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The Generative AI wave is here and the HR function at many CAHRS companies is at the center of it. This new technology has the potential to transform work and the workplace, creating both opportunities and challenges. This working group explored how HR can harness AI to drive strategic value and help organizations navigate these changes.

Key Takeaways

1. Operating Model & Risks

➢ Many firms suggested that the current genAI landscape can be described as "coordinated chaos," characterized by multiple, disparate applications, bespoke processes, and unclear accountabilities. Moving forward it will be important to transition to a single interface with multiple applications, to standardize processes while also identifying where deviation is warranted, and to clarify the accountability chain.

➢ Risk management is top-of-mind for all firms. Certainty and scope are inversely related, so firms need to assess the cost of a mistake and their overall risk tolerance. Since HR is often seen as more conservative, it is a useful pilot beachhead because success in HR de-risks expansion. For instance, many firms have started with a targeted, enterprise-wide HR application (e.g., AI coaching), which has helped to create more appetite for risk across the firm.

➢ Speed is also top-of-mind. How do we go faster, safely? How do we move at a pace that the organization can tolerate? It is important to remember that going faster can be achieved by accelerating or by removing friction.

➢ Firms see the potential for genAI to be leveraged across virtually all parts of the HR function - talent acquisition, performance management, learning and development, etc ... - and in the process can help to free up HR to engage in more strategic work. Yet, many important questions remain. How will this change the composition of the HR team? How will genAI reshape the meaning of employees' work and their interactions with management and HR? How do we effectively manage this change? One suggestion raised during the meeting is that we need to stop talking about job elimination and to start talking about how genAI will redefine how we work and the skills that are needed.

➢ Many HR processes have been built on outdated technology. genAI represents an opportunity to redesign and reinvent many of these processes. At the same time, employees still often want human touch, so redesign with augmentation not replacement in mind.

2. Strategy & Governance

➢ Although all firms have created mechanisms to provide oversight of genAI, they vary in their structure and membership.

➢ Some firms have centralized oversight of genAI, for example through an AI investments and/or AI ethics board. The strengths of this approach are greater control/standardization and a more unified strategy. The main limitation is speed as the review process often takes several weeks. For the centralized approach to be effective, the strategy and priorities need to be very clear. In the centralized approach, HR is typically represented along with members of IT and other key stakeholders.

➢ Other firms have adopted a more decentralized approach, where each unit has an AI sponsor. This model better accounts for the different use cases and risks that exist across areas (e.g., HR vs. Finance), but can lead to a more disjointed strategy and conflicting priorities.

➢ Governance is a moving target: HR, HR Tech, and IT must share accountability.
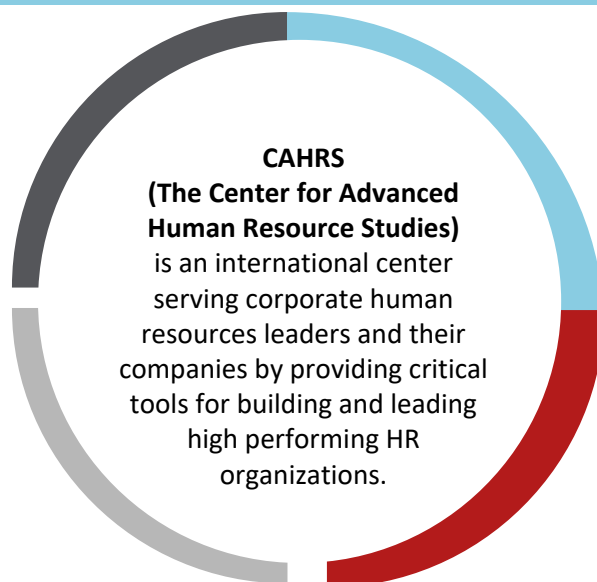
3. Change Management

- There was agreement across firms that HR and technology need to partner to drive the organizational change and transformation surrounding genAI.
- Building AI fluency helps to reduce some of the fear and anxiety that often surrounds genAI and can be a first step in getting people to experiment with it. Companies are building fluency by providing training (e.g., on prompt engineering), sharing best practices (e.g, repositories of effective prompts), and by creating learning labs where individuals with different levels of experience can play with it and receive guidance. Ultimately the most effective learning initiatives are those that couple AI skills with human skills (e.g., communication).
- Firms are also training their leaders on how to lead in the age of genAI. For example, how can leaders use genAI for feedback, performance reviews, and other management tasks? How do leaders drive adoption in their teams?
- It is important to normalize AI use so it doesn't feel like "cheating." Otherwise employees will hide that they are using it out of fear that they will be penalized or their job will be automated.

4. Measurement

- Firms are tracking genAI usage so they can identify who is and who is not utilizing it, and to what extent. Some are also building ROI dashboards for genAI, which are based on utilization metrics.
- At the same time, usage does not equal literacy. So some firms are also tracking sentiment (e.g., user experience, user confidence) and are asking leaders to report how well it is being utilized in their units. At the moment, it is unclear whether leaders are well equipped to make such judgments, but asking for it at least signals that the firm wants people using it and using it in productive ways.

5. Open Questions

- Data management: Do firms manage a data lake? What data do employees need? How we protect and ensure the accuracy of our data?
- HR product mindset: There are many possibilities, but what do we want our redesigned HR products to look like? What type of experience do we want to create for our employees? How do we want our employees to experience HR? Is this the same change management playbook as for digital transformation, or is this something different entirely?
- Impact on humanity: What are the implications of AI for for more human-centric HR? Will it erode empathy ? What types of queries should trigger human involvement?
- Guardrails: What are the non-negotiable guardrails a the HR-IT/Tech boundary? What guardrails need to be put in place as firms start to democratize agent development? Which credentialing gates are required before staff can author, deploy, or us certain agents?
- Measurement: What is the scorecard that executives and managers should use to assess organizational adoption and proficiency in AI?

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