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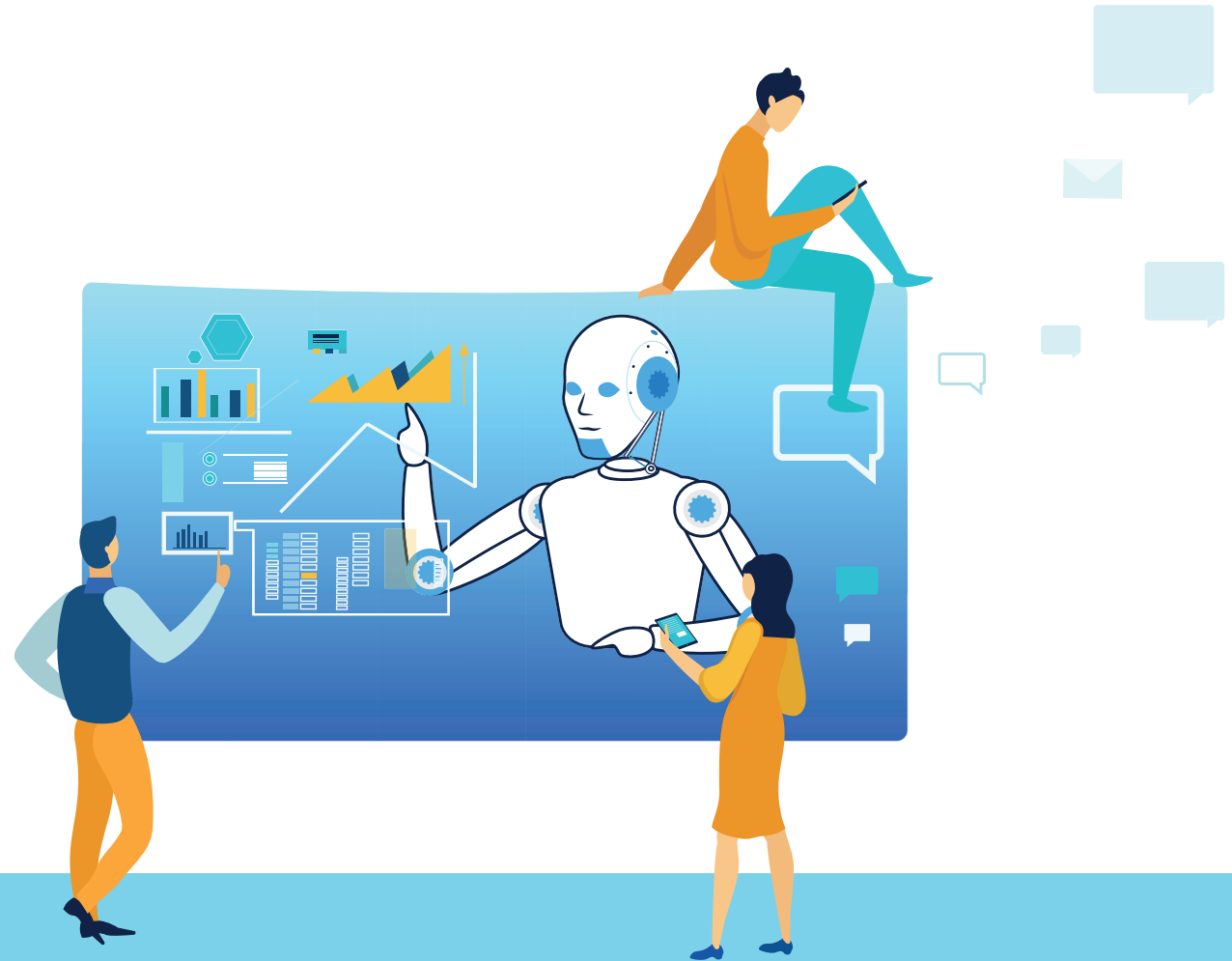


Report By



DRIVING BUSINESS VALUE

AUGMENTING HUMAN
CAPITAL MANAGEMENT
WITH AI



Report Context

Increased digitalization has played a key role in elevating the role of the HR leader and function as we know. Agile-oriented businesses have begun placing an even bigger premium on the crucial business value that an agile workforce creates in the post-digital age.

The ongoing workforce disruption unleashed by the pandemic crisis is set to accelerate the transformation of the role of the HR leader and the HR function.

Along with the demands of a distributed workforce and emergent business models, enterprises can no longer afford to overlook the shift needed to enable the agility required to meet redefined expectations, not just from customers and the C-suite but also the new workforce.

The HR leader, therefore, will be at the center of shaping how enterprises navigate the radical shifts taking place across the spectrum of human capital management — from employee experience, to talent sourcing and retention, to the approaches towards performance management.

