The Rise and Limits of AI in Recruiting Talent

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Roadmap

RISE

1. What are the benefits of AI in recruiting?

LIMITS

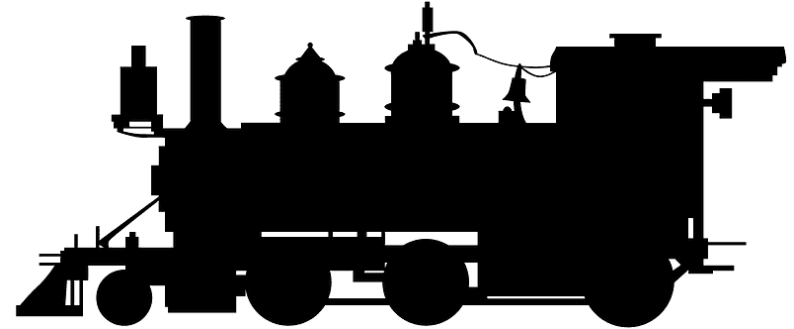2. What are the confines of AI in recruiting and hiring people?

Implications
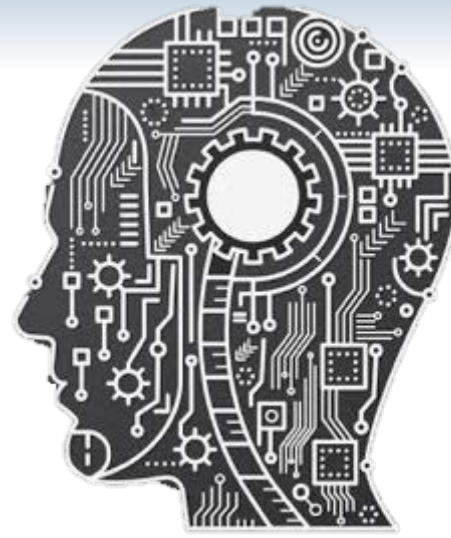
3. What does this all mean for your business?

Ways to Move Goods

Faster, Cheaper, Better

Ways to Recruit Talent

Faster, Cheaper, Better

- **Identify**

- **Entice**

- **Screen**

AI Recruiting

- **Assess**

- **Assist**

- **Interview**

The Rise of AI in Recruiting: *The Benefits*

How is AI being used in recruiting?

Domain	Description	Benefit (Examples)
Identifying		
Enticing		
Screening		
Assessing		
Assisting		
Interviewing		

The Rise of AI in Recruiting: *The Benefits*

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Assisting		
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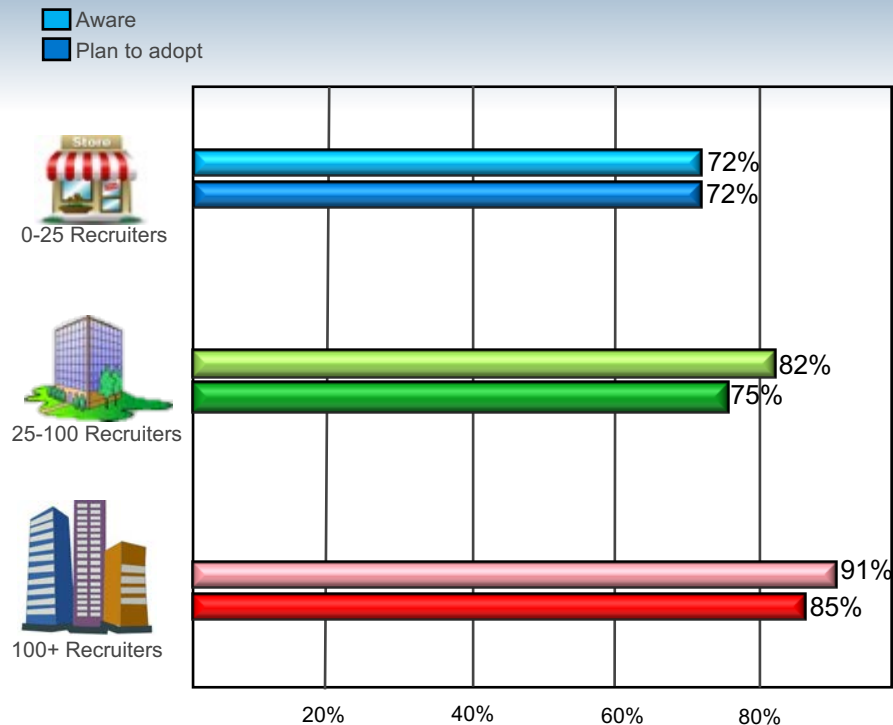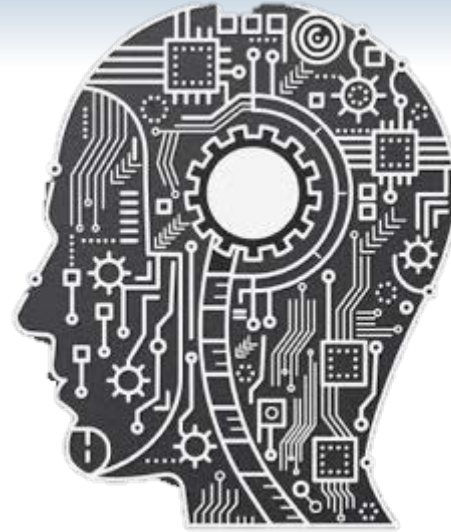| Domain	Description	Benefit (Examples)
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Interviewing	AI analyzes initial video recorded interviews of candidates	Unilever used HireVue for 45,000 candidates and final offers made increased from 65% to 80%

