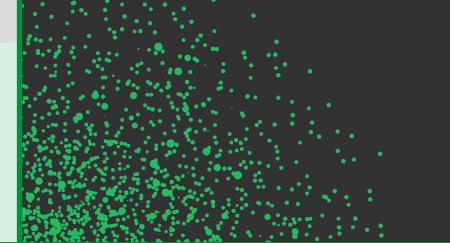


Executive Perspectives





Unlocking Impact from GenAl

Human Resources

July 2024

Introduction

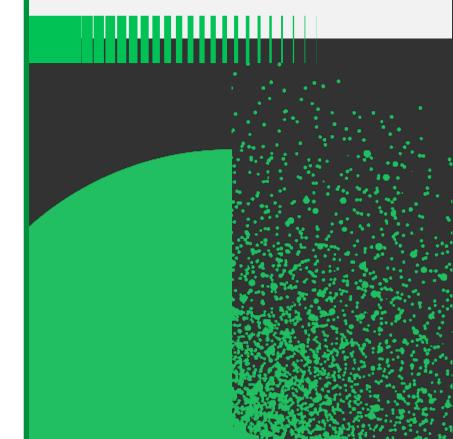
As part of our ongoing series of C-suite conversations on AI, we are sharing our most recent learnings in a series designed to help navigate the rapidly changing world of AI. After working with over 1,000 clients in the past year, we've found that AI is at an inflection point: in 2024, the focus is on turning AI's potential into real profit.

In this edition, we discuss the **future of human resources (HR)** and the role Al will play in turbocharging the function's capacity to deliver on unprecedented demands. We address key questions on the minds of HR leaders, including:

- What will my HR organization look like both how we are structured and what tools and skillsets are required?
- How can we achieve near-term performance gains with AI and GenAI while building the necessary capabilities?
- Given the sensitivity of our work, how can we proactively address ethical and employee/candidate experience risks?
- How can we drive adoption, engagement, and adherence to capture value?

This document is a guide for CEOs and CHROs to cut through the hype around AI in HR and understand what creates value now and in the future.

In this BCG
Executive Perspective,
we show you how to
leverage AI to transform
and create value in HR



Executive summary | Unlocking impact from GenAI in human resources

GenAI will enable HR to deliver against new demands The changing nature of work is placing **unprecedented demands on HR**, e.g., organization-wide upskilling and behavioral change

To meet these demands, HR can leverage Generative AI (GenAI) to become more **productive**, **effective**, **and engaged** (e.g., ~20-40% productivity improvement)

In the near term, many leaders are starting with significant opportunities in **recruiting** (e.g., 20-25% near-term cost reduction) **and admin**

Foundational investments will be required to capture value

HR organizations are investing in **key enablers** to re-imagine the function, including:

- Org and op model: Reorienting around employee experience, with new roles to shape and govern GenAl
- Talent and skills: Up/re-skilling and hiring specialists to address 55-75% skill disruption in key HR roles
- Data, tech, and partnerships: Preparing data and infrastructure, partnering to assemble portfolio of tools
- Risk and responsible AI: Addressing potential bias and ensuring compliance with regulatory requirements
- Change management: Taking a science-backed approach to change behaviors and drive adoption

HR leaders must act now

Most leaders are **already taking action with GenAI in HR** (e.g., among enterprises already deploying GenAI, **70-80%** are using it in HR)

To get started, HR leaders must build integrated implementation roadmaps, upskill fellow leaders, and prepare HR data and guardrails to ensure reliability, compliance, and sustained value capture

HR organizations face unprecedented demands as the future of work unfolds

Key trends in the future of work



Personalized strategies to attract and retain top talent in a cost-constrained environment



- **Requirements of HR**
- Dynamic, more competitive **rewards/benefits**
- Personalized L&D¹ pathways and career journeys
- Deep focus on **DE&I**² on people and tech fronts



Skill disruption and humanmachine teaming



- **Up-/re-skilling** of non-tech talent to address GenAl disruption (e.g., **86**% expect need in near-term)
- Continual re-design of ways of working, teams, roles
- Behavioral change and human-machine trust

