by earnings, whereas now, employees are relying on earnings.

The management of corporate culture is especially important within ESBI because nationally and internationally is reinforces the type of organisation it sets out to be. An organisations reputation in the current climate is a critical component for success in the business world – achieving the appropriate culture within the business can prove extremely beneficial to success.

Innovation is a key driver of change in any organisation; this result is typically a more flourished and culture ready workforce that is capable of competing at a level needed to succeed. Creating an innovative environment is essentially about encouraging and providing the support needed to engage in innovation methods; the drivers for both ESBI and PG include: creating opportunities to learn, creating job enrichment and developing employee motivation. Communication methods and partnership agreements were too measurable tools used promote innovation within ESBI as where reconfiguring work practices such as using more contractors and consultants and better communication models.

It was expressed earlier in Chapter five that providing for innovation was about ‘moving in the right direction’.

Work/life balance initiatives have also played an important role when discussing the point made that there has been a trend of key employees moving to competing companies. Work/life balance agreements at ESBI include part time, job share and other flexible agreements. By implementing a flat organisational structure, this has encouraged

innovation, flexibility and open culture which provide a learning environment in which HR policies and practices can be utilized through to their full potential.

6.3 SUMMARY AND CONCLUSIONS

HRM practices deployed at both units of the ESB were examined in relation to the strategic direction of the company and research as tool to benchmark the contribution employees make to business performance.

It was found that:

1. The ESB is a significant source of prosperity to the Island of Ireland.
2. The ESB objectives are to provide the generation, transmission and distribution of power for the electrical needs of the nation.
3. Investment in R&D activities is one of the most prevalent features of the organisation.
4. Pro-active and strategic measures are also at the fore front of the ESB's objectives to reach targets of achieving 40% of all electricity generated from renewable sources by 2020.
5. Opportunities exist at a national level with regards pursuing a 'Greener Ireland', the collaboration of Innovation and the HR departments input can provide for this quest by using their pro-active approach that is already deployed.
6. The ESB have a strong presence in the UK, Costal Europe and Asia – this is incorporated into the strategic direction of the company; collaborating the two HR departments with ESBI will strengthen forces for operating abroad.
7. There is significant growth plans in the horizon that will spur even further economic prosperity for the country. Also on an international level, there plans to be considerable investment in generation capacity in the UK especially in the future.
8. The focus of Best Practice HR at the ESB is about achieving excellence through people

9. The sustainability of the company's presence and the sustainability of the industry is an important component to the ESB which is built into the corporate culture.
10. Innovation and technological development are key drivers within the company concerning environmental change.
11. The use implementation of Best Practice Work agreements into every Power Station have been the foundational support and layout of work patterns which have proved hugely successful to date.
12. Employee flexibility and sustainable performance are the two critical objectives of employee behaviour when defining job descriptions.
13. Overall, the company is and has reacted superbly to the change in market conditions by carrying out the restructure of the company.

6.4 RECOMMENDATIONS

This thesis also provides recommendations, based on the opinion of the researcher only in line with access to the research.

Recommendations are based upon the most influential statement made by the HR manager of PG. It was stated that *"it's all about getting the most from each employee as an individual and retaining that key talent"*.

Recommendations are as follows:

- HR drive organisational success

Implementing Best Practice policies as a result of change management allows HR to pave the way for future performance through the sustainability and success of each policy.

- Creating an individual profile

Recognising the individual talent of each employee is crucial in achieving top performance, individual based assessments and more flexible job designs will allow an employee to contribute the most effective way that they are capable of.

- Building a learning organisation

Allowing for the sharing of knowledge between management and employees will contribute to empowerment and motivation which will result in a higher productivity output.

- Innovation as a key driver

Communicating business objectives on a local level to all employees and encouraging all employees to engage in some level of innovation will in effect contribute to firm performance while recognising key talent.

This research has found that HR professionals within the ESB are driving the restructuring and change initiatives process in the company. This is surprising in terms of the nature of the industry but also is incredibly refreshing. The restructure process was entirely built from the HR professionals working within the company, using their own ideas and techniques with some support from HR consultants. Great admiration can be expressed for this management of change within the company.

The pro-active approach that is constantly reinforced is the lifeline of the ESB – it promotes every aspect of the company in a positive light, and rightly so – because facing facts, what employee wants to be stuck in the past? What manager would want a rigid workforce? And what HR professional would not say 'let's move forward?' These are the times we live in – situations occur at a more rapid pace every day - moving forward and accepting change and responsibilities is now a crucial component of doing business. Gone are the days of 'it's always been done that way'.

