AI-POWERED HR

How to Evolve the HR Operating Model for the AI Era

PART I – RESEARCH PAPER

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TI PEOPLE

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EXECUTIVE SUMMARY

Generative AI represents the most significant opportunity to reshape HR in decades. 'Squaring the circle' and delivering more (business value) for less (HR resources) becomes possible. Our meta-research and co-creation initiative across 150 human experts, 3 trained large-language-model, and 15 major companies reveals how AI will transform your HR operating model, and the actions needed to capture this value.

KEY FINDINGS

AI's impact will be substantial but uneven across HR roles: Our research shows an overall efficiency potential of 29% across HR functions, with operational roles showing the highest automation potential at 50% while strategic roles like HR Business Partners see a more modest but still significant 19% impact. For our model company ALPHA, a 30,000-employee organization, this translates to
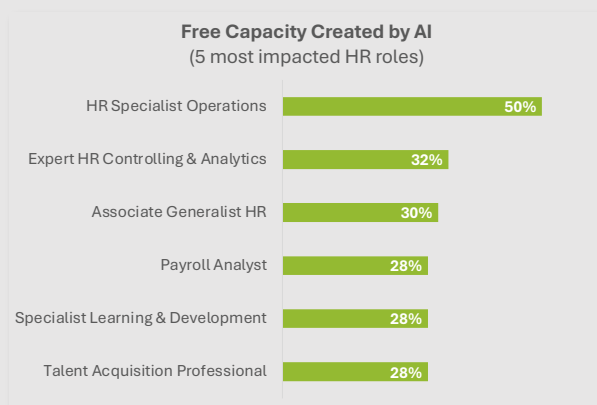
Free Capacity Created by AI
(5 most impacted HR roles)

Role	
HR Specialist Operations	50%
Expert HR Controlling & Analytics	32%
Associate Generalist HR	30%
Payroll Analyst	28%
Specialist Learning & Development	28%
Talent Acquisition Professional	28%

€5.2M in annual savings that can either be realized as cost savings or reinvested in higher-value work.

Traditional HR models are being squeezed from both sides: While 84% of HR functions have restructured recently or plan to within two years, only 30% of HR leaders believe their current structure allows quick adaptation to changing priorities. Business leaders demand integrated solutions rather than specialized expertise while AI simultaneously automates transactional work and extends into domains previously considered territory for experts.
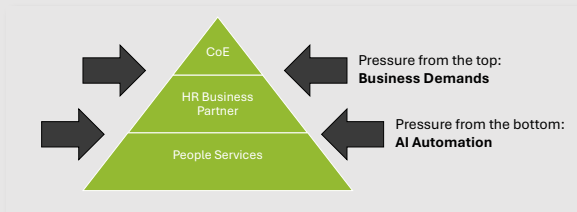
A product-oriented approach is essential for success: Organizations implementing product management principles show 40% higher returns on technology investments by redefining HR offerings around user needs rather than functional domains, with 62% of new HR Business Partner activities involving cross-functional problem-solving that cuts across traditional HR boundaries.

source: TI PEOPLE
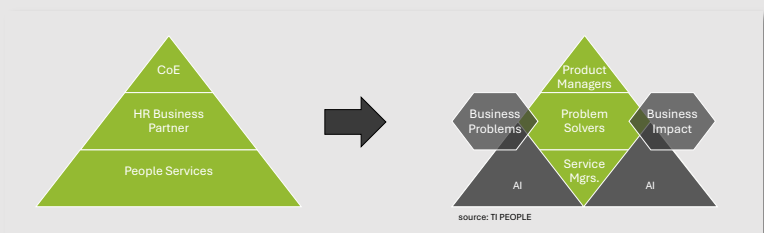
The transformation extends beyond technology: Nearly half (47%) of employees in large organizations cite insufficient training as their primary barrier to AI adoption, and 44% of employees lack necessary skills to use AI effectively, requiring a balanced approach of 60% reskilling existing staff and 40% strategic hiring across most roles while managing key risks, particularly in payroll and talent acquisition.

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Re-Skilling vs. Re-Hiring
needed to acquire the
adequate skillset AI

RECOMMENDED ACTIONS

1. *Assess your starting point using our diagnostic framework*

2. *Identify high-value automation opportunities in operational HR roles*

3. *Build product management capabilities focused on user needs*

4. *Develop a phased implementation roadmap with quick wins*

FIVE MYTHS BUSTED BY RESEARCH

We identified five significant myths that our research effectively debunks. Each of these misconceptions has potentially held organizations back from fully leveraging AI's transformative potential within their HR functions.

MYTH 1:
AI AND NUMBER OF HR STAFF

"As AI automates HR tasks, organizations will need significantly fewer HR professionals, leading to major reductions in HR headcount."

Research Debunking: While our research shows substantial efficiency gains (29% at ALPHA), the reduction in transactional work is offset by new strategic activities and roles that emerge. Rather than elimination, HR roles are transforming. We identified entirely new HR roles emerging in the AI era, including HR AI Ethicist, HR Service Experience Designer, HR Product Manager, and HR Data Scientist. The research recommends an average balance of 60% reskilling of existing staff and 40% strategic hiring of new talent across most HR roles.

MYTH 2:
AI AND HR COST REDUCTION

"Implementing AI in HR is primarily about automating transactional tasks to reduce headcount and lower costs in the HR function."

Research Debunking: Our research reveals a more nuanced reality where AI creates value along three distinct dimensions:

Efficiency: While efficiency gains are substantial (29% across all HR roles, or 66 FTEs at our 30,000 employees' model company ALPHA), they're just one component of value creation.