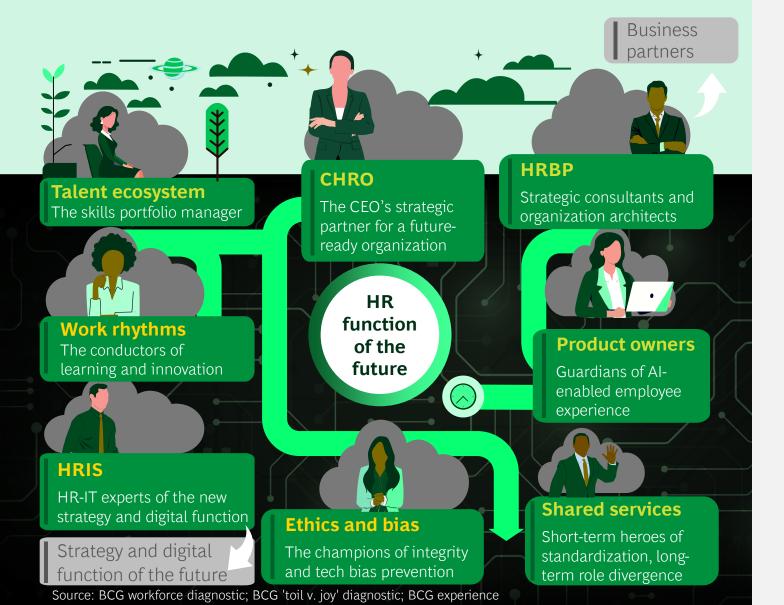


Rising need for – and lagging supply of – tech talent



 Dynamic talent planning to address technical skill gaps via hiring and re-skilling (e.g., to address >3x increase in demand for data scientists in past 5 years; future demand may vary with GenAI)

To deliver against these demands, HR of the future must be fundamentally different...



...leveraging GenAI for step-changes in...

Productivity

20-40%

90%+

Increase for HRBPs and recruiters

Boost for some administrative workflows

Speed and effectiveness

10X

50%

Faster content creation

Decreased time to hire

Engagement

3X

25%

Growth in employee engagement

Rise in HR retention

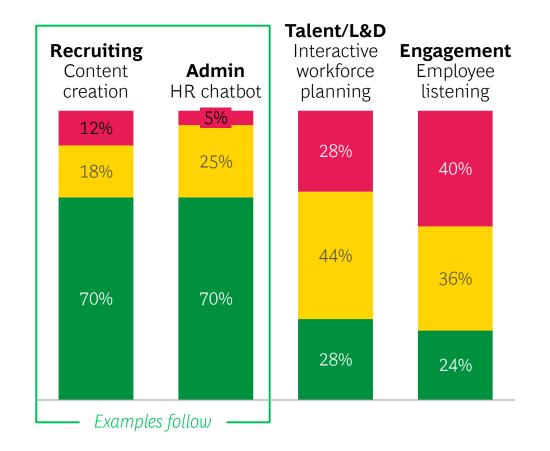
E2E process re-imagination is critical for HR to break the historical compromise between productivity and employee engagement

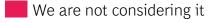
	Anticipate	Attract			Develop		Engage	
	HR strategy and planning	Recruiting and resourcing	HR admin/ shared services	Compensation and benefits	Learning and development	Performance and career mgmt.	Employee engagement	Employee relations
From:	Manual data producing static results	Losing top candidates due to lengthy process and human bias	Siloed teams providing fragmented service and long wait times	Information stored in different places, time-intensive to get answers	Time-intensive content creation, fragmented employee experience	Highly reliant on human opinion, often providing feedback too late	Reliant on employees to raise issues/ concerns	Manual and time-intensive documentation and reporting
To:	Dynamic forecasting of future workforce needs and re-designing workflows	Humans augmented with automated sourcing support, freeing up time	Streamlined, faster support from 'hire to retire'	Chatbots and self- service tools to help employees find information quickly	Personalized L&D journey and clear career path to increase engagement and retention	Delivering real- time feedback and objective performance insights	Predicting issues by monitoring and analyzing employee sentiment	Automating admin to enable time for human engagement around inquiries
Productivity increase		•						
Engagemen increase	t							
				_	roductivity increase:		10-25%	0% ->50%

Early adopters of GenAI in HR are starting with lowhanging fruits that present lower risk and offer higher near-term productivity gains









We are considering it

We are implementing, piloting, or scaling

Example 1 | Recruiting - Multi-year journey re-imagines recruitment as part of broader professional services HR transformation

Where did they start?

