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AI Adoption Drives Agility in HR

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Executive Summary

> " Artificial Intelligence (AI) holds enormous business potential for organizations in all industries. To illustrate: Experts predict by 2022, global business value derived from AI will total $3.9 trillion."

As such, businesses that leverage AI to their advantage can achieve and maintain a competitive edge, whereas those that fail to do so run the risk of floundering. However, since AI is a highly disruptive technology, successfully incorporating it into operations, products and services is a complex initiative requiring knowledgeable leadership, an agile organizational mindset and an innovative company culture. For the majority of mature businesses, this involves a significant transformation that needs to be carried out strategically across all segments of the organization. In this endeavor, an agile HR function can play a critical role. Agile HR focuses on delivering value to the end user, breaking initiatives down into smaller projects completed by autonomous, cross-functional teams and restructuring the organization into a flexible network of teams that work together towards the common goal. By using this approach, an agile HR function can create a work environment and organizational culture conducive to innovation, while at the same time establishing an executive talent strategy that delivers the leaders needed to spearhead the successful implementation of AI.

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Embracing AI is Critical to Remaining Competitive

" AI is having a significant impact on almost every industry. According to Gartner, by 2021, AI technology will contribute to 30 percent of new net revenue increase from industry-specific solutions.[1] Furthermore, Accenture predicts that by 2035, AI will increase labor productivity by as much as 40 percent.[2] "

Considering these statistics, it should be clear organizations that possess the ability to strategically leverage AI to advance their operations, as well as their product and service offerings, can drastically strengthen their competitive positioning, whereas those that don't— and fail to develop it — will lag behind.

Think of a car manufacturer struggling to remain competitive where AI is already playing an increasingly important role. New players — big tech companies such as Google, Apple and Uber — are working to develop vehicles with autonomous driving capabilities. General Motors, with its newly expanded Cruise Automation company, exemplifies how automotive businesses are embracing AI in the world of driverless vehicles. AI is also essential to electrification, connectivity and shared mobility — all growing trends in the automotive market. In addition, efficiencies resulting from AI can deliver significant cost-savings.[3] Clearly, the manufacturer needs to successfully integrate AI into its products. Moreover, it has to incorporate AI into its operations in order to streamline them, reduce waste and control costs. If it fails to do these things, it risks losing market share to incumbents and newcomers alike and will fail to achieve critical cost savings that could otherwise boost its profit margins.

While this is a hypothetical example, it illustrates just how crucial it is for businesses to embrace AI. Regardless of whether in the automotive industry, finance industry, or human resources, AI can be the business enabler and driver of innovation companies need. When properly implemented, AI will allow businesses to remain competitive in this fast-paced, quickly evolving market.

Embracing AI: A Complex Challenge

" Embracing AI is a complex challenge. It requires leaders who can recognize the right opportunities for their businesses, drive innovation and experimentation within their organizations and benchmark the results of their initiatives against pre-set goals."

However, in a traditional organization, the incumbent executive talent typically does not possess the experience and knowledge to successfully embrace AI. Additionally, traditional organizations often have a siloed structure, which isn't conducive to rapid transformation and responsiveness.

To spearhead the AI implementation initiative, an organization needs executive talent with the appropriate technical knowledge and leadership skills. Moreover, the business must transform itself into a more agile, responsive organization with an open, innovative culture in order to provide the new leaders with a flexible environment where they can thrive, drive changes and help the business attain its operational objectives. This requires the adaptation of current talent sourcing and development strategies.

Complex transformations do not happen overnight. Often, organizations adopt agile in tribes or teams. Instead of moving forward with the entire enterprise, they seek gains in one business or area of business. With learning and improvement in one area, they then drive change in another area until the entire company embraces the continuous process improvement. This begs the question: How can an organization drive the required transformation thoughtfully, strategically and smoothly?

Agile HR: A Prerequisite for Successful AI Adoption

> "As a key business function, HR works with many stakeholders and oversees multiple initiatives throughout the organization. It is the facilitator of talent acquisition, retention and development; plus, it manages human capital policy development and implementation."