Technology – particularly AI and augmented analytics – will mark the definitive shift towards human capital management practices that reflect:

- ◆ Why the HR profession needs AI
- ◆ What got us here won't take us to the future
- ◆ The maturing of talent analytics in HCM
- ◆ The future is data driven
- ◆ Methods of capturing Employee data
- ◆ Key questions HR should look to answer
- ◆ Moving beyond efficient and effective HR processes -towards the empowered employee
- ◆ Enterprises practices that will accelerate shift
- ◆ How to enable your enterprises to accelerate shifts that reflect practices: Employee experience led v/s employment contract-led; Employee-led v/s Leadership-led; Insight-led v/s Intuition-led; Nudge-led v/s Instruction-led; Democratized and empowering v/s controlled and constraining; Agile vs Lean

This whitepaper aims to simplify the emerging complexities of AI and human capital and help CHROs and CXOS navigate the landscape in the next step for their evolution.

By Prithvi Shergill
Chief Business Officer, KPISOFT

REPORT CONTEXT

Enterprise agility and innovation is driven by the selection of the right talent with the necessary skills, at the right time, place and cost. Top organizations, thus, place this at the center of their people agenda.

Never before have the goals of the Chief Human Resources Officer been so aligned with that of the Chief Executive Officer, Chief Operating Officers and other CXOs, as their mettle is tested thoroughly by the current capricious economic landscape.

HR leaders are driving innovative dynamisms to their functional approach, starting from the likes of online recruitment, talent marketplaces, to doing away with traditional annual performance reviews. A key recipe to this essential shift is digitalization - empowering HR teams to become responsive to changing business dynamics and demographics.

In their digital journey, HRs will discover new allies in technologies like AI and augmented analytics as they are faced with the increasing demand of faster responses, better workforce management and more engaging workplace habits. These technologies are becoming available, accessible, and affordable, and opening multiple avenues and touch points to transform and re-engage human capital. This, ultimately, ensures HR leaders adhere to faster and better decision-making, and enable line leaders to embrace the future of work.

This report will help untangle the multi-layered system of AI and human capital, and help CHROs and business leaders embrace the new normal, effectively.

ETHRWorld Editorial

Why the HR Profession needs AI

Finding the right talent with the right skills, at the right time, right place, and at the right cost is key to achieving greater enterprise agility and innovation – and is at the center of the people agenda of many top organizations today.

Never before have the goals of the Chief Human Resources Officer been so aligned with that of the Chief Executive Officer, Chief Operating Officers and other CXOs at leading organizations as they navigate through the tricky waters of today's rapidly-shifting economic landscape.

As we transition to operate in the new post-digital age and business models, enterprises can no longer afford to overlook the shift needed to enable enterprise agility required to meet redefined expectations, not just from customers but also the workforce. Enterprises will have to accelerate shifts to reflect practices that are:

- Employee experience led v/s employment contract-led
- Employee-led v/s Leadership-led
- Insight-led v/s Intuition-led
- Nudge-led v/s Instruction-led
- Democratized and empowering v/s controlled and constraining
- Agile vs Lean

Together, these changes are transforming the role of the HR leader and function as we know. Traditional approaches are being retired as more organizations expect the HR professional to find progressive practices and play a more impactful role.

According to a survey by Sierra-Cedar 2019-20, over the past six years, efforts to transform HR have resulted in a 20% increase in response from stakeholders who view the HR functions as contributing strategy-aligned value, with line executives 25% more likely to view HR as influencing strategy than HR Directors or managers themselves.

And that is not without evidence — there's an increasing realization that HR is helping achieve significant business outcomes.

In fact, elevating the perception of HR and investing in business strategy development, HR Technology, integration, and change management correlate to a 15% year-over-year increase in achieving the desired outcomes of the overall talent agenda, according to the Sierra-Cedar survey.

Given HR leadership roles are committed to delivering the same business results as their stakeholders, research done on analyzing 360-degree assessments of thousands of leaders in six C-suite functions—CEO, CFO, COO, CIO, CHRO, and CMO—in which each executive was ranked across a variety of aspects of leadership on a scale from one to seven shows a surprising result:



The traits of CHROs have started to match up closely with those of CEOs.

In this changing dynamic, businesses and individuals will need to pay far better attention to certain metrics. As of today, while 80% of organizations regularly report on metrics such as Employee Turnover and Engagement, less than 25% report on Performance, Proficiency, or Productivity, and know what are the “moments that matter.”

The rise of the “Human+” workers — defined as individual employees but with a richer tapestry of technology awareness and skills — is already defining the future of work, the workforce and the workplace. Today’s professional is using technology in his day-to-day life to make it better in a variety of ways – and workers are looking for technology to also be applied in novel ways to complete their tasks in the workplace. Yet, many businesses haven’t adequately adapted their people agenda to integrate technology to support the changing way of work. Many still use traditional ways to recruit, train and manage performance of their workforce, leading to them lagging in efficiency and effectiveness as compared to their competitors.

This inadvertent digital divide between enterprises and their people puts additional pressure on the HR leaders to demonstrate value. This gap, if it persists, will drive a wedge between the CXO and the CHRO, but also deepen the chasm between the

perception of HR by the users of its services and its stakeholders who expect it to deliver value to the workforce, as inevitably these constituencies see missed opportunity by it to create business value.