Innovation: AI enables entirely new HR services impossible without advanced technology, such as "AI-Enhanced Employee Sentiment Analysis" and "Personalized Career Pathing."

Personalization & democratization: AI extends high-quality HR services to broader employee populations, making expertise available 24/7 through conversational AI systems.

MYTH 3:
AI AND IMPACT ON HR ROLES

"AI will transform all HR roles at roughly the same rate and in similar ways."

Research Debunking: Our research demonstrates significant variation in AI's impact across different HR roles, with operational roles seeing much higher efficiency potential than strategic roles. This pattern was consistent across organizations, revealing that AI's impact follows a predictable gradient based on the nature of the work, with transactional activities facing higher automation potential than complex strategic tasks.

MYTH 4:
AI AND THE THREE-PILLAR HR MODEL

"Organizations can successfully implement AI by simply adding AI capabilities to their existing HR operating model without redesigning how HR work is organized."

Research Debunking: Our research demonstrates that the traditional three-pillar model (HR Business Partners, Centers of Excellence, and Shared Services) is fundamentally challenged by AI from both directions:

<u>Top pressure:</u> Business leaders increasingly seek integrated solutions to specific business problems rather than HR expertise organized in functional silos

<u>Bottom pressure:</u> AI is rapidly automating transactional tasks and extending into domains previously considered expertise territory

MYTH 5:
AI AND PRODUCT MANAGEMENT RE-ORG

"Transitioning to a product-oriented HR operating model is mainly about reorganizing the HR org chart and creating new roles."

Research Debunking: While the move to product-orientation does not require a huge restructuring effort, it outlines the need for a fundamental mindset shift and a product value measurement framework with four dimensions: Efficiency Value, Experience Value, Strategic Value, and Innovation Value.
The research highlights cultural challenges, noting that "roles with the deepest functional expertise may experience the most significant identity challenges despite showing meaningful efficiency gains".

CHAPTER 1:
THE IMPERATIVE

THE AI TRANSFORMATION OF WORK

The workplace is experiencing its most significant transformation since the industrial revolution. Generative AI has rapidly evolved from an emerging technology to a fundamental business tool that is redefining work across all sectors.

According to Mercer's 2024 Global Talent Trends report, approximately 80% of today's jobs will likely be affected by generative AI, with 19% of jobs expecting half their tasks to be directly impacted. Unlike previous technological waves, AI is not merely automating routine tasks but increasingly handling complex cognitive functions once considered uniquely human.

The most significant impact lies in augmentation—the powerful combination of human expertise with AI capabilities. McKinsey's research indicates that human-machine teaming delivers substantially greater productivity gains than pure automation strategies, projecting a 10-30% boost in organizational productivity over the next three years.

This transformation affects work across a continuum: transactional tasks face automation, while expertise and relationship-based work benefit from augmentation. Understanding this pattern helps organizations identify high-value opportunities for AI implementation and prepare their workforce for changing roles.

PRODUCTIVITY AND CHANGING EXPECTATIONS

As work evolves, so do workforce expectations. Research reveals that 39% of workers report feeling "more replaceable and less valued than before the pandemic," highlighting anxiety accompanying technological disruption. Despite these concerns, employees are not resisting technological advancement but seeking reassurance that their contributions will remain valued with opportunities to grow alongside new technologies.

Traditional productivity measurements—often reduced to simple input-output ratios—are increasingly inadequate in the AI era. One in four executives acknowledge that "today's productivity metrics do not fully capture the value workers provide," signaling a critical inflection point in how organizations understand human contribution.

According to Mercer's research, one-third of employees report that their current work is "mundane and repetitive," presenting clear opportunities for AI augmentation. However, merely automating these tasks does not automatically yield productivity improvements. The most significant productivity drains cited by employees include:

- *"Busy work" (42%)*

- *Too many interruptions (38%)*

- *Ineffective organizational structures (35%)*

- *Unsustainable workloads (32%)*

Organizations seeking productivity gains are investing in:

- *Employee upskilling/reskilling (51%)*

- *Physical and mental well-being initiatives (45%)*

- *Process optimization & workflow management (44%)*

- *Generative AI (40%)*

McKinsey Global Institute's research on human capital development underscores the critical role of work experience in career progression, contributing an average of 46% of a person's lifetime earnings. This relationship highlights how crucial organizational HR practices are in shaping long-term career trajectories.

BREAKING THROUGH AI ADOPTION BARRIERS

Despite compelling benefits, organizations face significant challenges in successfully implementing AI technologies. TI PEOPLE's 2025 research on "Barriers to AI Adoption" identifies three primary dimensions of resistance:

- ***Organizational Barriers*** *are structural and cultural impediments that hinder enterprise-wide AI adoption*

- ***Technological Barriers*** *are challenges related to implementing and integrating AI*

- ***Individual Barriers*** *are personal obstacles that employees face when adopting AI*

Per that research, the biggest barriers to AI adoption are:

People's Biggest Barriers to AI Adoption
(% of people working in organizations >10,000 employees)

Barrier	%	Category
Lack of training	47%	ORG
Lack of skills	44%	ORG
Data privacy concerns	43%	IND
Forgetting to use	39%	IND
Ethical concerns	37%	IND
Distrust of results	36%	TECH
Lack of leadership support	36%	ORG
No access to AI tools	36%	TECH
Lack of clarity	34%	ORG
Job security concerns	31%	IND
Usability challenges	29%	TECH
No time	29%	IND
Restrictive policies	26%	ORG
Fear reduced productivity	26%	IND

Illustration: People's Biggest Barriers to AI Adoption

Removing the biggest of these barriers is essential to AI being adopted quickly and to its full potential. These data points help us understand where to focus – and should be triggering ideas on how HR and its operating model can help remove these barriers.