This thesis recommends the continuous development of the restructuring process while deploying people soft HR practices. The effective change led management spurs from the HR department while also considering employee involvement.

This thesis also notes that the HR managers at the ESB are moving in the right direction at a reasonable pace.

Figure 17 below has been designed by the researcher in order to create a model of HRM in line with the company's overall business strategy. It is a web structure that constitutes employee performance as a benchmark for business performance.



BEST PRACTICE HR -----> BUSINESS STRATEGY		
1.	Develop a learning environment	Create a profile of a knowledge worker through initiative programs to provide opportunities of knowledge sharing
2.	Create an innovative culture	Adapt a flat organisational structure with a bureaucratic style of leadership
3.	Sustain successful performance	Implement performance review programs on a regular basis for evaluation
4.	Break down glass ceilings	Adopt communication initiatives which enable ideas to be voiced and recognised
5.	Improve manager/employee relations	Through training initiatives for managers
6.	Measure employee performance	High levels of employee autonomy and productivity
7.	Retain key talent	Work/life policies and job enrichment schemes
8.	Encourage empowerment	Utilise an incentive based approach

6.5 AREAS FOR FUTURE RESEARCH

An area concerning future research would be the adoption of individual profiles for creating a knowledge worker; Drucker describes the knowledge worker as being the most influential presence throughout the 21st century. Although this is difficult due to lack of research in this area and the high cost associated with it. Still, it remains to be seen if explored how beneficial would it actually be to the performance of the business?

6.6 CLOSING REMARKS

The general consensus gathered from the construction of this study is that managing HR relations can spring from experiment as well as investment. It not what you know but how you know it. In the ESB, firsthand experience of being exposed to climate conditions has *forced* the company to react, and this they have managed quite well. But a question that is open for discussion is 'could just any company as complex as the ESB deal with momentous change and economically prosper straight away'? Probably not -

APPENDICES

Appendix One - Questionnaire used to conduct interview

Research Questions

Section 1a Background

1. How would you describe the overall nature of the HR department?
2. How does it contribute to the overall effectiveness of the productivity of the organization?

Section 1b The culture

3. What major changes, if any; have you noticed with regard to HR practices carried out within department in recent years?
4. Has the culture changed in any way?
5. Has any particular policies or procedures given rise to productivity or output levels in recent years?
6. Do you have any plans to expand on further policies and practices in the future?

Section 2

Section 2a Workplace innovation and HRM policies and practices

7. What are the primary drivers for workplace innovation?
8. Is the company looking to increase its levels of innovation?
9. What major change initiatives has the company brought about recently?
10. Did you encounter any problems bringing about these changes?
11. What level of involvement did the workforce have in introducing and implementing these changes?
12. Were these change initiatives successful i.e. did they have the desired impact (lower costs, increased productivity etc) what do you think made them successful?
13. Were there any unsuccessful change initiatives? If so, what do you believe led to their failure?
14. What role did HR play in bringing about these change initiatives?
 - What specific HR practices did you introduce?
 - Why did you choose these?
 - Were they easy to implement?

15. Are there specific HRM practices that work especially well in this type of sector and in this company?

16. Do you believe organisational performance is directly linked to the deployment of HR practices? In what way?

17. How do you measure the impact of HR on business performance?

Section 2b HR now and in the future

18. What do you see as the main objective of the HR function in this company?

- Recruit and retain staff
- Developing employee competencies
- Improving the management of employee performance
- Maximizing employee involvement
- Change in line management behaviour
- Cutting costs
- Other? _____

19. How have you seen the function of the HR department change in recent years? Do you think these changes have benefited the organisation?

20. How many are employed in the HR department?

21. What takes up the most time in the HR department? How has this changed in recent years?

22. Do you plan to grow the number of people employed in your HR department in the next 12 months? If so, in what area?

23. How do you plan to fill these vacancies?

- CIPD members
- Graduates
- Outsource
- Other _____

Section 2c HR external relations

26. Do you use consultants in HR? What for and why did you chose to use consultants?

27. Has any part of the HR department been outsourced and where to? If so, why?

28. Has it given rise to any difficulties? Example:

- Employee in-flexibility
- Lower morale
- Commitment issues
- Others?