The Rise of AI in Recruiting

Cumulative AI Recruiting Funding (billions)

- Aware
- Plan to adopt

0-25 Recruiters
- 72%
- 72%

25-100 Recruiters
- 82%
- 75%

100+ Recruiters
- 91%
- 85%

Source: https://www.ceipal.com/artificial-intelligence-in-recruiting-industry-report-2019/

Ways to Recruit Talent

Faster, Cheaper, Better

Preconditions

Surrounding Conditions
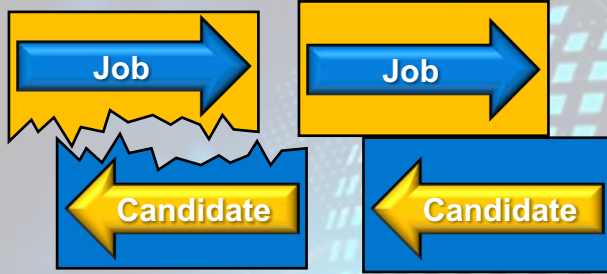
Preconditions

- 25% - 30% of employees are <u>active</u> job candidates
- 250:1 Candidates to online job
- 70% - 80% are unqualified
- 75% - 85% of <u>passive</u> candidates will entertain an unsolicited job opportunity

Job → ← Candidate

Job → ← Candidate

Digitalization

AI

Digitalization

Surrounding Conditions
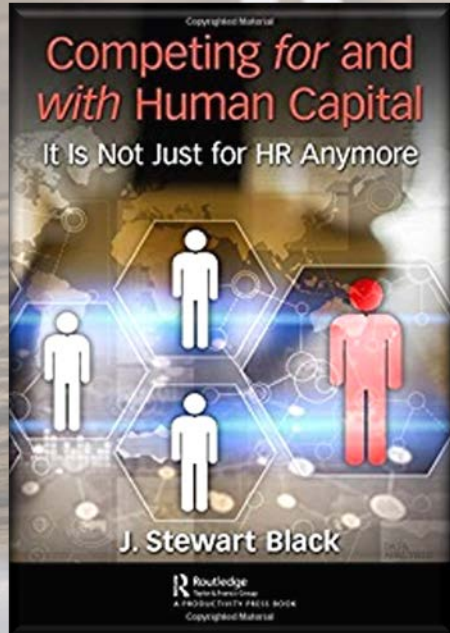
Preconditions

Because of these preconditions, half to two-thirds of your employees are "poachable" through AI.

The Rise of AI in Recruiting: *Surrounding Conditions*

War for Talent

Competing *for* and *with* Human Capital

It Is Not Just for HR Anymore
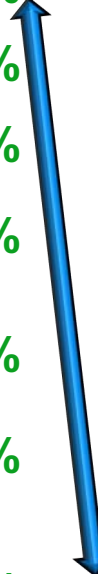
J. Stewart Black

The Rise of AI in Recruiting: *Surrounding Conditions*

1. Are your people your most important asset?

2. Does your company seek to be the *employer of choice* in your industry?

3. Is it harder these days than in the past to attract and retain the best talent?

4. Does the quality of talent make an important difference in your company's performance?

5. Does your firm have a clear strategy for becoming the employer of choice?

6. Does your firm have and use good metrics for determining how it is doing as an employer of choice?

7. Do you hold managers and executives accountable for their success or failures in waging and winning the war for talent?