EVOLVING OPERATING MODELS AND LIMITATIONS

For over two decades, the three-pillar HR operating model (HR Business Partners, Centers of Excellence, and Shared Services) has been the dominant approach for HR functions in large organizations. While this model has provided a useful framework, research by Gartner indicates that it is increasingly struggling to meet contemporary business demands.

According to Gartner's findings:

- *Only 30% of HR leaders believe their current structure allows them to adapt quickly to changing business priorities*

- *Only 40% feel their current structure appropriately separates transactional and strategic HR work*

- *84% of HR functions have restructured in the past two years, are currently restructuring, or plan to restructure in the next two years*

Traditional HR operating models face several specific limitations in the AI era:

- *They create silos that impede the cross-functional collaboration needed for effective AI implementation*

- *They lack mechanisms for rapidly redeploying HR talent to address emerging priorities*

- *They struggle to balance standardization with personalization of employee experiences*

- *They are not optimized to leverage data and analytics for strategic decision-making*

AI'S DISRUPTIVE IMPACT ON TRADITIONAL MODELS

Research from TI PEOPLE highlights how AI is fundamentally challenging the traditional three-pillar HR operating model. The traditional structure is facing pressure from both the top and bottom:
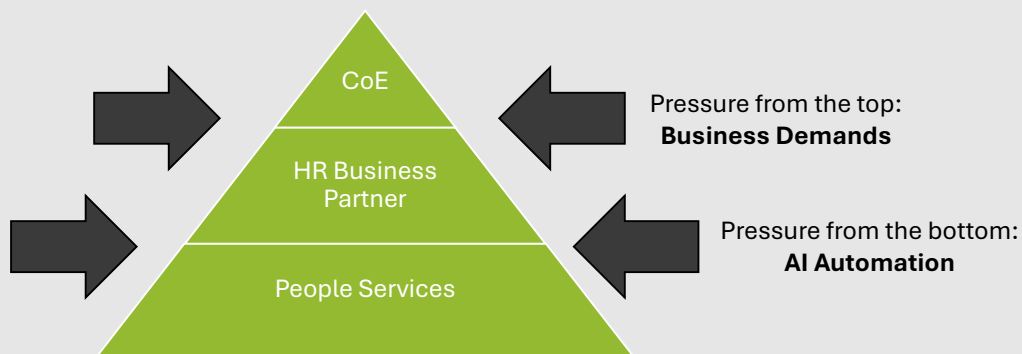

Illustration: Traditional HR models under pressure

At the top of the model, business leaders are increasingly seeking solutions to specific business problems rather than HR expertise organized by functional silos. They need HR to organize around business impact and solve complex problems that cross traditional HR boundaries.

Simultaneously, at the bottom of the model, AI is rapidly automating transactional and operational tasks that have traditionally been handled by People Services. This automation is extending into domains previously considered the expertise territory of COEs and even some HRBP functions.

In this new landscape, the traditional HRBP role is squeezed from both directions—business leaders demand more strategic solutions, while AI assumes more of the advisory and operational activities. This evolution is critical for HR to maintain relevance and impact in an AI-transformed business environment.

Recent research confirms this pressure, finding that 47% of C-suite executives believe their organizations are developing and releasing AI tools too slowly. Notably, C-suite leaders are 2.4 times more likely to cite employee readiness as a barrier to adoption, despite evidence showing employees are currently using AI three times more than leaders expect.

Despite the theoretical evolution of HR operating models, most organizations remain in early stages of transformation. When HR leaders were asked which archetypes best describe their current model:

- *48% selected Ulrich+ (enhanced version of the traditional model)*

- *47% identified as Employee Experience-driven*

- *Only 6% report having a Machine-powered HR operating model*

PRODUCT MANAGEMENT PRINCIPLES FOR HR

A groundbreaking perspective on work design comes from Anicich and Lindsley's 2024 Harvard Business Review article, "Reimagining Work as a Product." They propose that employees "hire" their jobs to fulfill specific needs, making what is essentially a purchasing decision each day when they choose to remain engaged.

This framing views employees as customers of work experiences rather than merely inputs to production. Just as product designers rigorously research customer needs to create compelling offerings, organizations can apply similar principles to design work experiences that employees want to "buy" with their time and energy.

Progressive companies are already implementing this approach:

- **Asana:** *Managers discuss what "leadership product" they deliver to employees and regularly assess how well it meets employee needs*

- **Eli Lilly:** *Applies customer journey mapping techniques to the employee experience*

- **Shopify:** *Introduced Flex Comp to let employees choose their preferred compensation structure*

This approach is particularly relevant given that only 23% of employees report being engaged at work, according to Gallup's 2024 data.

The principles of product management can be applied not only to work experiences but also to how HR delivers its services. Traditional HR functions are often organized around processes (recruiting, compensation, training) rather than products that solve specific user problems.

A product management approach starts with understanding the needs of different user segments and designing integrated solutions to address them. This enables HR to:

- *Create integrated solutions that address holistic user needs rather than isolated processes*

- *Prioritize investments based on user value rather than functional silos*

- *Measure success through user outcomes rather than process completion*

- *Continuously improve offerings based on user feedback*

- *Adapt more quickly to changing business needs and technological capabilities*

Dave Ulrich emphasizes that HR impact should be measured through stakeholder value creation, not internal process metrics. This shift is essential for HR to demonstrate its strategic contribution.