However, there are many savvy business and HR leaders who acknowledge this ask that the future of work is amplifying, and have taken concrete steps to reinvent and reshape their workforce and workplace. From online recruitment, talent marketplaces, to doing away with traditional annual performance reviews, a number of innovative experiments are being scaled and institutionalized in the HR profession. And digitalization is one of the key drivers helping HR teams to become responsive to changing business dynamics along with changing demographics.

The role of AI and augmented analytics will be crucial in this journey as it now is available, accessible, and affordable and opens multiple avenues and touch points to transform and re-engage human capital to ultimately lead to faster and better decision-making by the HR professional as they advise and partner with line leaders to navigate to the future.

This report aims to simplify the emerging complexities of AI and human capital, and help CHROs and CXOs navigate the landscape in the next step for their evolution.



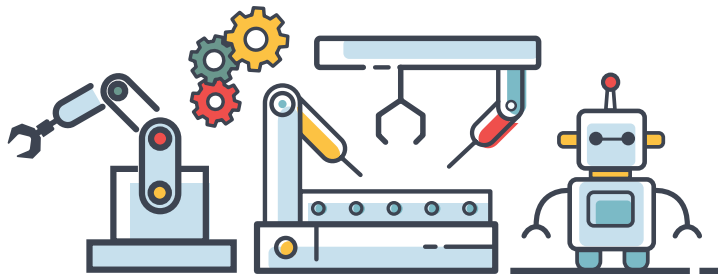
What got us here won't take us to the future

Given the rapid pace of change, it is evident that relying solely on legacy policy, processes and common sense is no longer adequate.

For instance, it's no longer enough to just look at lag metrics that are akin to looking in the rear view mirror, and being reactive instead of proactive. Increasingly, top leadership and company boards are demanding from HR a much more holistic view of what is coming around the corner. Since lag metrics only track things that have already happened, it leaves little room to control areas that can influence future outcomes.

Consider the metric of cost-per-hire: the amount needed to hire a resource has various elements such as obtaining a LinkedIn license to joining bonuses, to hiring an agency, one of the costliest aspects. Even if one element like reducing agency usage can be controlled, it can positively influence future metrics. Conversely, the lack of control on some of these metrics will result in rise in operational costs.

For its part, HR is also tired of being looked at as a 'victim' and is increasingly asking to be considered a 'strategy enabler' capable of making a tangible impact on the larger business. With HR shaping the experience people have with practices they introduce, the role of technology to improve decision-making on how to enrich the human experience becoming the transformational variable to corporate growth cannot be overstated.



According to the Sierra Cedar survey, companies that viewed HR as adding strategic value reported a 23% higher business outcome. These business outcomes included a higher market share, greater customer satisfaction, higher profitability and innovation for a better competitive advantage.

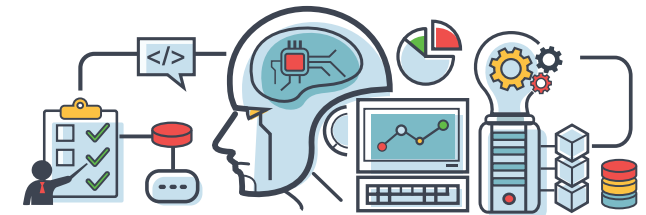
Accompanied by greater investment to support HR, these companies aren't seeing HR as performing purely a compliance role. Those organizations also saw much greater respect for HR anchoring human capital strategy, impacting capabilities influenced by talent, culture and leadership .

A CEO once said that reviewing close to 300 pages of reports with data, was a waste of his time as 80% of what was shown to him had already happened.

The need to progress from descriptive and diagnostic analytics to using predictive and prescriptive analytics is imperative to helping the HR professional in not only understanding what happened but answering the questions the CXO is much more interested in:

1. What's happening now?
2. What do I need to know?
3. What can I expect to happen?
4. What should I always do?
5. What can I do about it?
6. What should I avoid doing?
7. What is the industry doing?

And while every industry can benefit from answering the first 2 questions, the impact of answering the next 5 is what is the difference between reporting and analytics.