The Rise of AI in Recruiting: *Surrounding Conditions*

THE WAR FOR TALENT

|	**YES**	**NO**
1. Are your people your most important asset?	97%	3%
2. Does your company seek to be the *employer of choice* in your industry?	91%	9%
3. Is it harder these days than in the past to attract and retain the best talent?	86%	14%
4. Does the quality of talent make an important difference in your company's performance?	89%	11%
5. Does your firm have a clear strategy for becoming the employer of choice?	14%	86%
6. Does your firm have and use good metrics for determining how it is doing as an employer of choice?	8%	92%
7. Do you hold managers and executives accountable for their success or failures in waging and winning the war for talent?	4%	96%

The Rise of AI in Recruiting: *Surrounding Conditions*

THE WAR FOR TALENT

- Opinions are nice, but is there empirical evidence of a war for talent?
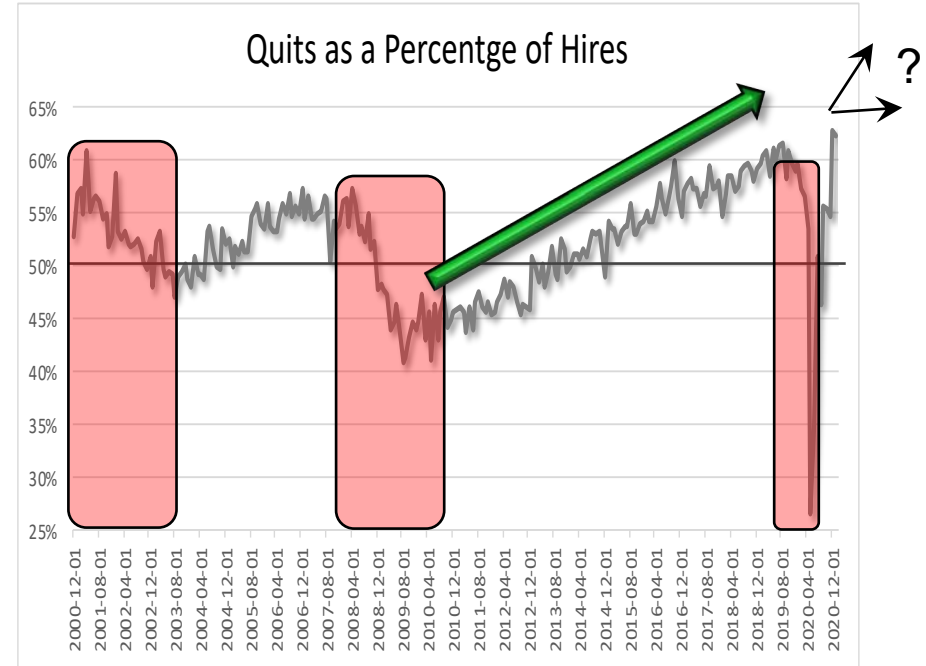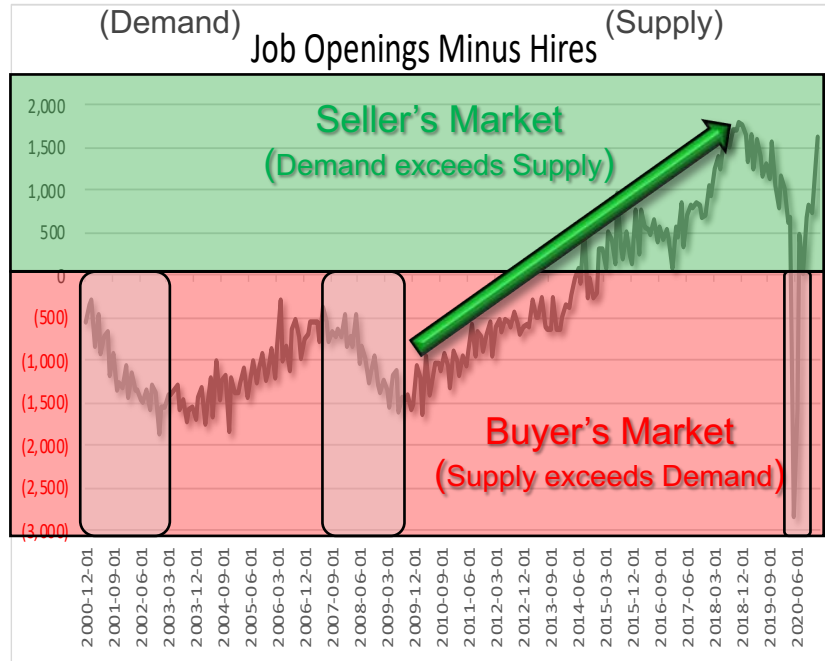
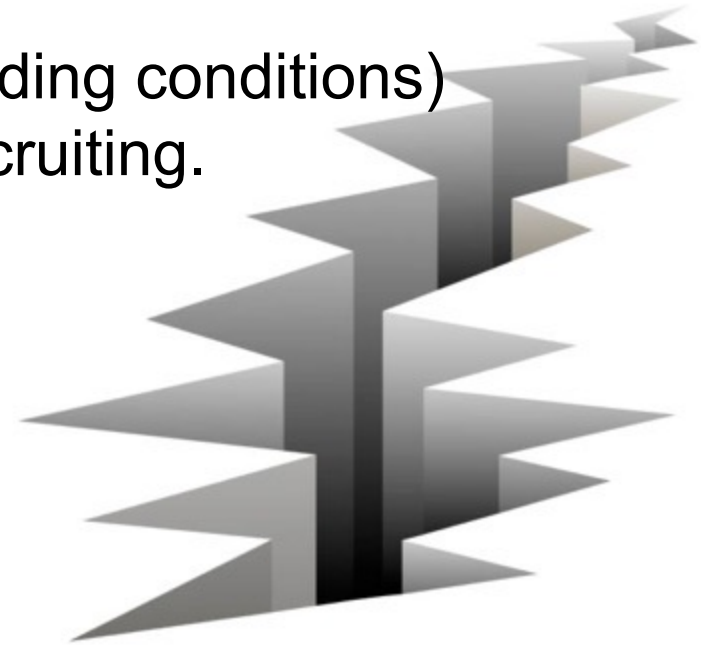# The Rise of AI in Recruiting: *Surrounding Conditions*

