

THE ULTIMATE GUIDE:
**DIGITAL
DISRUPTION
IN HR**



ALLSORTER



CONTENTS

**1 / AGE OF DIGITAL
TRANSFORMATION**

2 / DIGITAL LAG OF HR

3 / URGENCY OF CHANGE IN HR

**4 / THE VALUE OF PREEMPTIVE
TRANSFORMATION**

**5 / TIPS FOR PREEMPTIVE
CHANGE IN HR**

6 / SOURCES

INTRODUCTION

The reality facing the HR and Staffing industry is a struggle to adapt to the cumulative impact of change. The speed of technological development, the demand for talent and the challenges of providing top candidate and employee experiences are piling the pressure on HR and recruiting professionals.

This paper addresses the slow adoption of transformative digital strategies in the HR sector; the need for digital transformation of key business processes; how preemptive transformation will result in higher performing organisations; and steps to take for successful preemptive digital transformation.

THE AGE OF DIGITAL TRANSFORMATION

Rapid advances in digital technology are redefining our industries and dramatically altering our society. Acceleration in technology is so far acting in accordance with Moore's Law - after four decades of exponential growth, we are now doubling an incredible amount of processing power every two years, leading to unprecedented advances in technological innovations (1).

The cause of this multiplier effect is two-fold. Firstly, the cost of advanced technologies has reduced dramatically. Global demand is being met at lower price levels and this increase in availability is spurring on the research and production of even more connected digital devices and services. Secondly, an insatiable demand for speed, connectivity and convenience is creating the need for increasingly advanced devices.

Generations who have grown up with technology making their lives easier now have higher expectations for what technology can achieve - and rightly so, with technologies like self-driving cars and implantable brain-machine interfaces becoming a reality.

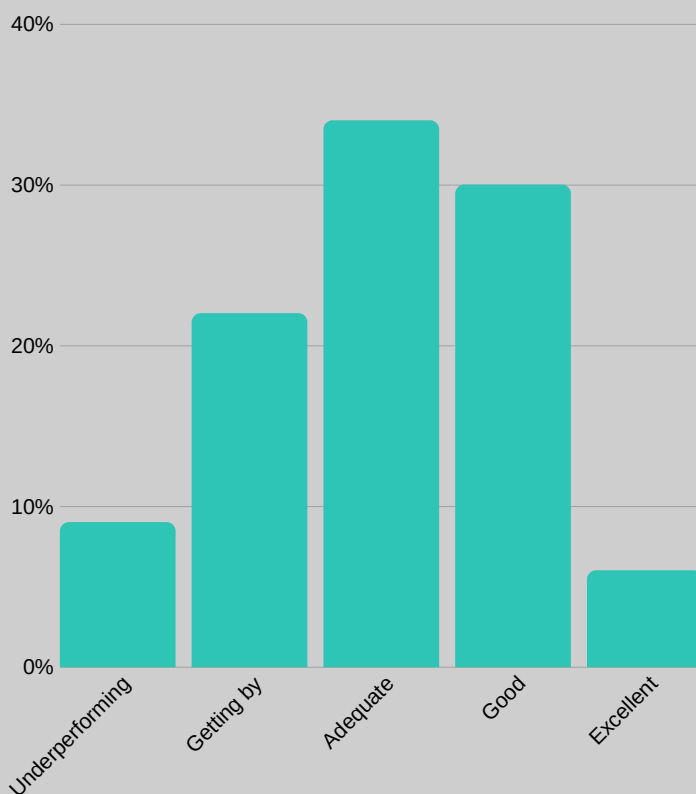
The importance of recognising how drastically technology can change an industry cannot be overstated. The benefits of digital transformation for customers and employees are seen across all industries - automated processes are improving efficiency and the ability to quickly action specific customer demands; the exploitation of Big Data is allowing for more informed decision-making; and streamlined business models are enabling a more customer-centric, agile approach.



HR PERFORMANCE STATISTICS

A recent global research study carried out by Deloitte (2) in 2018, involving over 10,000 businesses spread over 140 countries, reported that the HR business function (including Talent Acquisition, Careers, Learning, and Performance Management functions among others) is in dire need of process change.

A third of the companies consulted, classed their HR performance as 'adequate' and only 5-6% as excellent. Furthermore, the report revealed that Big Data analytics adoption in HR departments is at only 9%.



Source: Deloitte (2019) "Trends in Human Capital"

THE DIGITAL LAG IN HR

The benefits that digital transformation can bring to the HR and Staffing industries are immense.

Advanced analytics can facilitate data-driven decisions around performance management, development opportunities, and agile cross-team functionality. Artificial intelligence and automation streamline the recruiting process, freeing up staffing and recruiting professionals to conduct soft-skill evaluations and culture-fit analysis. Complex compliance and legal challenges will be more easily navigated with the help of cloud-based solutions. Digitization will move HR from a primarily administrative function to a key strategic element of organisations.

Despite these advantages, the adoption of digital innovation in HR is lagging in comparison to other industries and is still weighed down with manual time-consuming administrative tasks.