The maturing of talent analytics in HCM

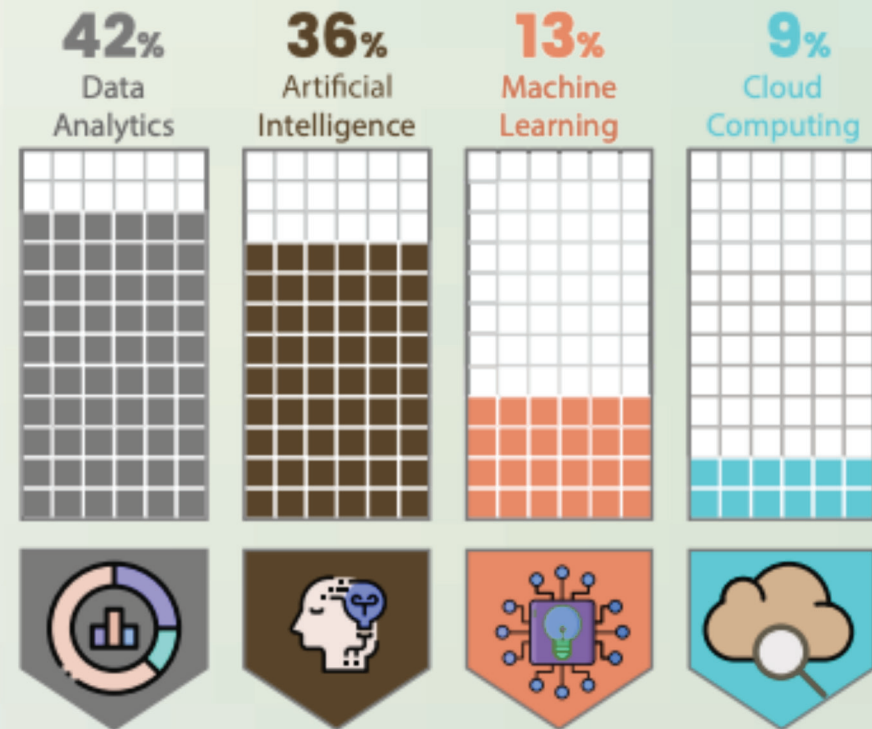
Data-driven talent analytics that deliver intelligent insights have the potential to redefine the next generation of value created for humans by transforming how employee experience is enabled – from recruitment, learning and development, employee engagement, performance management, rewards and recognition, to how the career journey for a person progresses.

Many leading organizations have already done away with annual performance reviews to make way for data-driven continuous performance insights and feedback that lead to instant corrective action and removal of performance bottlenecks.

Enterprises of the future will have to match the human+ capabilities, in both capacity and abilities, with the evolving direction and demand from the enterprise. While a lot of tasks are being automated making jobs redundant and time available, in many jobs, AI is augmenting efficiency, expertise and experience.

In recruitment, for example, if someone needs to source a profile, they now know they need to mine the Internet to identify relevant profiles, a manual process that can be automated and customized for companies.

Technology that will be in-demand to make recruitment processes more efficient in future:



Consider a scenario where a hiring manager has a requirement to source another employee similar to an existing one employee or who possesses the same set of skills. Previously, the manager would have to invest time to manually create a job description. Using augmented analytics, the hiring manager today can create multiple job descriptions that reflect the competencies the company needs and the competencies the market demands and supplies reducing the time-to-hire and increasing quality-of-hire.

Consumer-grade, AI-powered technology platforms that drive personalized and contextualized learning and development, for instance, are enriching employee engagement by making career decisions smarter.

More broadly, HR technology not only has the potential of automate existing HR practises, but can also improve the passion, performance and productivity in an organisation.

In a recent TimesJobs survey titled, 'Decoding the impact of Tech in HR' HR leaders were asked about the biggest driver for companies to invest in HR technology. As many as 43% of the respondents to the survey asserted that productivity of employees was the biggest driver for companies to invest in technology, whereas 24% of respondents said that the need for accelerated innovation was a major driver for investment in the various HR tools and technologies.