THE WAR FOR TALENT: *THREE SEISMIC SHIFTS*

- Economics (i.e., labor supply and demand) always matter in a war for talent.

- However, three seismic shifts (surrounding conditions) matter more and amplify AI utility in recruiting.
  1. Employees are more valuable.
  2. Employees can know their value.
  3. Employees can capture their value.

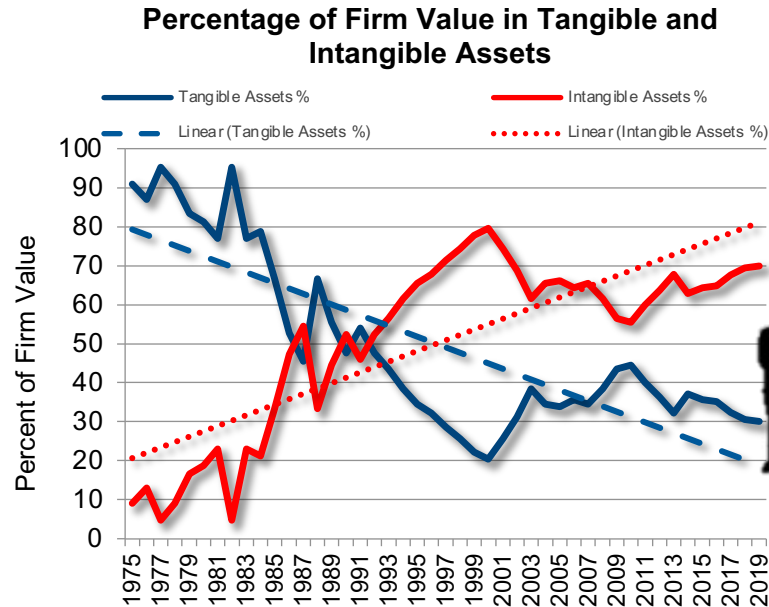# The Rise of AI in Recruiting: *Surrounding Conditions*

THE WAR FOR TALENT: *THREE SEISMIC SHIFTS*

## 1. **More Valuable**: The inversion in source of firm value

So What?
People either are the sum and substance of intangible assets
or
they are their principal driver!