29. Do you believe outsourcing has successfully supported firm performance?

Section 3

Recruitment and retention

30. How many people are employed at this plant? Has this changed much in recent years?

31. Has the composition of the workforce changed much in recent years?

(Skill level, Irish/non Irish divide, male/females)

32. Have you had any difficulty in attracting applicants? What new practices/incentives has the company introduced as a result of this?

33. Have you found people moving a lot from your company to other similar companies in the industry region?

34. What new practices has the firm introduced to address this?

35. Do any employees work?

- From home during normal working hours
- Flexi-time
- Part-time
- Job share
- Other flexible arrangements

36. Do you have any plans to recruit employees in the coming 12 months? What categories?

37. What challenges do you expect to encounter in recruitment and retention in the future and how do you plan to address them?

38. What new recruitment and retention initiatives do you believe contributed most to firm performance in the last 2 years?

Section 4

Training and Development

39. What are the primary drivers for training in this company?

(Staff retention, new products, difficulties encountered)

40. What is the average number of training hours received by

- A direct employee over the last 12 months? _____

- A non direct employee over the last 12 months? _____

41. How long does it take to get an operator up to speed? Have you found this to be a problem?

42. What type of training do you pursue for management?

(EG leadership development activities, awareness training programme on diversity issues)

43. What new training initiative do you believe contributed most to firm performance in the last 2 years?

Section 5

Payment systems and Pay determination

44. What is the primary system of compensation for

- Direct employees: Salary?

- Non-Direct employees: Hourly?

45. Has the payment system changed in recent years and do you have any plans to change it further?

46. How is the level of basic pay determined?

- By reference to industry comparators

- The cost of living index

- Local industry rates

- Other factors? EG Partnership

47. How do wages compare to the average wage in the locality and in the industry itself?

48. What do you believe are the most influential factors impacting pay determination in recent years?

49. What output/performance measures are used to determine Performance related pay?

- Individual

- Group/team

- Organisation based

- Other?

50. What new payment initiative do you believe contributed most to performance in the last 2 years

Section 6

General

51. How do you see the industry developing in Ireland in the near future?

52. What are the critical factors which will ensure the sustainability of the sector in Ireland?

Appendix Two

ESB Input into Consultation on 'An Energy Research Strategy for Ireland' for the DCENR

Introduction

The Department of Communications, Energy and Natural Resources has requested input to a consultation on the challenges identified, and direction proposed in the Irish Energy Research Council's strategy document 'An Energy Research Strategy for Ireland' ("Strategy") as a precursor to the Government adoption of the Strategy. The Strategy focuses on the national approach towards basic and applied research to support the deployment of new energy conversion, distribution and end use technologies. It identifies priority research areas for the short to medium term, a set of strategic actions for advancing these along with implementation, institutional and coordination arrangements. ESB supports the adoption of the Strategy given the new importance of energy policy in Ireland and in other European countries resulting from concerns around environmental sustainability, security of supply and energy pricing. From an Irish perspective these concerns are acute given our greenhouse gas emission reduction objectives, the non-availability of nuclear power and the intermittent nature of renewable resources. Accordingly it is important that Ireland maximises the benefits it can achieve in the energy research field. The energy industry is witnessing significant technological development and change which present challenges and opportunities for all participants. Research and innovation that will support and develop new viable and sustainable energy solutions is particularly valuable. Government has an important role to play in achieving innovation and development by providing financial support for delivery of research, development and demonstration ("RD&D") breakthroughs in underpinning basic science and earlier phases of technology development.

General Comments

ESB welcomes the opportunity to input to this consultation. We wish to comment on a number of areas in the Strategy, including:

- Areas of commercial interest to ESB;
- Project Funding; and

- Industry's Role in RD&D.

Moreover, overarching our comments is a concern that the pool of talented resources needed to roll out RD&D and subsequent commercialisation of energy innovation has diminished significantly in recent years. The lack of science, technology, engineering and maths graduates has become an issue in OECD countries and across the globe. Significant National Development Plan led investment in science and innovation is particularly welcome, but continues to lag international benchmarks. Specific interventions and programmes are required to address the shortfall in science, engineering, ESB Input into Consultation on 'An Energy Research Strategy for Ireland' for the DCENR

Technology and maths graduates through the education pipeline. This will require building on programmes already in place (e.g. Engineers Ireland 'STEPS to Engineering' programme) and also initiating new interventions and programmes at first and second level to increase the level of interest in and capability to acquire proficiency in related third level educational programmes.