Historically, legacy performance management processes have struggled to bridge

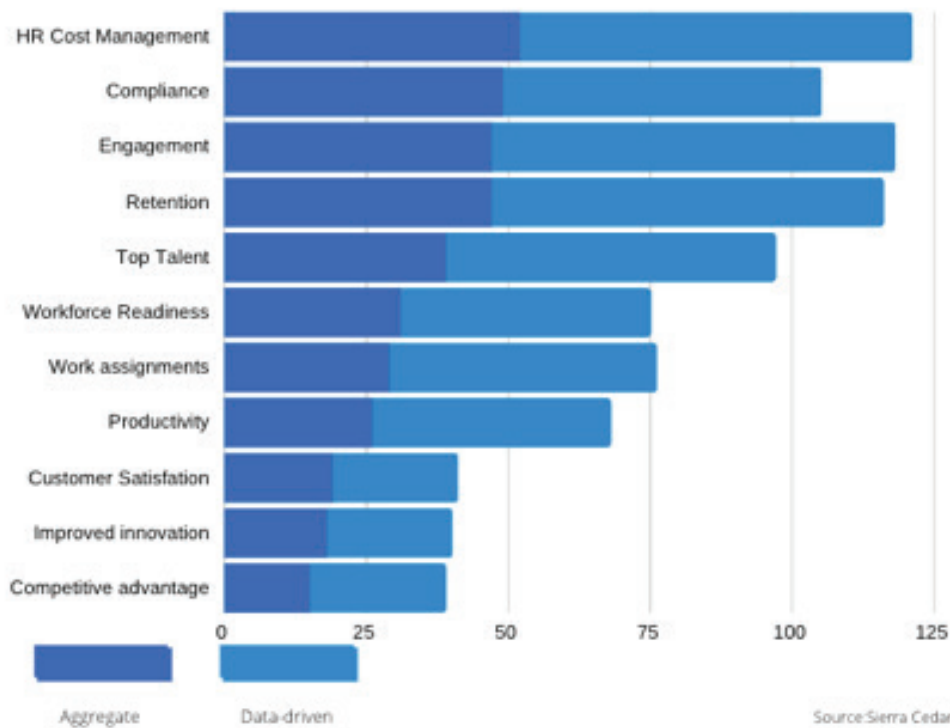


the gap between corporate strategy, individual employees and operations. Emerging AI-powered platforms have helped bridge this gap using behavioral economics and translating information to insights for use making day-to-day decisions in managing work more engaging and empowering.

Insights generated from performance and assessment lead to organizations being more confident in identifying potential in people, qualifying what they need to train on to be future-ready and staffing them in roles where they will be most successful.

Better employee engagement also translates into lower attrition rates. For instance, identifying the top five competitors and their attrition rates and what practices they are following that have had the most impact in reducing this. Using analytics can provide high accuracy in predicting who will likely leave the organization in three or four months, and make recommendations on actions needed to retain that employee or not.

What are you currently using HR BI to accomplish?



KPISOFT helps organizations collect information from each stage in the employment lifecycle impacting goals in each of these areas - and provide augmented insights in the form of actionable recommendations on a dashboard that tells each persona in an enterprise Things to Know and Things to Do to influence these goals. Our products have features that provide timely nudges to identified individuals to understand the context that shifts behavior from completing a task to taking impactful action as people can see a line-of-sight as to how these will solve problems and track progress on a real-time basis.

In one use case, we helped a global organization in implementing an ATS – application tracking system – by including benchmarking of 1,800 successful profiles, which enables them to today select the best profile for every role that maximizes performance, in line with past patterns - and inform the business and the individual about the skill trends and gaps, inside their own and across multiple industries.

The HCM market is estimated to grow to about \$23 billion in that period. Another report pegs the workforce analytics market alone to grow to about \$3.6 billion by 2024. According to research firm Sierra-Cedar, 41% of CHROs plan to increase spending on talent analytics by 2025.

The future is data-driven

Data is the new oil! While it is of value, the dividend depends on its quality and integrity – and this remains a huge challenge for almost all enterprises. But it is also critical to ensure the information and insights needed to give organizations the competitive edge is available.

Most HR teams struggle to get this piece of the ‘execution jigsaw puzzle’ right to ensure they don’t become further irrelevant and redundant, as the questions being asked by CXOs and Boards change to be more forward looking.

According to Gartner, Augmented Analytics will be a leading digital application trending starting 2020.

But to successfully take advantage of knowing the direction we need to go in, we must first identify and understand if we have the ‘fuel’ needed to power us on the journey ahead.

In fact, understanding the different types of workforce data and its sources is central to improving the quality of decisions. Employee data can be collected from a range of sources such as social media, HRMS and enterprise systems, email, survey results, access management tools, wearable devices, among many others.

The quantum and ability are all factors of adherence to data security norms that are becoming increasingly important. In parallel, data governance models need to evolve as

countries require companies to tighten regulation and compliance related to user and data privacy.

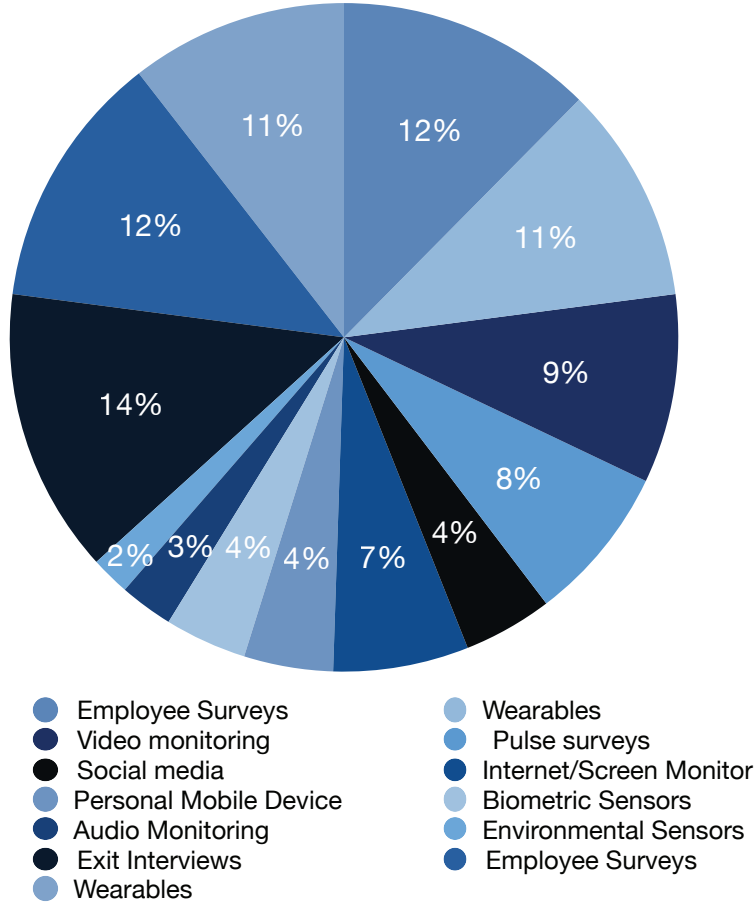
It’s important to understand that plain data, by itself, is deemed to be useless. For example, an organization looking at recruiting data may notice a 10% drop in resume qualification rates from the previous month. But that number in itself doesn’t say much about what it means specifically for your organization, or whether the decline is an industry trend, or reflects if one key sourcing channel isn’t working, or other reasons.