Professional services firm facing significant changes in **demand for talent**, including:

- Greater quantity
- Broader range of skillsets
- Increased diversity

In parallel, candidates and recruiters dissatisfied with talent acquisition tools, putting brand and ability to capture top-tier talent at risk

Firm had formulated an **organization-wide recruiting vision** and made progress on quick wins, e.g., virtual recruiting tools

As next step, desire to pursue **E2E digital transformation featuring GenAI** to accelerate performance, unlock time for deeper human thinking and engagement

What are they doing?

From 2020-2022:

- **Diagnostic** including identification of pain points and differentiators
- Partner diligence and selection
- Future architecture definition
- Experimentation and pilots, including workflow re-design and standardization, training, RAI guardrails, change mgmt

From 2023-2024:

- **E2E scaling** using agile approach (e.g., 2-week sprints, dedicated product owners)
 - Consolidation from many complex workflows to three global standards
 - Streamlining from 5x ATS tools to 1
- Continued RAI guardrail refinement
- Iteration of candidate communications to ensure ongoing **transparency**

Value identified

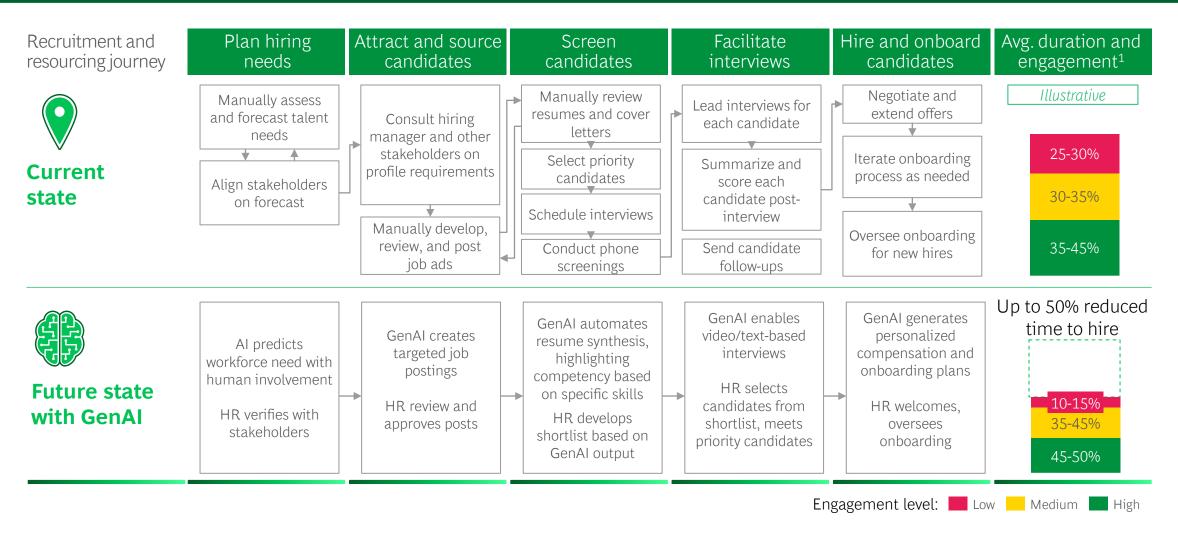
75%+ solution adoption to date driving impact at scale, including:



Plus higher **data fidelity**, global **KPI standardization**, and better recruiter + candidate experience

Lessons learned informing **broader goforward HR opportunities**

Example 1 | Recruiting – E2E re-design unlocks time for more strategic, engaging work



^{1.} Based on BCG 'toil v. joy' diagnostic responses to: How much do you agree with this statement "I enjoy this task"? From (1) - Strongly disagree to (5) - Strongly agree; Source: BCG workforce diagnostic; BCG 'toil v. joy' diagnostic; BCG experience

Example 2 | HR admin - Global airline carrier enhances service speed and quality with GenAI in shared services

Where did they start?

Global airline carrier running **organizationwide improvement program** as part of path to recovery from COVID-19, which significantly impacted flight crew staff:

Impact on morale



Seeking to break this cycle by **re-establishing employee satisfaction and operational stability,** exploring how GenAl can help achieve these strategic goals

What are they doing?