CHARACTERISTICS OF AN EFFECTIVE MODEL

Building on this extensive 3rd party research, we have identified five essential characteristics of an effective HR operating model for the AI era:
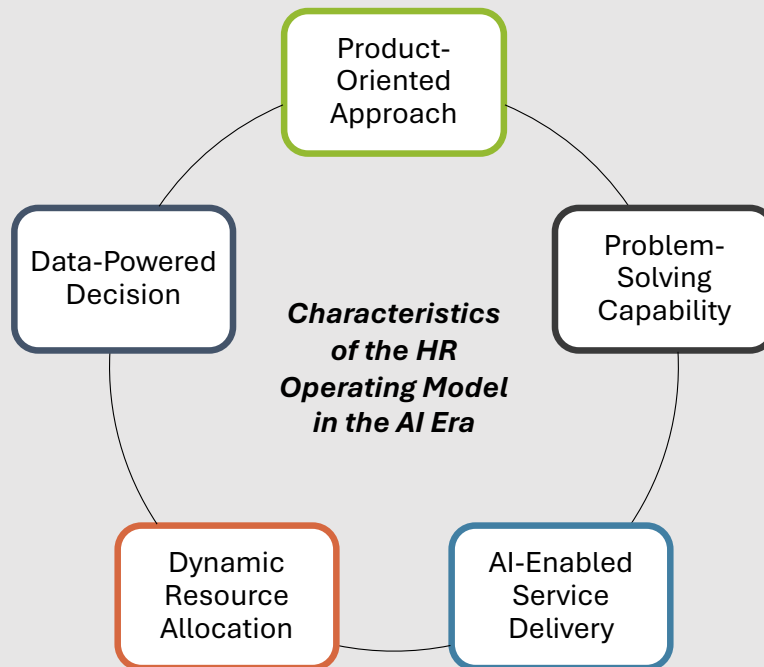
Illustration: Characteristics of the HR operating model for the AI Era

- *Product-Oriented Approach: As traditional functional silos become less relevant, HR must organize around products that solve specific business problems and meet user needs. This requires HR to adopt product management principles, with product managers overseeing end-to-end solutions that integrate expertise from multiple HR domains.*

- *Problem-Solving Capability: The HR function needs dedicated problem solvers who can work across traditional boundaries to address complex business challenges. These individuals combine HR domain knowledge with consulting skills, design thinking, and data*

literacy to deliver integrated solutions rather than specialized expertise.

- **AI-Enabled Service Delivery:** *As AI automates increasingly complex tasks, HR must develop new capabilities to design, implement, and manage AI-powered services. Service managers will focus less on managing people and more on orchestrating human-machine collaboration to deliver efficient, personalized experiences.*

- **Dynamic Resource Allocation:** *Unlike rigid structural models, effective HR functions in the AI era feature fluid deployment of talent and resources based on changing business needs. This includes problem-solver pools, agile project teams, and internal talent marketplaces that enable HR professionals to flow to the highest-value work.*

- **Data-Powered Decision Intelligence:** *AI-enabled HR operating models embed advanced analytics capabilities throughout the function, moving beyond descriptive reporting to predictive insights and prescriptive guidance. This requires robust data governance, integration of disparate information sources, and analytics expertise distributed across the HR function.*

These characteristics directly address the pressures identified in TI PEOPLE's research: Business leaders are seeking solution-oriented approaches to their problems at the top of the model, while AI is transforming service delivery at the bottom. The traditional HR business partner role is being redefined, with aspects of its work moving to AI, product managers, and problem solvers.

CHAPTER 2:

AI'S IMPACT ON HR ROLES AND ACTIVITIES

Chapter 1 identified the characteristics of the HR operating model for the AI era yet still left us with several critical knowledge gaps in our understanding of how AI will transform the HR function. While theoretical models suggest that AI will fundamentally change how HR operates, many organizations still lack concrete data on the specific impacts, making it difficult to develop effective implementation strategies. This chapter addresses these gaps by providing detailed quantitative analysis of AI's impact on HR roles and activities based on proprietary research.

The data we provide to quantify AI's impact on HR is that of ALPHA, a company with 30,000 employees. The co-creation research project conducted with 15 major organizations represents a breakthrough in modeling AI's impact on HR functions. Through an innovative methodology combining large language models (LLMs) with extensive human validation, this research provides unprecedented granularity in understanding how AI will affect specific HR roles and activities. Rather

than relying on general projections, we can now analyze the impact with role-specific precision and activity-level detail.

Here is the innovative co-creation research method explained in more detail:
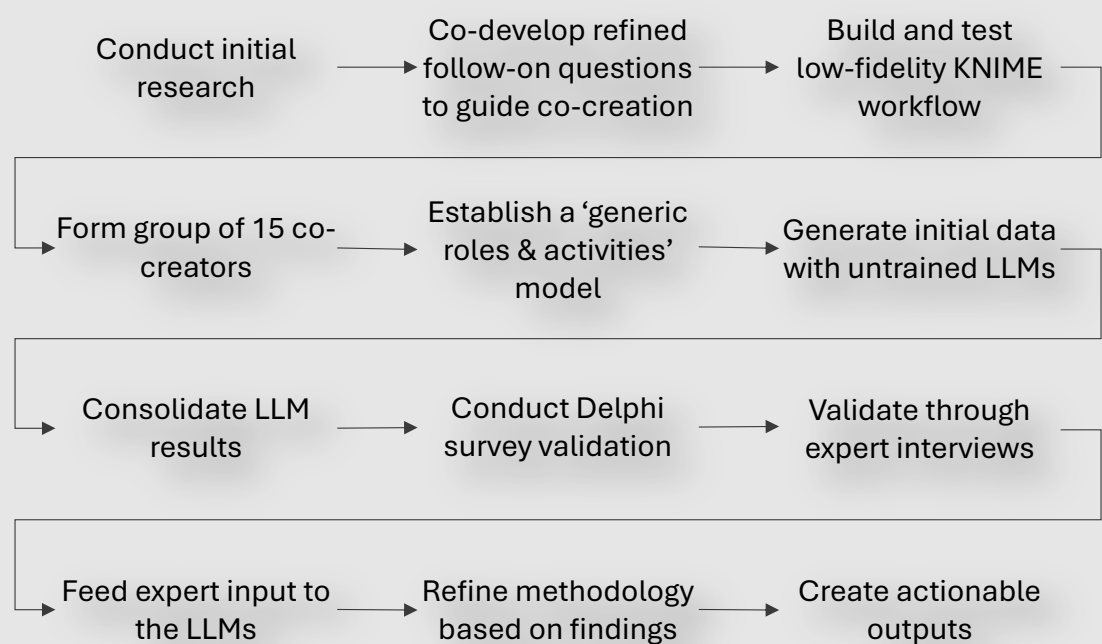
Illustration: Research and co-creation method

