

# AN HR LEADER'S GUIDE TO AI-POWERED TRANSFORMATION





Artificial intelligence is poised to transform organizations in the years ahead, with HR departments leading the way. A Gartner survey<sup>1</sup> of HR executives found that 81 percent have implemented or are considering implementing generative AI and that 76 percent of HR leaders believe their organization needs to put AI solutions in place in the next 12 to 24 months to keep up with their peers and competitors.

“I’m bullish what this means for people in HR departments,” said Bryan Hancock, a partner at McKinsey & Company specializing in talent. “I think AI can reposition HR on a journey from being transactional to being strategic.” By freeing up HR departments from much of the record-keeping and processing functions, as well as increasing the efficiency of recruiting and automating the dissemination of benefits and policy information, Hancock expects to see HR professionals getting out from under paperwork and into higher, more strategic functions.

But integrating AI solutions into HR is full of strategic challenges. This guide examines why businesses should invest in augmenting HR with AI, explores some HR use cases for the technology, offers advice on evaluating AI solutions, and looks at how leaders can implement an AI pilot program while navigating the strong emotions AI often elicits in the workplace.

# Making the Business Case for AI

Worries about AI replacing workers may make headlines, but cutting jobs is the least common motivation behind workplace AI initiatives, according to a Deloitte study.<sup>2</sup> Instead, the most significant driver behind adopting AI solutions is using technology to improve the company's products or services, with optimization of internal business functions coming in second.

## PERCENTAGE OF EXECUTIVES WHO CITE THE FOLLOWING AS BENEFITS OF AI<sup>3</sup>

Enhance features, functions and performance of products	51%
Optimize internal business functions	36%
Automate tasks to free up workers to be more creative	36%
Make better decisions	35%
Create new products	32%
Optimize external processes such as sales and marketing	30%
Pursue new markets	25%
Capture and apply scarce knowledge	25%
Reduce headcount through automation	22%





HR should look for ways AI can allow their staff to focus on creative and interpersonal challenges rather than routine business tasks. AI is most effective when it frees up human intelligence to what humans do best.

“If you can spend less time on transactional roles and be more of an advisor for managers or a talent coach, you can help managers better manage and lead,” said Hancock.

“If we think about the time savings and the additional information AI can give employees and managers, it enables this shift to the more strategic role for HR as an advisor and a coach that understands how to match the needs of the company and individual and bring expertise to job design and pay and survey design. Those are all things that

require deep expertise. What is truly human needs to be truly human in the future, and HR leaders are good at that.”

When making the case for AI investments, focus on tangible improvements to a single area, such as recruitment, that will impact the bottom line in the near term. As your organization becomes more accustomed to using AI and navigating its challenges, you can expand your use of the technology to spur incredible transformations.



The benefits of deploying AI in recruiting can be significant, especially in big organizations, said Siddharth Sharma, vice president for HR digital solutions with JP Morgan Chase & Co.

“A lot of these organizations are hiring more than 2,000 folks a week, and to get the candidates, they need the selection process to be streamlined,” Sharma said. “AI can pull the information from resumes—such as a candidate’s skills, their certifications, who issued the certification, their universities, their prior experiences, what technologies they have worked on—and then use mathematical algorithms to see how well they’re suited for a specific role. Then, the AI can score the different candidates and provide suggestions before the recruiters talk to the candidates.”

“ What is truly human needs to be truly human in the future, and HR leaders are good at that. ”

**BRYAN HANCOCK**  
PARTNER, MCKINSEY & COMPANY



# Understanding AI Use Cases for HR Departments

According to Priya Ranjani Mohan, a management consultant at KPMG, the leading AI tools in HR today focus on hiring, onboarding and managing employees.<sup>4</sup>

AI TOOLS CAN PRESENT SEVERAL BENEFITS DURING THE HIRING PROCESS,<sup>5</sup> INCLUDING:

- Reducing recruiting workload.
- Finding candidates faster.
- Improving a candidate's hiring experience.
- Controlling for possible bias.
- Hiring higher-quality candidates.





# How Can HR Leaders Evaluate AI Tools?

IBM surveyed 5,000 C-suite executives about implementing AI solutions and found that “82% of businesses surveyed are considering using AI, but concerns over trust and compliance hinder 60%.”<sup>8</sup> On a more practical level, HR leaders also will need to consider whether their organization has or can obtain the technical expertise to support and monitor AI programs on an ongoing basis.