Plus, firms own their tangible assets, but they don't own their people.

Source: J. Stewart Black, Competing *for* and *with* Human Capital: It's Not Just for HR Anymore

Percentage of Firm Value in Tangible and Intangible Assets

Tangible Assets % Intangible Assets %
Linear (Tangible Assets %) Linear (Intangible Assets %)

(y-axis: Percent of Firm Value, 0–100; x-axis: 1975–2019)

← **70%**

Intangible Assets:
Innovation, Customer Service, Speed to Market, etc.
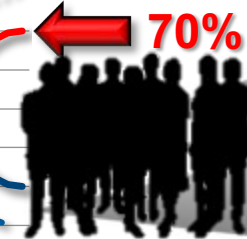
Legally, rivals can't steel your assets but they can steel your talent.

Surrounding Conditions

Employees are more valuable than ever because they drive firm value. Amplifies the utility of AI because it can help find the talent that adds that value.
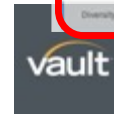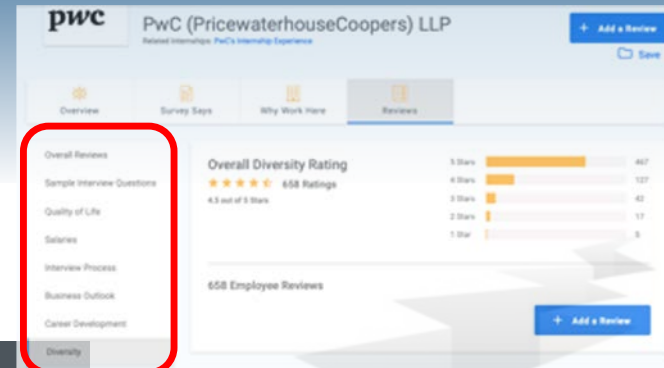
The Rise of AI in Recruiting: *Surrounding Conditions*

THE WAR FOR TALENT: *THREE SEISMIC SHIFTS*

2. **Know their value**: The loss *by* <u>employers</u> of information asymmetry advantage over employees
   - Firms used to know much more than employees about labor supply, demand, & wages.
   - Now in 10 minutes for nearly free, employees can know almost as much as employers.
   - Why does this matter? Why should you care?
   - Just ask any new car dealer.

Surrounding Conditions

<u>Employees</u> can know their value easier and faster than ever before. Amplifies the utility of AI because it can help recruit the valuable talent you need.
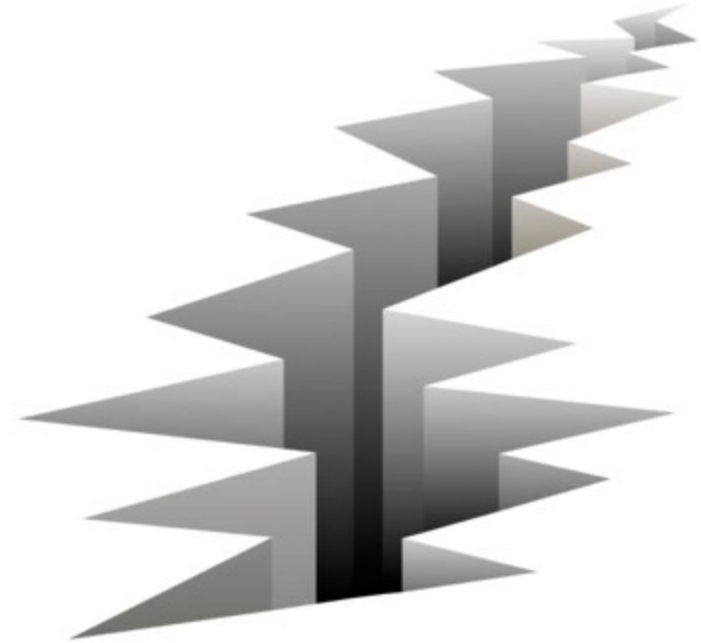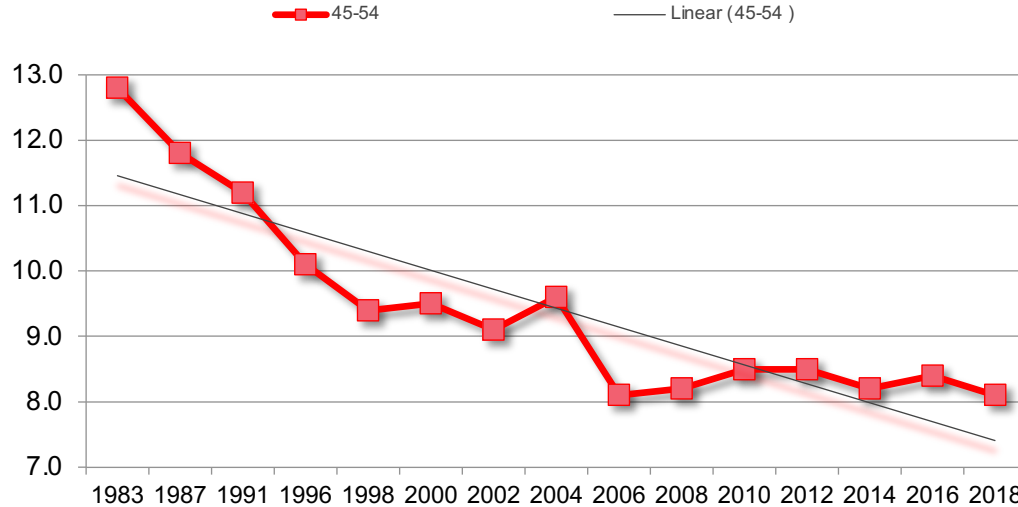
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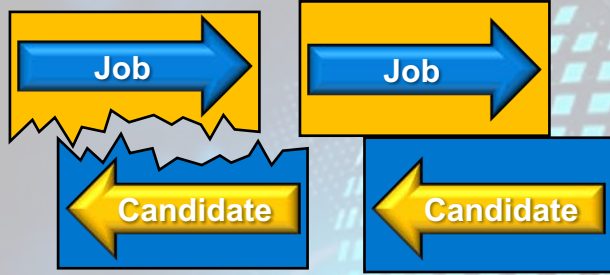3. **Capture their Value**: The fall of employee switching costs