QUANTIFYING AI'S IMPACT ON THE HR FUNCTION

The data demonstrates that efficiency gains from AI vary substantially across roles, ranging from 17% to 50% (table below).

A pattern is consistent across organizations in our broader co-creation sample; Operational roles typically show higher automation potential than strategic roles. However, even roles with lower percentage impacts may represent significant opportunities in absolute terms, depending on current staffing levels.

FTE Reallocation Opportunities

Translating efficiency percentages into full-time equivalent (FTE) terms provides a more concrete picture of the capacity that can be redirected to higher-value activities:

ROLE	EFFICIENCY POTENTIAL	FTE	POTENTIAL FTE REALLOCATION
HR Specialist Operations	50%	44.0	22.0
Associate Generalist Human Resources	30%	29.5	8.8
Talent Acquisition Professional	28%	31.5	8.8
HR Business Partner	19%	36.4	6.9
Compensation & Benefits Specialist	22%	24.1	5.3
Expert Talent Management	23%	14.0	3.2
Payroll Analyst	25%	12.6	3.2
Expert HR Controlling, Analytics & Efficiency	32%	8.5	2.7
Specialist, Learning and Development	22%	12.0	2.6
HR IT Advisor	20%	9.0	1.8
Expert HR Strategy & Projects	17%	6.5	1.1
TOTAL	**29%**	**228.1**	**66.4**

Table: FTE Reallocation Potential by HR Role at ALPHA

At ALPHA, AI adoption could potentially free up 66.4 FTEs across the HR function, representing 29% of the current HR workforce. For context, in a company with 30,000 employees, this translates to a ratio improvement from 1 HR professional per 131 employees to 1 HR professional per 186 employees, while potentially delivering higher quality services through AI augmentation.

According to McKinsey's "Superagency" research, millennials aged 35-44 are 1.4 times more likely to report extensive familiarity with AI tools than peers in other age groups and are 1.2 times more likely to expect workflows to change within a year. Since many millennials occupy

managerial positions, they represent natural champions for AI transformation within HR.

Cost Savings Distribution

While organizations may choose to reinvest freed capacity rather than reduce headcount, understanding the financial dimension remains important for building business cases and setting priorities.

For ALPHA, implementing AI across the HR function could generate approximately €5.2M in annual cost savings, with the largest contributions coming from:

Contribution to Cost Savings of €5.2M p.a.
(5 most contributing HR roles, in M€)

Role	Value
HR Specialist Operations	1.42
HR Business Partner	0.98
Associate Generalist HR	0.78
Talent Acquisition Professional	0.58
Compensation & Benefits Specialist	0.29
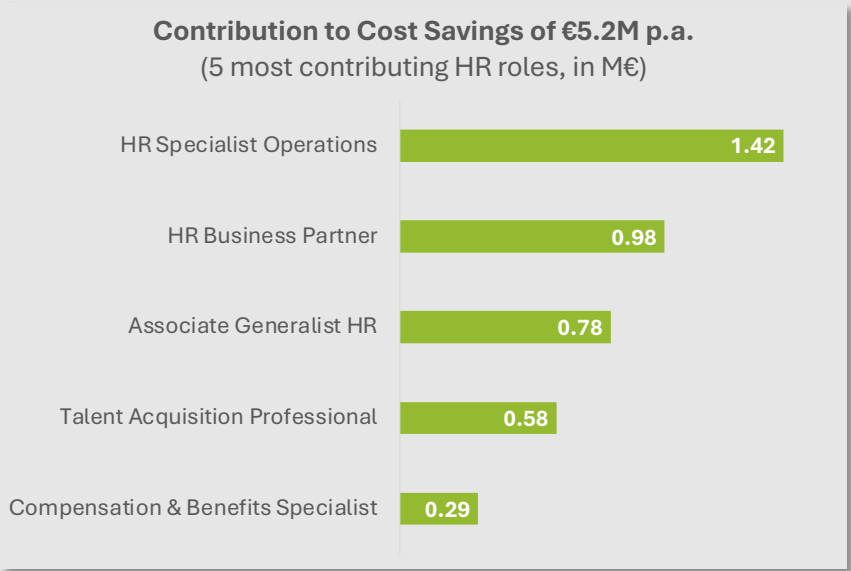
Chart: Contributions per Role to Overall Cost Savings Potential

It's worth noting that while HR Business Partners show a relatively low efficiency percentage (19%), their higher compensation levels result in significant financial impact when capacity is freed. This highlights the importance of considering both percentage and absolute measures when prioritizing AI investments.

HIGH-VALUE AUTOMATION OPPORTUNITIES

Beyond role-level analysis, our research identified specific activities that represent the highest-value automation targets based on both automation potential and current FTE allocation.