Conducted **holistic assessment** across corporate functions including:

- Activity and time allocation
- Potential GenAI impact, including productivity, cost, engagement, and skills disruption

Aligned focus opportunities: Finance and HR

Prioritized **shortlist of workflows** based on pain points, and **assessed data capabilities for transversal use** across organization

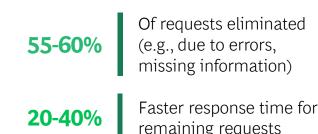
Detailed **target state and business cases** for priority opportunities, including cost savings, investment, and skill requirements

Developed **implementation roadmap** including quick wins to fund the journey and long-term investments

Value identified

In HR, two priority opportunities

- Shared services center (focus of this example)
- Recruiting and hiring



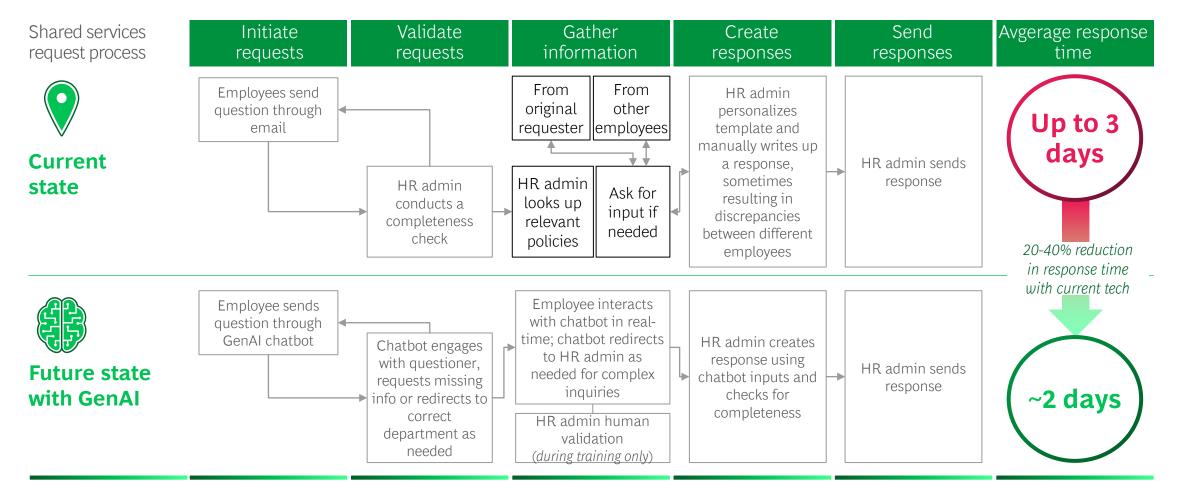
< 1 yr Breakev

higher-quality responses

... Plus more efficient, consistent, and

ent, and

Example 2 | HR admin - Streamlined shared services workflow enables faster, higher-quality service



To unlock value, HR leaders are investing in foundational enablers



Org design and op model

Restructuring HR, including new roles to address governance, data maintenance, and bias

Talent and skills

Developing professional skillsets in HR to execute against new roles and requirements

Data, tech, and partnerships

Evolving data to fully leverage GenAI and expanding ecosystem of partners to assemble tool portfolio

Risk and responsible AI

Ensuring all solutions are compliant with GenAI regulations, especially those that are HR-focused

Change management

Taking a science backed approach to change behaviors and drive adoption, engagement, and adherence

Org design and op model | Today's siloed HR organization will evolve to re-orient around the employee experience

North Star HR

Strategic alignment around employee experience, including new roles that shape and govern GenAl



personalized. behavioral scienceinformed, "in the workflow" L&D journeys and human/GenAl collaboration models

coaches working shoulder-toshoulder with business to drive change, continually redesign work and team structures for optimal performance

oriented professionals who shape solutions to increase engagement and retention (e.g. well-being, compensation)

oriented professionals who link data flows of business strategy to dynamic strategic workforce planning and advise on HR technology, including data maintenance

Governing roles that work across HR, legal, and IT to proactively identify and mitigate risk, oversee compliance, and monitor models/ algorithms for bias

Shared services

management

professionals

skills analysis

trained in dynamic

"segment-of-one"