For example, traditional CVs and resumes have long outgrown their use for employers, overburdening HR and email systems. The static nature of the CV does not allow for human error and the lack of standardised processes regarding its data management and formatting leave companies open to data breaches, biased talent selection, and poor candidate representation.

CV formatting - inputting CV data into a company approved template - is a perfect example of an onerous process that is burdening recruiters and HR professionals, preventing them from spending time on more business-critical tasks. The time savings that could be gained from the digitization of this process are significant.



URGENCY OF CHANGE IN HR

There is an increasing demand for the HR function to evolve and to close the gap between HR managers, business leaders, IT developments and the workforce. Human Capital Management based on AI/Big Data and machine learning solutions are widely considered to be the 'next big thing' (3), however, analytics and AI have moved beyond creating reports or dashboards. The next generation solutions must be designed around tangible contributions towards strategic business decisions.

44% WANT MORE DATA-
DRIVEN DECISIONS

HR industry leaders understand that adapting their business model is essential - 44% of HR professionals want to make more data-led hiring decisions and 81% of companies plan to allocate funding to digital transformation projects over the next 2-3 years according to a Global report by Resource Solutions (4).

81% PLAN TO INVEST
IN DIGITAL
TRANSFORMATION

However, there are significant reasons to believe that time is a credible factor in successful transformation - adapting early may give first-mover advantage by becoming a disruptor (5). Despite this, reluctance to change is common when performance metrics are healthy - transformations are potentially costly, require re-allocation of resources, plus face challenges securing buy-in from stakeholders. Nevertheless, moving preemptively may be the best way to prevent decline and obsolescence.

Source: Global report by Resource Solutions

THE VALUE OF PREEMPTIVE TRANSFORMATION

With the HR and recruitment industries on the cusp of change, business leaders are facing a critical decision - to initiate transformation preemptively or wait until decaying performance triggers change. A study by BCG (5), analysing hundreds of transformations involving restructuring costs by large US companies, found that preemptive change predicts significantly more positive long-term success

than reactive transformation. Furthermore, analysis indicates that the earlier the change occurs before declining performance, the better the resulting long-term increase in performance. Businesses will always meet resistance along the growth trajectory, so momentum alone is not sufficient for continued success - change must be instigated.

Transformation is described as **preemptive** if the company initiated change while outperforming in its industry (as per Total Shareholder Return) whereas **reactive** transformation is initiated when a company is underperforming.





50% HIGHER POTENTIAL
RETURN ON
INVESTMENT

PREEMPTIVE TRANSFORMATION

Along with the benefits of increased long-term financial performance, there are a number of secondary benefits attributed to preemptive transformation:

- Preemptive transformation projects take less time to implement, resulting in consecutive restructuring costs for an average of only 12 months compared to 14 months for reactive change projects.
- Preemptive change is less costly, possibly due to the shorter timeframe, with average total restructuring costs coming to 1.4% of total yearly revenue for preemptive transformation, compared to 1.8% for reactive transformation.
- Greater leadership stability is associated with preemption. In the two-year period following a transformation project, significantly more companies went through a transition of CEO post reactive change (21%), compared to 16% of companies in the case of preemption.

Consequently, with lower average costs and greater financial returns, the ROI of preemptive transformation is predicted to be **50% higher** than reactive transformation.



5 TIPS FOR PREEMPTIVE CHANGE IN HR

In the face of a changing industry, HR companies are recognising the need to adapt their strategy, business processes and technology. Initiating this change earlier will significantly improve future performance, but how do you steer a successful company into the unknown?

1 READ AND LEARN

Be prepared for what is coming down the line. Understanding the impact that developing technologies will have on the business landscape will prepare you for taking new directions. Learn how other industries have evolved, and how the most successful companies gained first mover advantage. Armed with strategic knowledge, you will recognise opportunities in your own business. Incubation (6) is widely proposed to be an important step in the creative process and can explain why frequent reading is a common hobby of successful business people. Unconscious re-combination of thought elements that were stimulated through learning at a point in time can result in novel ideas coming 'out of the blue' in the future.

2

INVEST IN THE FUTURE

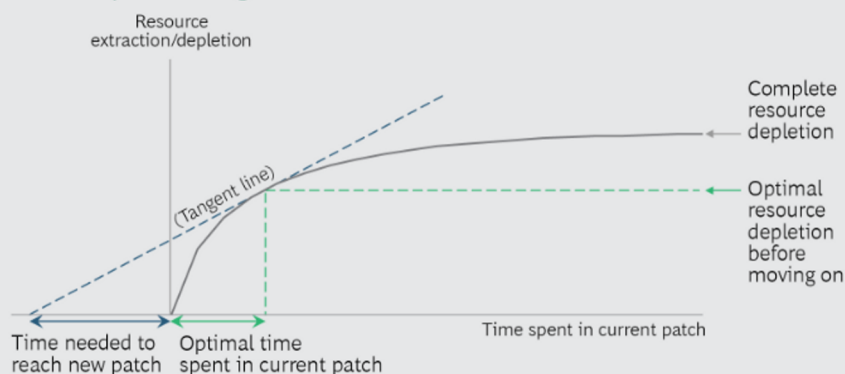
Devote resources to R&D and digital technologies - in the absence of key resources, change will not occur. Building permanent organisational infrastructure to facilitate adaptability and innovative processes will enable quick responses to risk and success factors, engendering more long-term value beyond the current transformation. Preemptive transformation should be a continuous process so immobilising key resources now will continue to yield value. For example, investing in a robust data analytics platform is one such resource - by exploiting the pools of data available to you, more informed decisions can keep your innovation progress on the right track.