At ALPHA, the highest-value activities include:

Activities with high automation potential and high workload
(top-10 activities by number of FTE allocated)

Activity	FTE
Personnel administration and documentation	8.8
Employee lifecycle administration	7.3
Employee advisory and support	6.6
Recruitment coordination and aplicant...	6.6
Student, intern, and apprenticeship...	6.6
Sourcing and screening	6.4
Workforce planning and needs assessment	6.2
HR data management and file compliance	5.8
Org design and restructuring	5.3
Interview coordination and selection	4.8

Chart: High-Value Activities

This activity-level perspective is particularly valuable because it cuts across traditional role boundaries, highlighting opportunities for process-based automation initiatives that may span multiple job functions.

THE THREE DIMENSIONS OF AI PRODUCTIVITY

While efficiency gains are most easily quantified, our research shows that AI will transform HR productivity along three distinct dimensions of productivity:
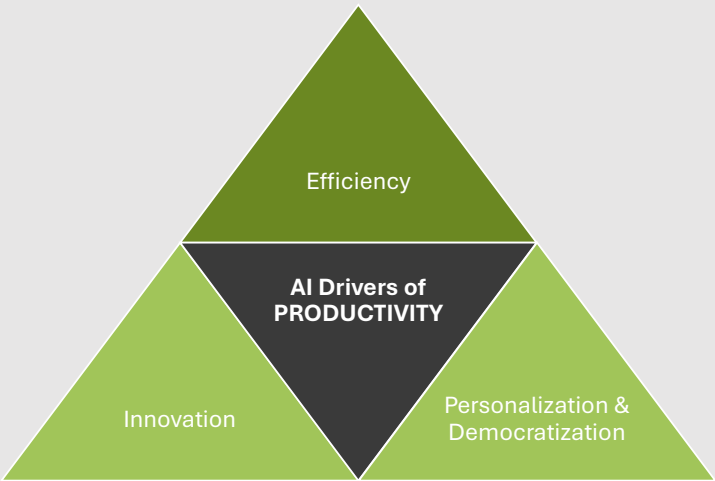
Illustration: Three AI drivers of productivity

Direct Productivity: Efficiency

Efficiency involves automating routine tasks to free up HR capacity. At ALPHA, the average efficiency gain across all HR roles is 29%, translating to 66.4 FTEs that could be reallocated to higher-value work.

The efficiency impact varies substantially by activity type:

ACTIVITY CATEGORY	AUTOMATION POTENTIAL (1-5)	EXAMPLE ACTIVITIES
Transactional processing	4.6	Personnel administration, payroll processing, benefits enrollment
Documentation	4.4	HR data management, compliance reporting, employee record maintenance
Standard communications	4.2	Routine employee queries, onboarding communications, leave notifications

Reporting	3.8	Standard HR metrics reporting, absence tracking, headcount reporting
Basic analysis	3.1	Compensation benchmarking, turnover analysis, recruitment metrics analysis
Complex analysis	2.3	Workforce planning, complex compensation modeling, retention risk analysis
Strategy & consultation	1.8	HR strategy development, executive coaching, organizational design

Table: Automation Potential by Activity Category

Indirect Productivity: Innovation

AI enables HR functions to offer entirely new services or dramatically enhance existing ones. At ALPHA, the research identified key innovation opportunities including:

- ***AI-Enhanced Employee Sentiment Analysis:*** *Real-time, continuous analysis of employee sentiment through multiple channels, replacing periodic surveys with ongoing insights*

- ***Personalized Career Pathing:*** *AI-driven career development recommendations based on skills, interests, and organizational needs*

- ***Predictive Workforce Analytics:*** *Advanced forecasting of talent needs, retention risks, and performance trends*

- ***Leadership Development Simulations:*** *AI-powered scenarios to develop and assess leadership capabilities in safe, virtual environments*

Our analysis suggests that while efficiency gains will be realized relatively quickly (6-18 months), innovation benefits typically emerge in the medium term (18-36 months) as organizations become more sophisticated in their AI implementations.

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Personalization & Democratization

The third dimension involves extending high-quality HR services to broader employee populations through personalization at scale. ALPHA's opportunities include:

- *Self-Service Compensation Insights: Providing all employees with personalized compensation insights and market comparisons previously available only through HR specialists*

- *Democratized Learning Experiences: Extending executive-level coaching and development to all employees through AI-powered platforms*

- *On-Demand HR Guidance: Making HR expertise available 24/7 through conversational AI that learns from internal policies and practices*

This dimension shows the most pronounced scale effects—larger organizations typically see disproportionately greater benefits from democratization initiatives due to their broader employee populations and more complex service delivery challenges.