There is also an opportunity through effective marketing of the initiatives associated with this Strategy to nurture and grow the highly skilled resource base needed to implement the Strategy's ambitious goals. ESB provides targeted funding to academic and research groups to support technological and skills development in Irish institutions. ESB contributes at national level to energy research through its support for the Energy Research Centre, ESRI and in other specific projects (wave at UCC/UL, photovoltaic DCU, Dundalk 20/20 Concerto, Marine institute Project). ESB's engagement in early stage investigation and development initiatives in the energy sector has been given renewed focus through our recently released Strategic Framework to 2020. The Strategic Framework commits ESB to reduce its carbon dioxide emissions by 30% by 2012; 50% by 2020; and to be carbon net-zero by 2035. This plan contains a very important and ambitious programme with capital investment of €22 billion in the period to 2020. By 2020, ESB will deliver one third of its electricity from renewable generation. This will include over 1,500MW of wind generation, in addition to wave, tidal, biomass and district heating.

ESB is committed to the promotion and development of new technologies e.g.

- SMART metering & networks technology;
- R&D with others will also cover micro-Combined Heat and Power, micro wind, photovoltaics, and plug in hybrids;
- Fleet electric vehicles and bio diesel initiative; and
- Wave energy commercial-scale test site.

Other areas under investigation include ocean energy technology, energy storage systems (e.g. compressed air storage, batteries, fuel cells), energy efficiency technologies, co-firing biomass, clean coal/carbon capture, microgeneration, solar thermal and photovoltaic technology suitable for the Irish climate.

ESB broadly agrees with the main research activity areas identified in the strategy. We would note, in relation to Strategic Line '1' (energy systems modelling), that ESB has developed and maintains extensive modelling capability in relation to electricity generation, supply and demand. We acknowledge that for the purpose of policy analysis the capacity to model the overall Irish energy system needs development. Given the disparate sources of input to such energy models it is appropriate that SEI takes responsibility for this activity. However, this activity is critical for policy formulation and impact analysis. Consequently it should be funded on "as required" basis and ESB Input into Consultation on 'An Energy Research Strategy for Ireland' for the DCENR

In relation to Line '2' (Fundamental Research), ESB considers that energy storage is a priority concern for Ireland given our potential future energy structure, in particular for electricity generation. Ireland should be prepared to commit significant resources to fundamental research in this field because of its critical importance. Additional funding should be applied to support such research over that identified in the strategy. SFI is the appropriate body to coordinate effort in this area.

In this context also, the need for large scale energy storage systems development and demonstration should be highlighted under Strategic Line '3'. More weight should also be given in this Strategic Line to social analysis, in particular why more efficient energy options are not adopted despite availability. While SEI should play a lead role in this area the proposed strategic actions will have little impact without active engagement of

industry; both project developers and demonstration technology end-users. Emphasis should be given to this aspect, which was not well developed in the strategy report, in strategy implementation. However, we would place limited emphasis on Strategic Line '4' ("watching brief"). Researchers in all fields do this as a matter of course as does industry in respect of relevant emerging technologies. We consider better value would be achieved from research on those issues which currently prevent uptake of more efficient technologies. A strategic benefit exists in identifying and mapping Ireland's fossil energy resources as proposed in Strategic Line '5'. However, in a global economy the residual benefit to Ireland, given our current exploration tax regime, is essentially the security provided by physical proximity to such energy sources. In this context also it is noteworthy that EU commitments to 2050 require effective full decarbonisation of the Irish economy. Consequently equal focus should be given to identifying and mapping all potential non-fossil energy resources.

Areas of interest to ESB Illustrated below are three areas of interest to ESB where government supported RD&D effort could bear fruit, namely:

- Ocean Energy;
- Transport;
- and • Large Scale Energy Storage

ESB Input into Consultation on 'An Energy Research Strategy for Ireland' for the DCENR

Ocean Energy ESB's Ocean Energy Strategy driven by the Strategic Framework is based on assisting with the delivery of the Government target of 500 MW of ocean energy by 2020 and includes: • Supporting the development of the ocean energy sector; • Assisting with the development of a grid-connected wave energy test site off the west coast of Ireland in partnership with the Marine Institute and SEI; • Investing in companies involved in ocean energy sector; and • Developing potential wave and tidal sites to ensure ESB has 150 MW of ocean energy by 2020. ESB believes that Ireland can capitalise on its early mover advantage in the ocean energy sector to become a world leader in the field. *Transport* The European Council has set the objective for 2050 to reduce greenhouse gases by up to 80% in order to stabilize concentrations in the atmosphere at levels that will not give rise to dangerous climate change. This can only be achieved if energy use in the economy is substantially decarbonised. The transport sector represents an area of significant opportunity towards achieving these reductions.