Any organization adopting AI should ensure that their applications won't function as a “black box” that generates responses through an opaque process. If no one in your organization can understand the biases affecting the AI's output, then no one will be able to correct those biases. Not understanding the limitations of these tools can have both business and regulatory implications.<sup>9</sup> According to McKinsey research, the companies seeing the most significant returns on their AI investments are more likely to follow best practices to ensure the “explainability” of their AI tools. This typically involves setting up suitable governance structures and ensuring you have the right talent with the proper training and resources to evaluate potential AI solutions.<sup>10</sup>



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IBM SURVEY



## ASSESS THE RISKS OF ANY AI SOLUTION YOUR ORGANIZATION IS CONSIDERING<sup>11</sup>

ASK ANY VENDOR YOU WORK WITH QUESTIONS TO LIMIT YOUR ORGANIZATION'S RISK EXPOSURE:

- How does a tool handle data privacy?
- How robust are its protections against bad actors?
- How easy is it to reconfigure to meet shifting needs so you're not working from old assumptions?
- Are its responses unlikely to create biased outcomes in your organization?

SHRM's AI for employment toolkit<sup>12</sup> recommends utilizing the federal Uniform Guidelines on Employee Selection Procedures as a framework for determining the proper use of tests and other selection procedures in the workplace, guidelines that can be directly applied to using AI tools.<sup>13</sup>

A final consideration in evaluating AI tools is how AI integrates into the tool's functionality. Research from MMC Ventures discovered that 40 percent of European startups that claimed to be powered by AI didn't actually use AI in a way that is material to their business.<sup>14</sup> Just because an application uses algorithms, statistics or database technology doesn't make it AI, especially when such applications don't self-adjust or engage in authentic machine learning.<sup>15</sup>

## MEASURING AI'S RETURN ON INVESTMENT

The ability of AI tools to lower costs is well documented. An IBM survey found that AI decreased the total HR cost per employee after two years by 22 percent.<sup>16</sup> But showing results within your organization will require some forethought and planning.

As with any change-management initiative, the first step in evaluating the effectiveness of AI is establishing specific, measurable goals. Gartner data<sup>17</sup> shows that HR leaders' departments most commonly deploy AI tools in hopes of improving easily quantifiable aspects of the business:

63%

WANT TO IMPROVE  
EFFICIENCY

52%

WANT TO IMPROVE  
THE EMPLOYEE  
EXPERIENCE

37%

WANT TO REDUCE  
COSTS

Focusing on those kinds of objective measures will make it easier to demonstrate AI's impact. An accurate evaluation also relies on having baseline data on how business processes that will receive AI solutions are performing beforehand in terms of cost, efficiency, time, quality of results, user experience and satisfaction, and other aspects of the process. Solid baseline data, combined with regular follow-up surveys and reports, can be used to demonstrate impact over time.<sup>18</sup>

# Launching a Pilot Project

AI initiatives can take time to implement well, so starting with smaller internal pilots in HR can eventually give your organization the necessary experience to deploy AI effectively in other parts of the organization. A limited internal pilot in HR allows for controlled, informed feedback and monitoring with employees involved with the project, who understand that a trial process is underway.

Before you rush to bring AI tools to your organization, consider the problems that need to be solved, the data you already have on hand or could start collecting, the resources available to support the implementation, and the scale of your challenges. Begin by asking yourself, “Do I have HR issues that can be solved by using data in a better or new way?”

AI projects don’t need to be sweeping to be effective, and smaller initiatives often see returns faster. An infamous early AI project at the MD Anderson Cancer Center

deployed IBM’s Watson AI to diagnose and recommend treatments for cancer. Four years—and \$62 million later—the project was placed on hold after failing to be used on even one patient. In the meantime, the center’s tech staff succeeded with smaller-scale AI projects, such as handling logistics and bill-paying as well as solving staff IT problems. These smaller projects increased user satisfaction, improved financial performance and cut staff time spent on mundane data entry.<sup>19</sup>

Look for small projects in your organization that involve a lot of routine tasks, such as recruitment or engagement surveys, or that can benefit from a higher degree of personalization, such as onboarding and training. Look to create both quick wins and lessons learned with your pilot project to make it easier to state the case for future investment. Publicize your AI efforts within the organization, giving workers time to get used to working alongside AI as they observe the benefits it can bring.