Combining these three dimensions of change, and adding ethics and compliance risk to the mix, we were able to quantify the level of total change that current HR roles are facing when entering the AI era. Together with the size of the role, it delivers a heatmap, which can serve as a great tool for prioritization:
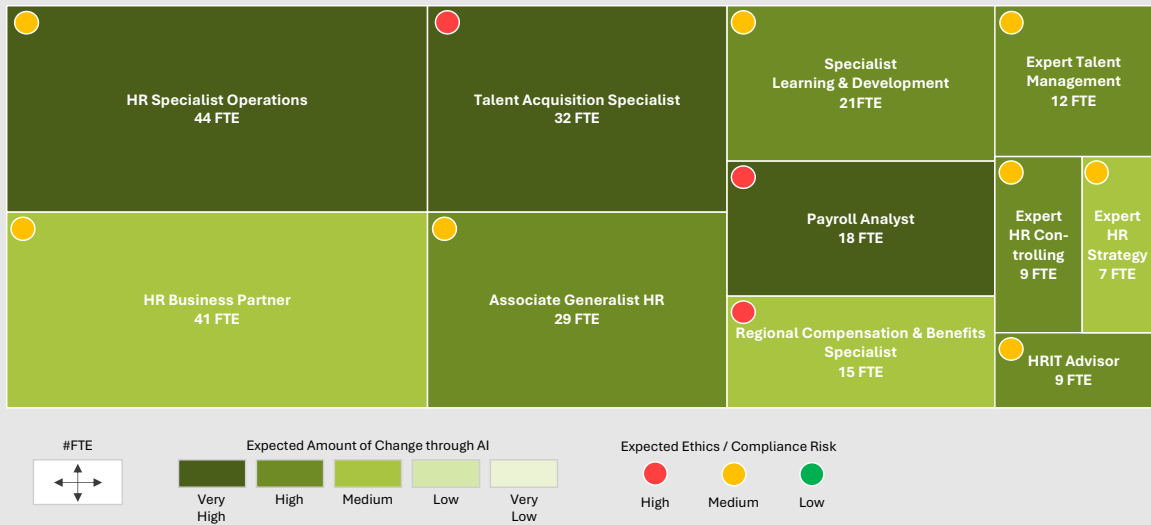
Illustration: Heatmap 'Total Change' per HR Role
(Efficiency + Innovation + Personalization + Democratization)

SKILL GAPS PER ROLE

Efficiency, innovation, personalization, and democratization are having a significant impact on each HR role, requiring a new skill set of people in these roles. For some, the future skillset can be achieved though re-skilling of people in-role. For others, the skill gap is too wide, and re-hiring may be the superior approach. Our research revealed suggestion for re-skilling vs. re-hiring per HR role:

HR ROLE	RESKILLING	STRATEGIC HIRING
HR Specialist Operations	70%	30%
Associate Generalist Human Resources	65%	35%
Talent Acquisition Professional	60%	40%
Compensation & Benefits Specialist	65%	35%
Expert HR Controlling, Analytics & Efficiency	40%	60%
HR Business Partner	75%	25%
Expert HR Strategy & Projects	70%	30%

Table: Reskilling vs. Strategic Hiring Balance by Role at ALPHA

This data shows that AI transformation is not merely a technology implementation effort but a comprehensive change management initiative that requires attention to skills, processes, and organizational culture.

IMPLEMENTING A PRODUCT-ORIENTED HR STRUCTURE

The quantitative findings validate TI PEOPLE's model showing how AI is disrupting both ends of the traditional HR structure:

source: TI PEOPLE
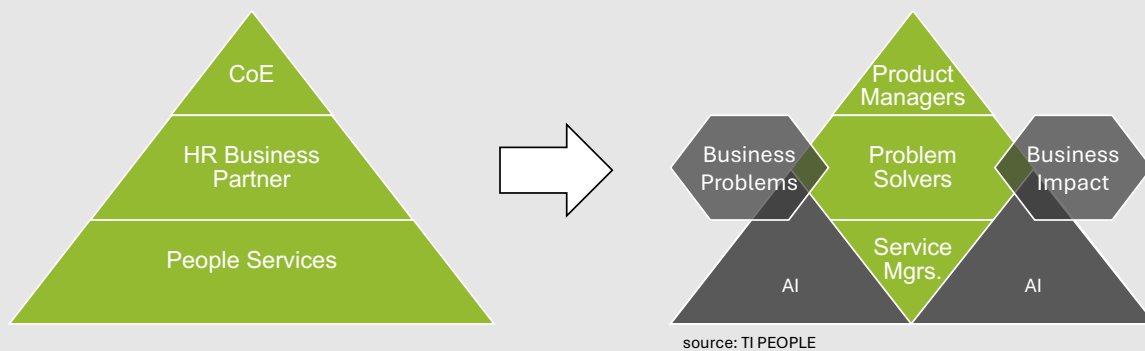
Illustration: AI pressure forming a new HR model

Pressure from the Top: Business-Centric Problem Solving

The data points above show that even roles focused on business partnership and strategic activities will see meaningful impact from AI:

- *HR Business Partners will see 19% efficiency gain (6.9 FTEs)*

- *Expert HR Strategy & Projects will see 17% efficiency gain (1.1 FTEs)*

However, these efficiency gains fail to capture the more profound transformation occurring at the top of the model. The data shows that business leaders increasingly seek solutions to specific business

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problems rather than HR expertise organized in functional silos. This is evidenced by:

- **Changing Activity Focus:** *Among the new activities projected for HR Business Partners at ALPHA, 62% involve integrated problem-solving across traditional HR boundaries, such as "AI-Augmented Workforce Analytics for Business Decisions" and "Tech-Enabled Organization Design"*

- **Value Perception Shift:** *In our broader co-creation sample, 74% of business leaders rated "ability to solve business problems" as more important than "HR functional expertise" when evaluating HR effectiveness*

This validates TI PEOPLE's assertion that business leaders are pushing HR to organize around business impact and solve complex problems that cross traditional boundaries, creating a need for product-oriented problem solvers rather than functional experts.

Pressure from the Bottom: AI-Enabled Service Delivery

The findings also confirm the dramatic impact AI will have on operational and transactional HR activities:

- *HR Specialist Operations shows 50% efficiency potential (22.0 FTEs)*

- *Payroll Analyst shows 25% efficiency potential (3.2 FTEs)*

- *Associate Generalist Human Resources shows a 30% efficiency potential (8.8 FTEs)*

The analysis of specific activities demonstrates that AI is rapidly automating transactional tasks that have traditionally been handled by People Services, with even expertise-intensive roles showing substantial automation potential:

- *Expert HR Controlling, Analytics & Efficiency: 32% efficiency potential*

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- *Expert Talent Management: 23% efficiency potential*

Moving to a product-oriented HR structure isn't about massive restructuring—it's about adopting a practical mindset that solves two pressing challenges faced by today's HR leaders. On one side, your business executives no longer want HR specialists working in isolation—they want solutions to their specific people challenges that cut across traditional HR boundaries. On the other side, AI is rapidly automating many transactional HR tasks, raising questions about how to integrate these technologies effectively.