It’s important for businesses to go deeper to uncover what resulted in the decline. And then place those changes into a business context, identifying the ones that you can act on immediately.

In the HR context, it is important to look at several pieces of data across the employment lifecycle, analyse what decisions need to be improved in speed and quality and what impact will this have.

According to the Sierra Cedar survey, exit interviews contributed about 80% of employee data, followed by employee surveys (72%), wearables (61%), video monitoring (53%), and pulse surveys (44%). Social media contributed to only 25% of employee data.

Methods of Capturing Employee Data



We often see that the questions being asked by HR leaders of their teams tend to reflect the areas where there is the most data! More importantly, this is not where the answer lies.

By investing in talent analytics, HR teams are able to shape solutions that are not constrained due to structural silos or lack of collaboration and shift to adding value by integrating insight of how employment experience is impacting business performance.

According to a survey by global technology research advisory ISG, companies are not actively incorporating non-HR or employment data and external benchmarks into their HR analytics. Most companies are still structured to consider use of internal data and external research as two separate streams of information.

But increased maturity in talent analytics will reflect integration and translation of insight from information obtained on each question being answered from both sources, becoming the norm as HR and non-HR data merge, in the coming years, that facilitates a more robust and meaningful dialogue in organizations.

ISG also predicts that combining performance data with experience data will be a new frontier for talent analytics. And leading companies won't just simply define and build key moments that matter into their processes related to employee and customer interaction but ensure insights on those moments drive delight.

Key questions HR should look to answer

To add value to human capital, HR and line leaders need to answer the following questions at each stage of the employment lifecycle, amongst others being asked:

PRODUCTIVITY

1. What is the demand forecast and what are the demands at risk of not being fulfilled in time?
2. What is the Notional Billing/Opportunity Loss that is being generated if demand and supply of talent are not balanced?
3. How can I project fulfilment of current open demand based on inventory, funnel conversion, supply velocity and funnel movement velocity?
4. How can I optimize cost by predicting renege on offer acceptances and channel mix?
5. What is the projected headcount, average employee cost and people pyramid forecast?

PROFICIENCY

1. Given the demand, supply balance, what will be the projected gap – and what is the skill mix forecast to enable supply re/cross and upskilling?

2. What is the skill requirement forecast to predict in optimizing investment in learning assets?
3. What is the best match of Learner Profiles to ensure the training provided is best suited?
4. Who is likely to complete or withdraw from learning – and is the access and availability of learning assets and media optimal for the targeted audiences?
5. What is the time to competency predicted, by skill?

PERFORMANCE

1. How can I increase employee engagement and reduce attrition of key skills?
2. How do I design the optimal learning journey based on an individual skill gap?
3. How do I design the optimal career journey from my current to aspired role?
4. What will be the impact of achieving the key performance indicators / objectives and key results on client experience?
5. What will be a diversity mix based on the nature of demand, supply balance?

To influence positive impact on these areas, there is a need to ensure an integrated talent management and technology strategy that makes modern user experiences available, accessible and affordable.

Augmenting human intelligence with AI powered analytics will lead to enhanced outcomes and distinctive moments that matter.

Moving beyond efficient and effective HR processes -towards the empowered employee

The human resource management technology market size is projected to reach \$30 billion by 2025, growing at a CAGR of 11% between 2019 and 2025. Specifically, talent management-related software space is expected to grow at a CAGR of over 13.5% by 2025, driven by a focus on attracting, recruiting, and retaining individual employees.

Large organizations are expected to dominate this growth driven by investments they make seeing workforce productivity and HR efficiency technologies.

said it was informing the organizational business strategy, followed by influencing workforce business decisions.

Enhancing the end-to-end employee experience for companies is also a priority regardless of how innovative and effective a HR technology may be. Within the HCM space, organizations are experimenting with technologies that provide more comprehensive and intuitive user experience.

According to the 'Tech in HR' survey by TimesJobs focused on the India market, HR professionals were asked what would be the next big HR technology in which companies will invest.