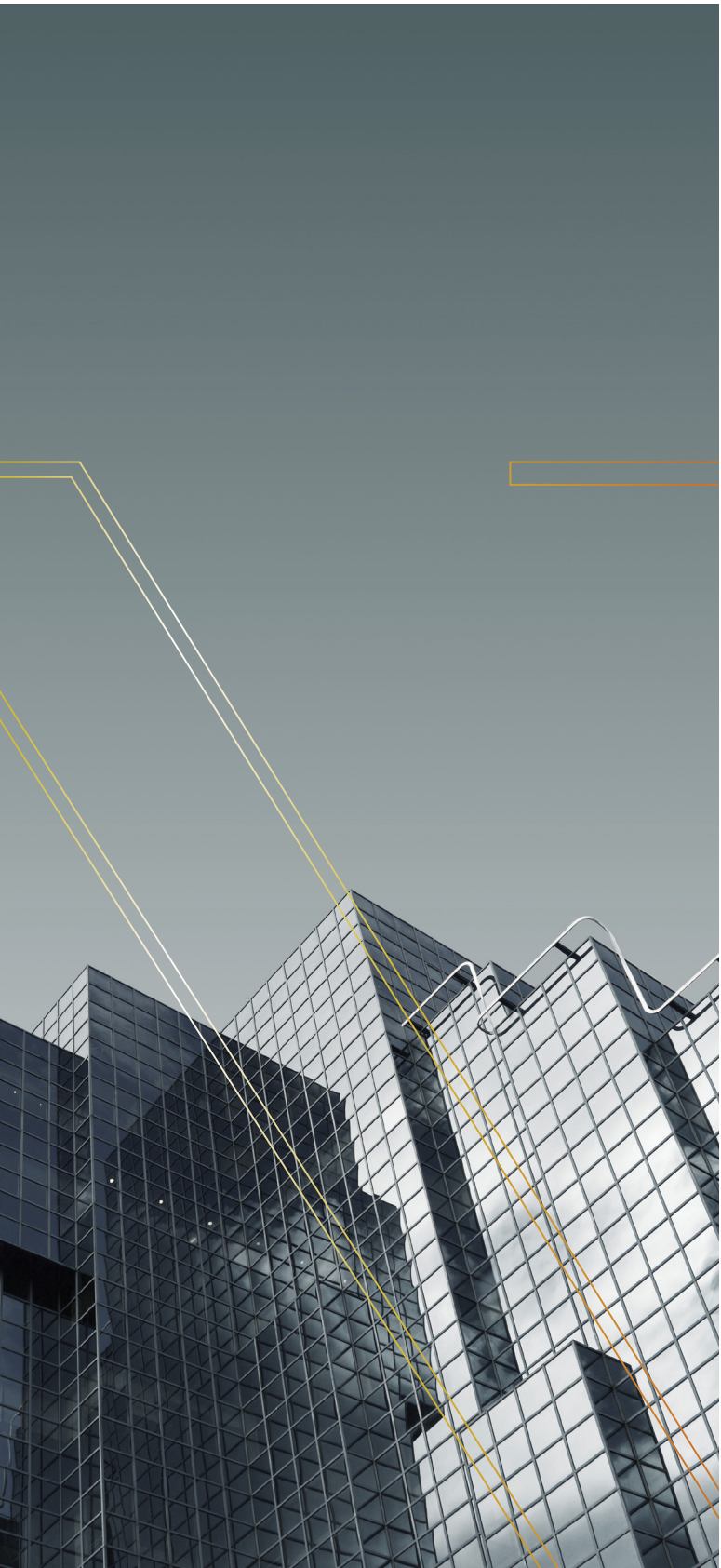




## NAVIGATING HYPE AND FEAR

When implementing AI, remember that the biggest concern among at least part of the workforce is that AI is being instituted to eliminate their jobs. SHRM Research found that half of U.S. workers believe automating some of their job duties using AI would give them more time to focus on other areas of their work, while 23 percent feared AI would replace their job in the next few years.<sup>20</sup> As an HR leader, you need to be sensitive to these worries and seek to help employees see AI as an enabler, not a replacement.

While AI will undoubtedly create some initial displacement for workers, the technology is ultimately forecast to create more jobs than it will destroy and may create entirely new industries. A survey from Upwork found that 49 percent of business leaders said generative AI would prompt them to hire more freelancers; the same percentage said it would prompt them to hire more full-time employees. A total of 64 percent of C-suite leaders said they expect to hire more professionals of all types due to generative AI.<sup>21</sup>



In situations where some jobs may be eliminated, offer current workers a path to positions that take advantage of skills that can't be replicated by AI, such as those that involve interpersonal skills, intuitive strengths and similar talents. Look at these scenarios as opportunities to retrain proven staff for new skills, which can ease pressure on your talent pipeline.

Finally, HR leaders considering implementing AI solutions should remember that all new technologies go through a cycle of rising hype that levels off as a tool becomes more familiar. Technology emerges over time, producing broader, more viable applications. You'll need to check your expectations as an HR leader, but you'll also have to help your colleagues in the C-suite do the same. Some people fear how quickly they believe AI will change things; others may become disillusioned when there are inevitable setbacks. You must keep the business in the middle, moving forward at a measured pace and focusing on continuous improvement, not miracle breakthroughs. AI will change how we do business, but leaders like you will need time and hard work to get it right.

# Conclusion

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This guide purposefully avoids recommending generative AI solutions or delving into the product features HR leaders should require. Attempts at cataloging the state of the art in AI are instantly outdated. What will remain constant is the importance of understanding your organization's needs, strategically evaluating solutions and implementing them in a way that supports both short- and long-term goals. Individual products and services will come and go, but if you can master planning and implementing technology-driven change, you'll come out on top every time.





# Endnotes

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