Company Tenure (Switching Behavior)

45-54   Linear (45-54)

Preconditions

<u>Employees</u> have lower switching costs, and as a consequence, now can more easily move to capture their value. AI can efficiently and effectively cope with the churn.

Preconditions

Digitalization

Digitalization

AI

Surrounding Conditions

VALUE

The Limits of AI

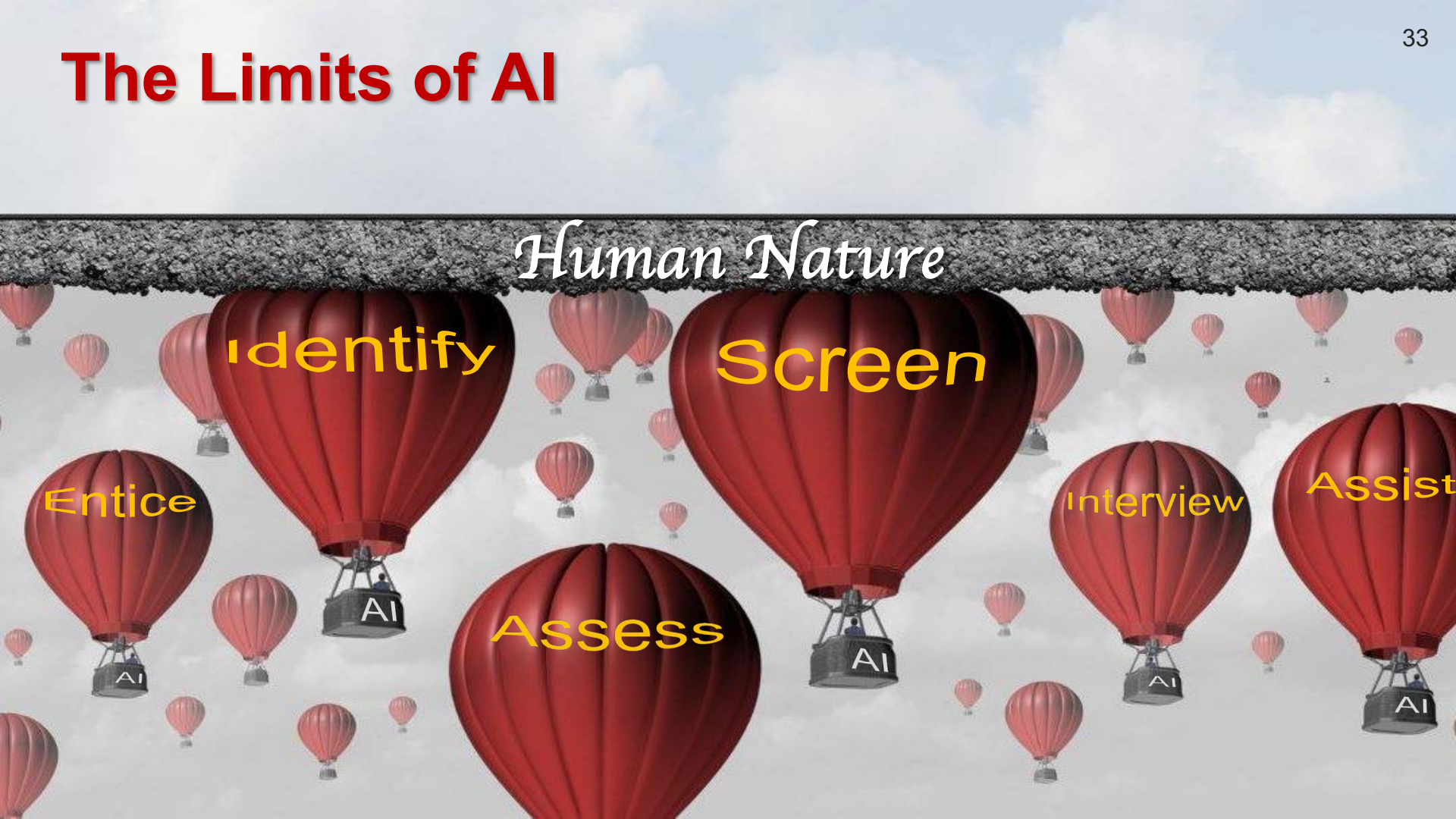

Human Nature

Identify

Screen

Entice

Assess

Interview

Assist

AI Recruiting

AI can get the needed quantity and quality of talent to your door efficiently and effectively.

The people you want, must want you

The Limits of AI in Recruiting: *Human Nature*

- Getting the candidates you want, to want you, depends primarily on 3 factors:
    - Your **Company** (its reputation and culture)
    - Your **Leaders** (at the top and proximate to the candidates)
    - The **Job** (what the candidates do and who they work with)

- All the AI in the world cannot overcome a caustic company, lousy leaders, or junky jobs.

- BUT, what about money? Doesn't money matter? **Money matters, but it is less and less _the_ differentiator.**

Compensation transparency is now high enough that it is more about preferences than packages.

The Implications

- It used to be that your employees who were satisfied enough to <u>not</u> go actively looking for a job were relatively safe from poaching by other firms.

The Implications

- Only high-profile executives were worth a competitor paying an executive search firm to go after.

- Even then, executive search firms had limited proprietary data-bases of passive candidates.

The Implications