The majority (33%) of HR leaders stated that HR industry will be investing in Robotic Processes Automation (RPA). The survey finding also revealed a tilt towards AI/ cognitive analytics and predictive analysis, technologies that will witness a heavy investment by companies in future. The survey also studies which technology had created maximum impact in making recruitment practises more agile and efficient – the majority (42%) of respondents said they feel data analytics has played a vital role in reshaping HR activities.

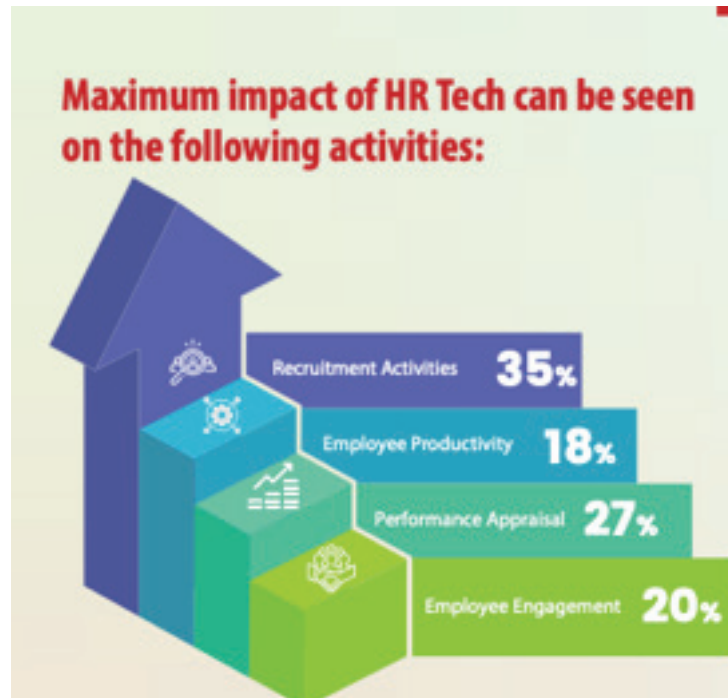
In Asia, in part driven by regional push by local governments towards digitization, many large organizations are chalking out ambitious plans. Enterprise buyer considerations here range from HR effectiveness, to whether the technology helps employees and managers to self-manage workflows and processes, among other aspects.

Level of HR Technology Utilization



Source: Sierra Cedar

In the Decoding the impact of Tech in HR survey, which asked respondents to rank the various factors that an organisation considers before choosing an HR software, revealed data security as the topmost factor for companies to choose an HR software, whereas other factors like functionality, easy maintenance and configurability ranked



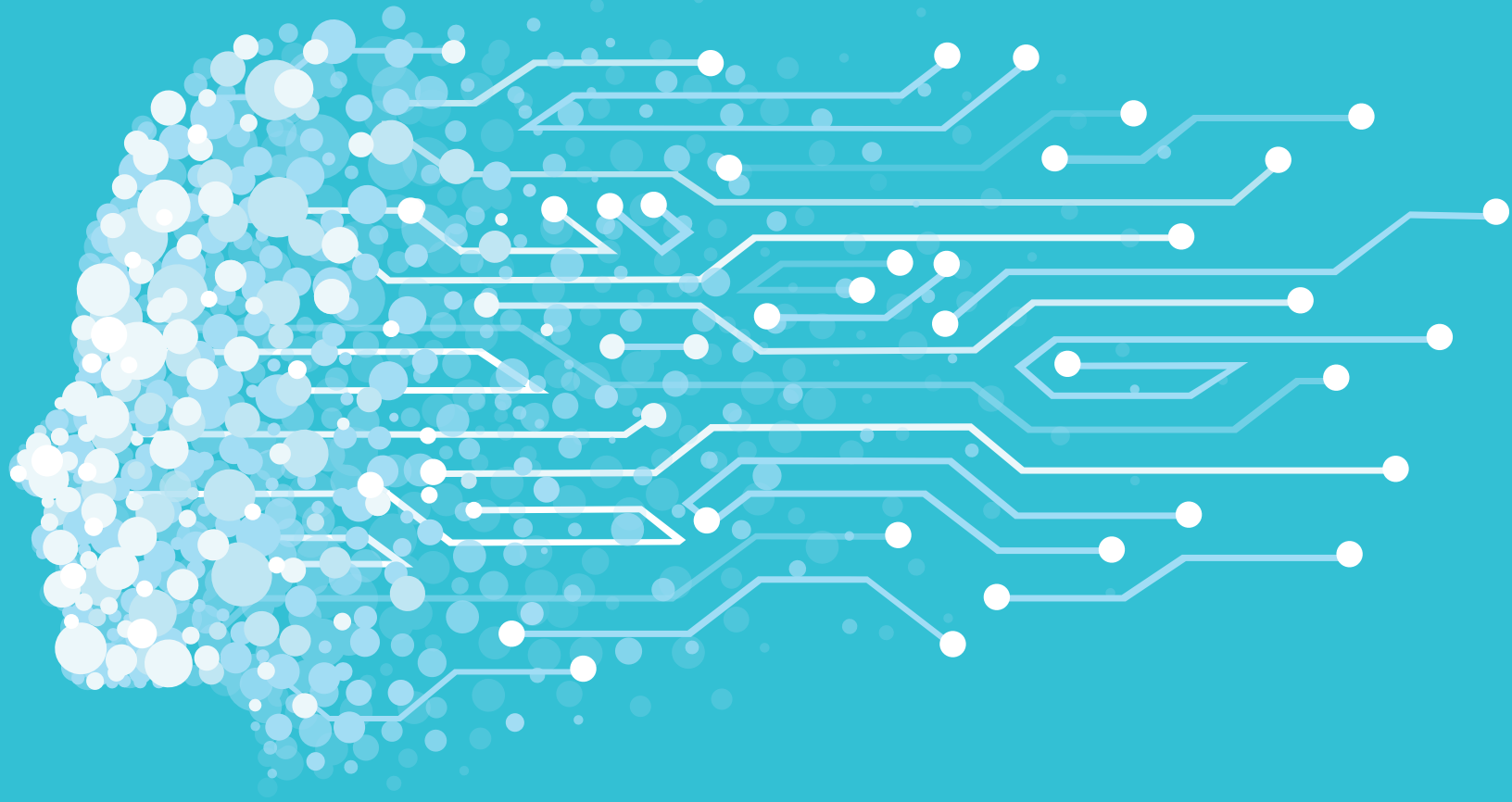
second, third and fourth respectively. Notably, the price of an HR software solution is not a deterrent for companies it seems, as it ranked fifth in the list of factors that companies consider before choosing an HR software.