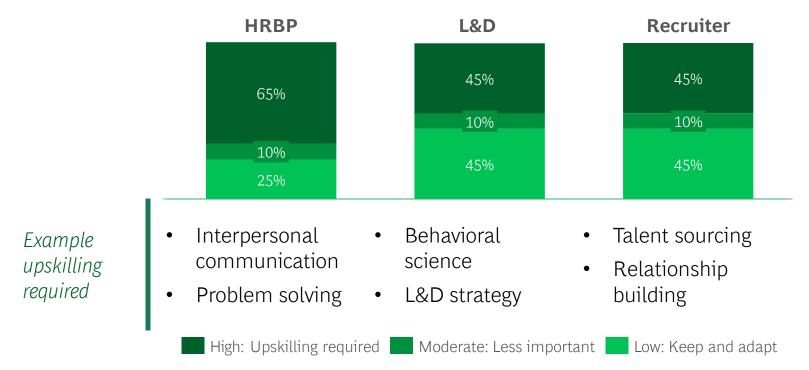
Critical forcing mechanism for short-term process/tool standardization, mid- to long-term evolution based on organizational strategy



Talent and skills | Up/re-skilling and new hires will be required to meet the demands of these highly evolved and net new roles

Across three HR roles with the highest business impact, deep up/re-skilling required amid 55-75% skill disruption

Extent of skill disruption and example upskilling required for **top 3 roles by business impact**



...plus hiring of new profiles

- For new roles to govern, shape, and build GenAl...
 - RAI/ethics experts
 - HR/IT experts
- For evolved roles requiring more specialization, advanced degree holders in topics including...
 - Behavioral science
 - Data science
 - Programming

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Data, tech, & partnerships | For HR organizations lagging in data foundations, critical to address upfront and factor into GenAI investment priorities

HR organizations commonly need to overcome 3 barriers to prepare for GenAl



Data silos

HR data often housed across different, siloed systems – need to centralize in unified platform



2 Data quality and inconsistency

Disparate systems often lead to inconsistent data entries and formats – critical to standardize and establish data governance



3 Legacy systems

HR often using legacy systems that do not integrate with GenAI tools – upgrades required to enable data integration and security

Opportunity to invest in data readiness and GenAI solutions in parallel

Example GenAI opportunities to pursue in parallel to HR data preparation:

- Recruiting and onboarding content: Writing job descriptions, marketing emails, personalized onboarding; relies on existing job descriptions/ materials
- Recruiting admin: Automating scheduling, and generating reminders and follow-up communications; does not require employee data
- L&D recommendations and content: Suggesting trainings and developing content; requires basic employee data, training records, and existing content that is easier to clean and maintain

Data, tech, & partnerships | ~80-85% of HR organizations are exclusively buying or assembling built + bought solutions

Spectrum of partner solutions available based on organizational needs and priorities

	Core systems (e.g., CRM)	Point solutions
Description	Integrated platforms with GenAl in their product roadmaps	Specialized GenAI-powered tools designed for specific HR activities
Advantages	 Enterprise-grade technologies Streamlined integration Able to achieve step changes in capabilities (e.g., via acquisition) 	 Leveraging pockets of innovation that are fast to market Typically, flexible pricing Often faster to implement
Disadvantages	 Typically, higher cost and longer time to implement Risk of lower quality in some capabilities vs. point solutions May "lock" into one partnership 	 Across E2E HR requirements, may not be cost-effective Risk of data fragmentation Risk of partner being acquired by lean core players
Examples	Human capital management platform	Skills-based talent development tools

Five guiding questions for HR GenAl partnership decisions

Compatibility

How well does the solution **integrate** with existing HR systems and data?

Functionality

Can I afford to wait for my core system provider(s) to add GenAI functionalities? Or do I need to act now (i.e., build)?

Data security/compliance

Does the solution **provide adequate protections** for sensitive HR data? Comply with **data privacy and security regulations?**

Scalability

Can the solution **scale** with our evolving needs?

Cost/ROI

What are the initial and ongoing **costs**, and expected **ROI**?

Risk and responsible Al | Many emerging GenAl regulations explicitly address HR given the high sensitivity around its data and responsibilities

Not exhaustive

July 2023 May 2024 May 2024 Expected 2024 Geo NYC AI Regulations **EU** Artificial Colorado Artificial EU, US,

Potential for HR

Regulation

 Regulates how GenAI is used in hiring and **promotion** decisions

(Local Law 144

of $2021)^1$

- HR must conduct **annual** audit for potential bias in automated employment decision tools and **provide** subsequent notice²
- Given that GenAl tech for HR falls into highest risk category, HR orgs will need to meet **stringent** requirements (e.g., data governance, transparent candidate comms, compliance obligations, incident reporting)

Intelligence Act³

HR orgs will be required to:

Intelligence Act

(CAIA)⁴

- Enact and report on riskmanagement policy to govern GenAI tool use
- Conduct annual impact **assessments** to identify algorithmic bias
- Alert candidates of Al use in hiring decisions