- Today any employee with any meaningful digital footprint on social media is an identifiable and reachable target via AI-enabled recruiting tools.

- Therefore, if you don't use AI tools to go after rivals', you will simply leave your people vulnerable to rivals' AI-enabled raids.

AI Arms Race

The Implications

- With Covid-19 fading, we are back to a "seller's market."
  - **Employees** have more leverage than ever before because of the Three Seismic Shifts.
  - The Three Seismic Shifts are unlikely to fade away or reverse.
- These surrounding conditions amplify the benefits of AI-enabled recruiting.
- This has sparked an arms race to employ and deploy AI-enabled recruiting tools.
- Ironically, AI cannot win the final mile of the race it forces you to run.
- Why? Because the **War for Talent** is not won until a candidate says "yes" to your offer.
  - **You must get the talent you want, to want you.**
- People join organizations for entirely authentically human characteristics not artificially intelligent capabilities.

Q & A

Final Thoughts

- If "remote working" becomes a permanent fact, not just a temporary fad, one of the biggest obstacles for changing jobs (i.e., having to relocate) will decline and employee switching costs will drop even further—and we will see even more switching behavior.
  - This too will generate additional "job churn" and a need for firms to employ and deploy AI recruiting tools.
- All this will only amplify the AI-enabled recruiting tools arms race, but ultimately to get the people you want, to want you, will require humanly authentic and attractive employee value propositions.

High Tech

AI Arms Race

High Touch