Transforming the transport sector in Ireland to a system that is predominantly powered by electricity represents a huge challenge. It will require significant research effort to ensure the implementation of such change is completed in a cost-effective manner. ESB recognises that this carries consequences for the electricity sector and a number of initiatives in this regard with the aim of facilitating the uptake of electric vehicles are underway:

- Preliminary studies of the implications of progressive penetration of electric transport for electricity generation and networks infrastructure;
- Collaboration with our European colleagues in an industry working group on similar studies and learn from their experiences; and
- Evaluation of the use of electric vehicles for business/commuting purposes.

Large Scale Energy Storage Large scale energy storage could be used to enable

Industry's Role in RD&D

ESB supports the Strategy's objective to institute industry engagement with Government at an early stage to guide research and development in meeting the expectations of the commercialisation agenda.

While the Strategy identifies overarching organisational and coordination arrangements with various government departments, there is a need to define and coordinate industry's role in execution of the Strategy.

Our suggestion is to create an energy sector forum under the auspices of the Energy Research Council, to fulfil this role.

Conclusion

ESB welcomes the publication of this Energy Research Strategy. It represents an important step in building a long-term energy research and development capability in Ireland.

We believe that a strong resource base with the necessary skill set along with a stable and predictable funding environment will be essential to the Strategy's successful implementation. In parallel, active industry engagement at an early stage will keep the research agenda relevant to the evolving needs of the commercial world. We have suggested the creation of an energy sector forum to promote this on-going dialogue.

ESB Input into Consultation on 'An Energy Research Strategy for Ireland' for the

We have outlined research areas where ESB is involved – namely ocean energy, Transport and Energy Storage – which are amenable to closer coordination with relevant Government agencies. In conclusion, this Strategy offers the opportunity to grow Ireland’s capability as a knowledge-based economy and to expand our energy research capabilities to deliver sustainable, secure and competitive energy for Ireland.

Yours sincerely,

Fergal McNamara

ESB Regulatory Affairs, Electricity Supply Board.

03/07/2008

Appendix Three

**Statement by ESB Chief Executive, Mr. Padraig McManus
to the Oireachtas Joint Committee on Communications, Marine and Natural
Resources**

Wednesday 16th June 2004

Chairman and Members of the Joint Committee,

My colleagues and I are pleased to respond to your invitation to attend before the Committee today in connection with your review of the electricity industry. I am especially pleased as this my first opportunity to meet the Committee since my appointment.

As you would expect in this dynamic and fast changing electricity industry much has happened since ESB last presented to this Committee

Among the major changes in the industry has been the opening up of the market to competition. This process started in February 2000 with the opening up of 30% of the market allowing some 1200 larger customers to choose their supplier. The market has opened progressively since then such that at present a total of 14,000 customers can choose their supplier, accounting for 56% of the total market. The market will open fully to all 1.7m connected customers in February 2005. A number of Supply companies have now entered the market in competition with ESB – chief among them are Viridian, Airtricity and Bord Gais Eireann.

ESB has been proactive in facilitating competition in a number of significant ways. ESB has declared its intention of reducing its market share to 60%, thereby creating the space

for other competitors to enter the market. We will reach the 60% level in 2006. Through what is known as the VIPP process (Virtual Independent Power Producer) we have auctioned off at a discount a percentage of the power output from our portfolio of plant. This is to enable our competitors to build up market share prior to having access to their own generation facilities. In December 2003 we signed ten year off-take agreements with Tynagh Power Ltd. and Aughinish Alumina. These agreements were critical to the CER's efforts to attract new generation capacity into the market. And lastly, we are currently developing the major and complex IT systems that are needed to support full market opening, at a cost in excess of €100m.

I now want to turn to industry developments at a global level, but particularly in Europe. The first EU Electricity Directive (96/92/EC) set in train the liberalisation of the European electricity industry and its transition towards a fully competitive market. While this Directive only mandated market opening of 30%, Ireland committed to full market opening by 2005. In the light of concerns at the slow pace of change in some countries, the EU took two further steps. Firstly it passed a second Electricity Directive (2003/54), which requires all member states to commit to full market opening by 2007, and secondly it adopted a strategy of advocating the development of regional electricity markets as a stepping stone towards a single European market.