 More regulations are expected targeting HR

Cross-border

 HR must monitor ongoing commissions & regulations on the horizon including **No Robot Bosses Act** (prohibits sole reliance on automated hiring decisions), Al Pact (network to support organizations' AI compliance)

implications

Disclaimer: For informational purposes only - does not constitute legal advice; 1. In effect as of Jan 1, 2023; 2. Defined as computer-based tools that use AI, machine learning, statistical modeling, or data analytics to help employers make employment decisions; 3. Passed March, 2024, going into effect Summer 2024; 4. Signed May 2024, going into effect February 2026; Source: City of New York; State of Colorado; European Commission; U.S. Congress; BCG analysis

...Underscoring the importance of HR compliance and proactive risk mitigation

Not exhaustive



Change management

Addressing resistance to changes in ways of working



- Build personalized change journeys with tailored behavioral science interventions
- Identify and measure adoption and value to track progress, inform solution iteration

Additional detail follows



Governance vs. speed

Balancing compliance with momentum

- Provide clear decision-making model on E2E work re-design while anticipating tradeoffs
- Establish clear, streamlined governance processes with a focus on prioritizing security, action, and productivity gains



Data security and model bias

Avoiding exposure of sensitive data and biased outputs

- Create new role(s)
 responsible for
 systematic model
 oversight, including
 bias prevention
- Prioritize redteaming and other stress tests to actively address risk
- Consider dedicated HR-IT roles for data oversight



Regulatory conformity

Setting up to comply with new HR-focused laws/regulations



 Develop ongoing regulatory training to ensure leadership and workforce are informed



Candidate experience

Minimizing performance issues during rollout

- Start small with pilots to minimize the impact of the first rollout
- Prioritize
 transparency where
 possible during pilot
 and rollout, fostering
 spirit of co-creation
 and ongoing
 communication

proactively anticipate many potential risks, including...

HR must

Source: BCG experience

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Change management | To ensure adoption, engagement, and adherence, a proactive change program grounded in behavioral science is required

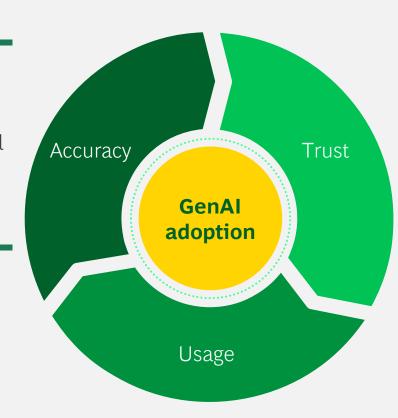
Four levers to catalyze the flywheel of behavioral change

Personalized change journeys

2x adoption rate with personalized user journeys that leverage interventions based on behavioral insights, pain points, and psychological traits

Nudges

Subtly guiding behavior without forbidding options or significantly changing economic incentives; e.g., changing default options, highlighting peer benchmarks to **boost desired behavior 55-60%**



Closed feedback loops

Always-on change monitoring, e.g., to inform feedback loops and respond to **90%** of employees seeking regular leadership communication

Co-creation

For example, collaborating with recruiters to re-design talent acquisition processes and develop supporting set of GenAI solutions

Three steps for HR to begin the GenAl journey



Build an **integrated GenAl roadmap**, grounded in **strategic HR goals**, and collaborate with leadership to chart the **enterprise-wide transformation journey**



Upskill leaders in HR and across the organization, including ongoing hands-on experimentation (e.g., everyday tools, custom GPTs, and agents)



Prepare data (e.g., mapping data sources, implementing centralized HRIS platform, standardizing formats) and develop guardrails to ensure **reliability and compliance**

BCG Experts | Key contacts for HR AI transformation

NAMR



Allison Bailey



David Martin



Julie Bedard



Renee Laverdiere



Dylan Bolden



Bill Beaver



Frank Breitling



Tauseef Charanya



Julia Dhar



Kristy Ellmer



Sesh Iyer



Matthew Kropp



Juliana Lisi



Vladimir Lukic



Rajiv Shenoy



Nithya Vaduganathan



Charles Westrin

EMESA



Vinciane Beauchene



Jens Baier



Jaap Backx



Nicolas de Bellefonds



Nina Kataeva



Erik Lenhard



Julia Madden



Tom Martin



Dan Sack



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Jeffrey Walters

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