3

EXPLORE NEW POSSIBILITIES

As our prediction of the future is never absolute, the need for experimentation and exploration in a controlled, strategic manner cannot be over-emphasised. To balance innovation and risk is a delicate act. One successful approach to embarking on a journey of innovation is drawn from The Marginal Value Theorem which analyses the foraging behaviour of animals (7). It illustrates that to maximise gain over time, animals must leave their current 'patch' of foraging long before resource depletion and to account for time seeking out a new 'patch'. Extrapolating from this, in a business environment it is strategic for leaders to balance small steps in adjacent areas (to achieve short-term gains) with large leaps into unknown terrain (to progress long-term vision) (8). By maintaining a flexible approach and exercising the ability to pivot rapidly towards areas of promise improves the performance of an innovative team.

EXHIBIT 1 | The Marginal Value Theorem



- The marginal value theorem models the optimal foraging behavior of animals
- Time spent in one "patch" is determined by the depletion rate and the time needed to reach a new patch
- To maximize total gain over time, animals should search for a new patch well before the current one is fully depleted

Source: Charnov (1976) BCG Henderson Institute Analysis

4

CREATE A SENSE OF URGENCY

A sense of complacency can arise when a company's performance is satisfactory. This resistance to change is often attributed to loss aversion - humans' preference for avoiding losses over acquiring equivalent gains (9). This is rooted in evolutionary adaptations - a loss of a day's food may result in death whereas the once-off gain of extra food would not result in another day of life. This psychological tendency will not be overcome organically and thus, concerted efforts must be made to create a sense of urgency. Hypothetical scenarios, studying radical industry challengers, surveying dissatisfied customers and other such creative exercises, if endorsed by management, can train teams to recognise risks of the current business model, identify new opportunities, and test the resilience of new ideas.

5

SHOW THE BIG PICTURE

Transformation projects can be a source of dissonance and dissatisfaction among key stakeholders. Creating a vision of the 'bigger picture' and the underlying vision is a priority when securing buy-in from key stakeholders who may insist that continuity and risk-avoidance is the only approach. Leaders must define the vision clearly, hand-holding the entire business through the story of why innovation and change is key to achieving potential. Getting buy-in from the outset will energize and motivate your team to ensure a frictionless process focused on innovation and growth.





*Allsorter.com leverages the latest advances in AI-technologies to provide the most efficient **CV formatting solution for recruiters and HR professionals**. Easy-to-use and available as a stand-alone solution, Allsorter.com saves recruiters time, ensures consistent brand identity, and gives greater control over outgoing candidate CVs.*

Allsorter.com, a data science company founded in 2014, is passionate about transforming business processes through innovation and delivering digital transformation projects globally. Allsorter.com is a member of the European AI Alliance and EU Digital Skills & Jobs coalition, and an awardee of the prestigious Horizon 2020 funding from the European Investment Bank.

Sources

1. World Economic Forum & Accenture (2016) "Digital Transformation of Industries: Demystifying Digital and Securing \$100 Trillion for Society and Industry by 2025." Available at: <http://reports.weforum.org/digital-transformation/onward-and-upward-the-transformative-power-of-technology/>
2. Deloitte (2019) "Trends in Human Capital". Available at: <https://www2.deloitte.com/es/es/pages/human-capital/articles/tendencias-capital-humano.html>
3. Fosway Group (2019) "HR Critical Realities." Available at: <http://www.fosway.com/research/next-generation-hr/hr-critical-realities/>
4. Resource Solutions (2018) "Recruitment Outsourcing Insights Report." Available at: <https://www.resourcesolutions.com/latest-news/rpo-recruitment-outsourcing-insights-2018.html>
5. The Boston Consulting Group (2018) "Preemptive Transformation: Fix it before it breaks." Available at: <https://www.bcg.com/publications/2018/preemptive-transformation-fix-it-before-it-breaks.aspx>
6. Baird, B. et al (2012) "Inspired by distraction: Mind wandering facilitates creative incubation." Psychological science, 23(10), pp.1117-1122.
7. Charnov, EL (1976) "Optimal foraging, the marginal value theorem." Theoretical Population Biology, 9(2), pp.129-36.
8. The Boston Consulting Group (2018) "Leaping Before the Platform Burns: The Increasing Necessity of Preemptive Innovation." Available at: <https://www.bcg.com/en-us/publications/2018/leaping-before-platform-burns-increasing-necessity-preemptive-innovation.aspx>
9. Tversky, A. and Kahneman, D. (1991) "Loss aversion in riskless choice: A reference-dependent model." The quarterly journal of economics, 106(4), pp.1039-1061.

getintouch@allsorter.com