As such, it's poised to enable the organizational change needed in order to embrace AI. Today's market, in which volatility and turbulence are the norm, calls for an agile HR approach. Over the years, other sectors and business functions have come to recognize the benefits of Agile in terms of quality enhancement, customer satisfaction, improved responsiveness and reduced risk — to name a few — and started adopting the method, which rapidly grew in popularity. In fact, in a 2017 survey conducted by Deloitte, 94 percent of companies agreed that collaboration and agility were critical to their success. While only six percent described themselves as "highly agile" and 19 percent stated they were "not agile," 32 percent said they were designing their organizations to be more team-centric and adaptable.[4]

Agile HR is based in three principles. First, its priority is to deliver value to its business partners and disregard anything that doesn't contribute to that goal. Second, it breaks down large, complex endeavors into lesser projects that are completed by small, cross-functional, autonomous teams (tribes or squads) that receive continuous feedback from stakeholders. And third, it views the organization not as a top-down, hierarchical bureaucracy but instead, as a transparent, fluid network of teams that work together towards the common goal of delivering value to end users.[5]

When these three principles are fully adopted by the HR function, it becomes a true partner of the business and facilitates agility throughout the entire organization. By using agile practices in its own function, HR is more nimble and responsive to the business's changing needs. And when it comes to driving the transformation needed for the organization to embrace AI, HR can leverage its capabilities as an advocate for both talent and the company culture.

An agile HR function can facilitate the creation of a system in which business units are no longer fixed, but where teams are formed per project based on skill sets. For example, in ING's exemplary

transformation to an agile organization, HR built the new organizational structure and assigned employees to groups. In addition, it was responsible for drastically reducing the number of job types to better function in the autonomous team settings.[6]

Furthermore, HR can play an integral role in enabling the open, innovative environment needed to embrace AI. In this endeavor, acquiring and retaining talent with the right mindset is crucial, since it is ultimately the organization's workforce that needs to be receptive to AI in order for implementation to be successful. It's also essential for HR, working closely with its business partners, to foster a culture where employees feel empowered to experiment and innovate in order to help the organization advance towards its goals.

Finally, an agile HR function can employ creative strategies to source executive talent with the right knowledge and skills, for example by searching in functional areas such as high tech. It can also design career development programs to match high-potential talent to future need, providing them with the right skills to lead an AI-centric organization. These programs should emphasize frequent feedback and the ability to acquire skills and experience according to the individual's preferences and the business's needs.

The Business Benefits of Agile HR

"When implementing AI, agile HR offers several distinct business benefits. It allows the HR function to eliminate unnecessary processes, resulting in an HR function more adaptable and responsive to the organization's changing needs."

Thanks to the constant cycle of feedback, HR can continuously improve processes while at the same time increasing end user satisfaction and delivering a faster ROI. By restructuring the organization so it's flatter and more flexible, tapping into data regarding employees' skill sets and assigning employees according to where their skills are most needed, it can increase the business's efficacy and agility. Moreover, since HR manages talent acquisition processes and develops employment practices, it can tailor the organization's employer brand to attract candidates with the right mindset to function in an agile, innovative organization. Plus, with an executive talent strategy aimed at attracting,

developing and retaining leaders with knowledge of AI and the ability to inspire the organization in its implementation, HR can secure leadership who will drive innovation and enable the business to take advantage of opportunities that arise as a result of AI adoption. All these factors combine to make the organization more responsive, agile and resilient — ultimately making it more competitive in today's volatile market place.

Agile HR Drives Organizational Agility

AI adoption is undoubtedly critical for business success. Nevertheless, for established, mature organizations, fully embracing all the potential AI offers involves a formidable transformation; one that encompasses every aspect of the business and can take months, if not years, to accomplish. Without an HR function that drives agility at every level of the organization, this transformation will have challenges. In contrast, with an agile HR function that prioritizes the business's objectives of establishing a flat and flexible organizational structure, promoting a collaborative, innovative culture, and attracting leaders with in-depth knowledge of AI, the transformation can be completed relatively quickly and smoothly. The result is an agile organization that's much better positioned to leverage AI and other technological advancements to its competitive advantage.

For information about searching for and assessing executive talent to spearhead your AI implementation initiative, please contact us.

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