This strategic direction has direct relevance for Ireland as it advocates the integration of the Irish electricity market with those in Northern Ireland, Scotland, England and Wales. Tangible progress has already been made towards this goal:

- The recommissioning of the North -South Interconnector in 1995 and the recent commissioning of the Moyle Interconnector from Northern Ireland to Scotland, now provides for the first time a direct electrical connection between this island and mainland Europe.
- The benefits and logic of an All-Island electricity market have been accepted as inevitable, although the exact timing remains uncertain.

- The Irish Government has recently agreed in principle that an interconnector between Ireland and Wales should be constructed, and has directed CER to oversee a process with a targeted construction commencement date of 2006.

ESB is fully supportive of these developments and is actively engaged in promoting the All-Island market as a first step. ESB is also positioning itself to compete in this enlarged market. We are developing a 400MW state of the art power plant in Derry, which will be fully operational in March 2005. We are also developing an 800MW power plant in Bilbao in Northern Spain. Our competitors in this new enlarged market are not standing still. There is a clear trend towards increased scale across Europe as companies consolidate to compete more effectively in the larger European market. ESB will be competing with very large competitors following this consolidation process.

This highlights the critical importance for ESB to expand internationally in order to secure economies of scale and scope against a background of declining share in the Irish market. As the committee are aware we have achieved considerable success in this regard through ESB International.

As you will appreciate, ESB has moved over the last 10 years from being the industry in Ireland, to being a player in the industry – in Ireland and increasingly on the bigger European stage. I would like now to address how ESB has been fulfilling its critical role in Ireland and how it has been preparing itself for the many challenges ahead.

First and foremost I want to highlight the work we are doing to develop the national networks infrastructure, so critical to the continuing development of the economy. A core element of the Corporate Strategy has been the acceleration of investment in the networks, both Transmission and Distribution.

Over the period 2001 to 2005 we will have invested over €3 billion in the network infrastructure alone. The benefits of this investment are evident in the provision of

capacity for growth and development, the improvement in reliability and quality now experienced by many of our customers throughout the country, and a much greater resilience to storms. During the current regulatory period to 2005 we will have connected an additional 340,000 new customers to our networks, virtually rebuilt the entire medium voltage network, and constructed many new transmission and distribution lines and substations. Over the next 5 year period we will be continuing our investment programme to keep pace with economic development and to refurbish the remainder of our older network assets.

In order to undertake an investment programme of this scale we have had to supplement our own resources with external Contractors. Again, the scale of what we are doing relative to other countries has meant that we have had to create from scratch a competitive contractor market in Ireland, procuring contractor services beyond the immediate UK and Ireland market.

I want to address the issue of Transmission in particular, as I know it is an area that the Committee has a particular interest in. Investment in the Transmission infrastructure has increased significantly from €33m in 2000 to €152m in 2004.

Year	2000	2001	2002	2003	2004(e)	2005(e)
€m	33	89	136	145	152	160

The institutional arrangements which govern the development of the Transmission infrastructure deserve special mention. Since 2000 responsibility for the planning and operation of the Transmission system has been operated on a fully ring-fenced basis within ESB. It is intended that these functions will be vested in the new state company Eirgrid as the licenced Transmission System Operator (TSO), once Eirgrid is up and running. ESBNG/Eirgrid therefore plans the development of the grid and we in ESB build and refurbish the grid in line with these plans. We monitor each element of the transmission development programme very carefully to ensure that it is fully resourced and delivered on time.

In relation to the establishment of Eirgrid, EU Directive 2003/54 requires that the TSO be legally unbundled by July 2004. The government in SI 445 has moved ahead of this Directive in establishing Eirgrid as a state-owned company completely separated from ESB. However there have been a number of problems associated with this start-up. These are currently being addressed between the Department, the Eirgrid Board, and the Chief Executive Designate of Eirgrid. For our part we are anxious to see the process completed as soon as possible, and I can assure the Committee that ESB is doing and will do everything in its power to expedite the process.