Cost is another major factor affecting buying decisions. According to the TimesJobs survey, around 66% of HR leaders revealed that the ROI of using HR tech is more than hiring a candidate through the traditional approach of not using tech, whereas 34% of HR leaders disagreed with the view that implementation of technology generates more ROI for a business.

In terms of where the HR technology was making the most impact, the TimesSurvey revealed about 35% was across recruitment activities, followed by performance appraisal (27%), employee engagement (20%) and employee productivity (18%).

According to a survey by ISG, advanced analytics is seen as the next level of organization capability, and as HR analytics mature, there will be an ongoing shift from operational reporting from a single functional domain to enterprise dashboards and analytics and embedded intelligence directly in the application.

Nearly half (48%) of all the companies in the ISG survey indicated they have made an investment in analytics tools and systems, even with the same percentage saying they had well-established HR metrics, KPIs and enterprise-wide dashboards.



As talent management becomes more integrated with business strategy, line managers will become more attuned to using talent information, rather than depending on their HR team. And they will do so using data-driven insights.

In fact, it is estimated that 43% of business and IT executives say that more than 60% of their workforce will move into new roles within three years that will require substantial reskilling due to the impact of technology.

That will drive line and HR leaders to rethink further investments and redirect this to

workforce planning, reskilling and enhancing team and leadership performance to help individuals prepare for new roles. There is a clear shift from career and learning management being a shared responsibility to being more self-directed.

Culture will also play a differentiating role in defining success and leaders will look to data to see if beliefs, intentions, promises and actions are aligned. The HR technology platform will be the 'global glue' across policies, processes, practices as the platform of choice in years to come.



Conclusion

For enterprises, increasing competition amid the challenges of the new workplace models mean AI-and augmented analytics-driven HR technology will become paramount to drive innovation and retain competitive edge.

Key Takeaways

HR technology not only has the potential of automate existing HR practises, but can also improve the passion, performance and productivity in an organisation.

The role of AI and augmented analytics will be crucial in the evolution of the HR function as it opens multiple avenues and touch points to transform and re-engage human capital to ultimately lead to faster and better decision-making by the HR professional as they advise and partner with line leaders to navigate to the future.

Enterprises will have to accelerate shifts to reflect practices that will:

1. Employee experience led v/s employment contract-led
2. Employee-led v/s Leadership-led
3. Insight-led v/s Intuition-led
4. Nudge-led v/s Instruction-led
5. Democratized and empowering v/s controlled and constraining
6. Agile vs Lean

To add value to human capital, HR and line leaders will need to answer questions at each stage of the employment lifecycle and look at several pieces of data across each and analyse what decisions need to be improved in speed and quality and what impact will this have.

HR leaders and professionals need to ultimately move beyond efficient and effective HR processes — towards the empowered employee

ABOUT KPISOFT

KPISOFT helps global enterprises and organisations be future-ready by using disruptive technologies to enhance communication, collaboration and contribution with augmented analytics, AI and behaviour science. Our solutions range from providing insights to power performance, to enabling a personalised recommendation engine that shares information and insight to help enterprises and employees reach career and learning decisions aimed at aiding people grow, in addition to staying healthy and safe.

For more info go to **www.kpisoft.com**.