Our strategy also sets the direction for our generation business and I want to highlight for the Committee what we are doing to develop and modernise our portfolio of plant going forward, focusing in particular on our midlands peat fired stations. Following a review undertaken in 1999 it became clear that the future was bleak for the existing six peat stations due to a combination of high costs, high staff numbers, traditional work practices, poor plant efficiencies, diminishing peat resources in certain areas, and a step change in environmental requirements. These issues were addressed in a Tripartite Review which involved the Department, ESB and the ESB Group of Unions. This review led to an agreement on a range of issues including ownership of the transmission assets, a programme of work leading to full market opening, renewal of ESB's existing plant portfolio and, specifically, the future of peat fired power generation. In a phased programme since 2000 the six existing peat stations have closed or are closing, and are being replaced by two new state-of-the-art peat fired power plants at Lanesboro, Co. Longford and Shannonbridge, Co. Offaly. The new plants, to be called Lough Ree Power and West Offaly Power, are the last stage in transforming the face of peat fired power generation in Ireland. Between them they will burn the same quantity of peat as the existing six stations, but do it much more efficiently. The new stations represent a total investment of €460m, and will start generating power later this year.

Of particular importance is the radical shift from traditional methods of operating these stations which could be characterised by strict demarcation and limited contractor access,

to best practice represented by single status employment (no barrier to progression other than competence) and full contractor access. These are the best practice arrangements that we currently operate in our Ringsend and Corby (UK) plants, and are currently negotiating for the Moneypoint plant.

I want now to address two major issues that are setting the policy agenda right across Europe and that have a direct relevance for the electricity sector in Ireland – Environmental Protection and Security of Supply.

Environmental Protection is a key driver of energy policy and this is reflected in the growing number of policy measures at national and European level to limit the impact of the energy sector on the environment. While ESB addresses in detail environmental aspects such as visual amenity, discharges to waterways and waste in its everyday business, the key factor which will impose major costs on the sector is the control of emissions to air, in particular carbon dioxide (CO₂), and sulphur and nitrogen oxides (SO₂ and NO_x). Carbon dioxide, created from the burning of fossil fuels (coal, oil, peat and gas) is a “greenhouse gas” and a contributor to global warming. Given the global economic dependence on fossil fuels, reducing CO₂ emissions presents a major long term global challenge.

The control of greenhouse gas emissions is being addressed at UN level through the Kyoto Protocol and, at regional level, through the new EU emissions trading scheme. This “cap and trade” measure incentivises those with opportunities to reduce CO₂ emissions, either through improving energy efficiency and conservation or through switching to lower carbon content fuels, to do so. In this way, reductions targets can be achieved at least cost.

Emissions of sulphur and nitrogen oxides arise from the combustion of fossil fuels for home heating, transport and power generation. These emissions cause air pollution and are precursors to acid rain. Although large reductions in emissions of these gases were

achieved over the past decade at company, national and EU level, it is agreed that more needs to be done.

Ireland is committed to significantly reducing emissions of SO₂ and NO_x from present levels by 2010 under the EU National Emission Ceiling Directive. In this regard ESB has proposed a progressive least cost solution to Government on how reductions in ESB's emissions can be most cost effectively achieved. A part of this proposal is the fitting of advanced emission control technology at Moneypoint if the plant is to remain in operation in the longer term. A decision in relation to the future of Moneypoint is due shortly.

Meeting the national target of obtaining 13.2% of national electricity from renewable sources by 2010, a target identified in the EU Renewable Energy Directive, will require an increase in wind generation from the current level of 230 MW to about 1100 MW.

ESB, under the AER programmes, is committed to offering 15 year contracts to the winners of these competitions. In total this will come to 800 MW. ESB is active in the development of wind energy projects as part of its balanced generating plant portfolio. ESB's objective is to have a sizeable but not dominant position in the wind generation sector of the market.

The second major policy issue I want to address is Security of Supply, which is of primary importance to all electricity customers, industry participants, and to the development of the Irish economy as a whole. Prior to the liberalisation of the electricity market in Ireland, ESB was responsible for ensuring security of supply. We achieved this through central planning of all transmission, distribution and generation investments against a background forecast of future demand. Thus investments in new plant were made to meet anticipated demand growth. Central planning to meet demand remains the primary means of delivering investments in transmission and distribution, subject to the scrutiny and approval of the Regulator.

However, on the Generation side the advent of liberalisation has fundamentally changed the means by which new Generation capacity is delivered. Ultimately the responsibility for ensuring that there is sufficient generation capacity is no longer an ESB responsibility but instead rests with the Regulator. The Regulator discharges this duty by creating a market that will ensure that sufficient investment is made in Generation capacity to meet demand.

Of course, there have been concerns in Ireland and in other European countries that investment in Generation capacity may not be forthcoming in a timely manner. ESB along with the Regulator has acted to address these concerns over the last five years. Two specific initiatives are worth mentioning. Firstly, following approval by the Regulator, ESB is putting in place up to 370 MW of peaking capacity to meet any unforeseen shortages in capacity. Secondly, at the request of the Regulator, ESB has entered into long term contracts with two independent companies to purchase the electricity from two new Power Stations. These stations are due to commission in 2006 and are capable of delivering around 15% of Ireland's total electricity requirement. As already stated, the contract which ESB offered was a critical enabling component to allow these Companies to secure investment funding from Banks.

Looking to the future the Irish Government has committed to building an Interconnection from Ireland to Wales. As well as delivering further competition into the Irish market, this interconnection will improve security of supply by making UK generation capacity available in Ireland. Similarly the development of an All-Island electricity market will further enhance Security of Supply and competition in Ireland. ESB is fully supportive of both of these initiatives and is willing to work with any Government agency or market participant to help make them happen.

Finally, I want to address the issue of the price of electricity. The Committee will, I'm sure, be concerned with the upward pressure on energy prices in recent years. This is a concern which we in ESB also share. As you know the primary raw material for the production of electricity is fuel so all generators whether they are ESB or independent

generators are highly susceptible to shifts in fuel prices. The cost of fuel represents 50% of the cost of generation. Primarily we burn coal, gas and oil in our stations, all largely imported. The headlines recently have concentrated on oil prices which are at a 21 year high. However, added to this, the price of coal has doubled over the past year and the price of gas has also increased by about 50%.

Given the current volatility of fuel prices and the likelihood that this volatility will continue, we are now in discussion with Commission for Energy Regulation with regard to the possibility of introducing a mechanism to deal with this issue. It is not feasible for ESB alone to absorb these fuel price increases, as this would seriously damage not only ESB's viability but also the viability of existing and new generation entrants in the market who can only compete against us where our prices reflect the actual costs in the industry.

While fuel price increases are a major driver of electricity prices and one for which we see no additional benefit, they are not the only driver. The networks investment programme, which I have already described and which is essential in terms of underpinning the ongoing development of the economy, is also putting upward pressure on our cost base. The scale of the investment programme will drive debt levels in the ESB from around €700m in 2002 to almost €4 billion by 2007 (which the current Electricity Act going through the Oireachtas will enable). Borrowing on this scale requires innovative funding mechanisms, an example of which was the successful private placement in the US market last year that raised over \$1 billion at competitive rates. In order to be able to continue to fund the considerable programme going forward, it is essential that ESB remain financially strong and that our future profitability continues to underpin this financial strength.

ESB is acutely aware of the impact of energy prices on inflation and on the overall competitiveness of the Irish economy, and has not been complacent in tackling the internal cost base of the company. From the early 1980's to the present ESB has reduced the number of staff engaged in its core business from over 13,000 to about 7,500, while

over the same period the level of electricity demand has more than doubled. The 'Cost and Competitiveness Review (CCR)' in 1995, and more recently the 'Programme to Achieve Competitiveness and Transformation (PACT)' in 2002, are examples of transformational change programmes that have been achieved in partnership with our unions and staff. We do however recognise the importance of taking our operational and cost performance to a new level over the next five years.

Taking inflation and our recent price increases into account, ESB's average unit price of electricity has fallen in real terms by 35% over the last twenty years. Despite the recent increases, our domestic price is currently below the average EU price. As a significant percentage of industrial customers have switched to independent suppliers, it is not possible to benchmark their contract prices which are being secured on a competitive basis. It is also worth mentioning that electricity price increases are not an Irish phenomenon – prices across Europe are also increasing as a result of fuel price pressures.

Overall, Irish electricity generation prices, whether ESB or independent generators, are likely to be more expensive than mainland Europe due to the cost of importing fuel (Ireland imports over 80% of its primary fuel needs), Ireland's growing dependence on gas and the small scale of the market which does not provide the economies of scale available on continental Europe.

In conclusion, I want to thank the Committee for this opportunity to present on the status of the Irish electricity market and more generally on developments in the broader electricity sector in Europe: on ESB's corporate strategy and in particular on the accelerated investment in the national electricity infrastructure; on Environmental Protection and Security of Supply as two key policy issues; and lastly on the price of electricity.

Appendix Four

MoneyPoint BPA – closed due to privacy

Appendix Five

Ardnacrusha Staff O&M agreement – closed due to privacy

Appendix Six

LoughRea BP A – closed due to privacy

Appendix Seven

Organisational Structure of the ESB – closed due to privacy

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