Overview: The Move From Service to Product

This illustration provides a comprehensive view on key elements of moving from a service and process oriented to a product-oriented HR:

AI in HR requires user centricity and fast adoptability
Traditional structures can't keep pace with AI's evolution and customer needs

SERVICE ORIENTED HR Example: Recruiting		PRODUCT ORIENTED HR Example: Talent Acquisition Platform
Structure • Specialized recruiting teams • Process-based hiring steps • Handoffs between specialists **Activities** • Posting jobs & screening • Sequential hiring pipeline • Standardized interview process **Metrics** • Time-to-fill • Cost-per-hire • Process compliance	**Business Drivers** AI transforms entire talent lifecycle Business demands measurable outcomes **Strategic Approach** User-centered products & Journeys Ethics & governance by design **Implementation** Cross-functional agile squads Iterative sprints with rapid feedback	**Structure** • Cross-functional talent teams • Candidate journey orientation • Collaborative talent solutions **Activities** • AI-powered talent matching • Personalized candidate journeys • Skills forecasting & development **Metrics** • Quality of hire & retention • Candidate & Manager NPS • Talent pipeline health

(NEW) HR PRODUCT TEAM STRUCTURE

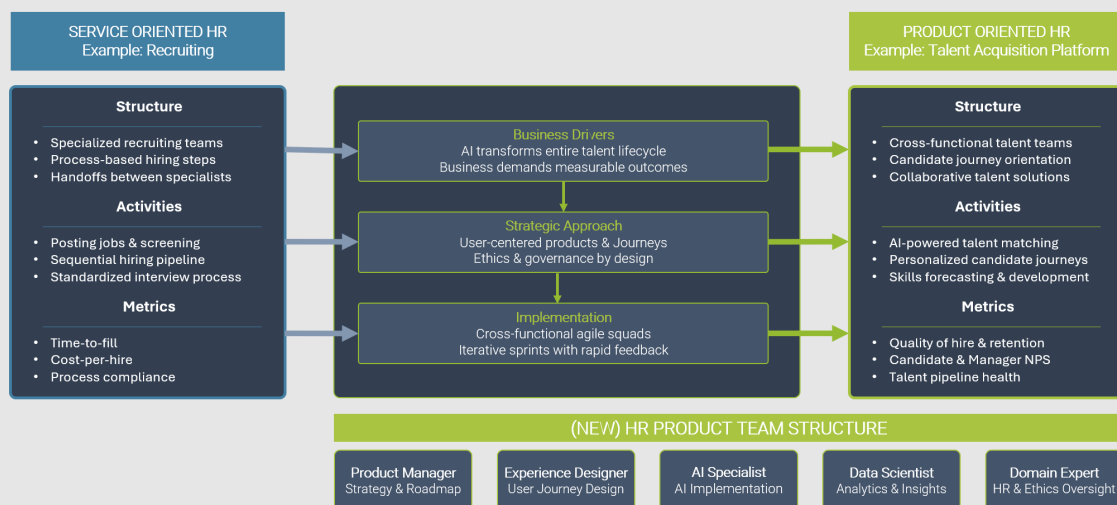| Product Manager Strategy & Roadmap	Experience Designer User Journey Design	AI Specialist AI Implementation	Data Scientist Analytics & Insights	Domain Expert HR & Ethics Oversight

Illustration: From Service-Oriented to Product-Oriented HR

Defining HR Products Based on User Needs

The first step in shifting to a product management approach is redefining HR's offerings as "products" that solve specific user problems rather than services delivered by functional domains. This requires mapping the current HR activities to user-centered products.

The table illustrates how HR activities can be reorganized around product lines focused on user needs:

TRADITIONAL HR SERVICES	PRODUCT-ORIENTED APPROACH
Recruitment (Talent Acquisition): **Job postings, candidate screening, interviewing, onboarding (Activities)**	**Talent Acquisition Platform (Product)**
	User Need: "I need to build the right team quickly and effectively"
	Features: AI-powered candidate matching, automated screening, interview scheduling, virtual onboarding
	Metrics: Time-to-hire, quality of hire, candidate NPS, hiring manager satisfaction
Learning & Development (L&D) **Training programs, workshops, learning paths (Activities)**	**Personalized Growth Platform (Product)**
	User Need: "I need to develop skills for my current role and future opportunities"
	Features: AI-recommended learning paths, skill assessments, microlearning, simulation-based practice
	Metrics: Skill development rate, application of learning, career mobility

Table: Transitioning from Service-Oriented to Product-Oriented HR

This reorganization changes how HR conceptualizes its work. Instead of seeing recruitment as a service delivered by recruiters, it becomes a product (Talent Acquisition Platform) designed to solve a specific user need ("building the right team quickly and effectively").

Organizing Around Product Teams

With HR products defined, the next step is creating cross-functional product teams responsible for end-to-end delivery of these products. These teams include a mix of roles that traditionally might have been split across HR pillars:

PRODUCT TEAM ROLE	TRADITIONAL ROLE ALIGNMENT	KEY RESPONSIBILITIES
Product Manager	New role or evolved HRBP	Owns product strategy, prioritization, roadmap, and metrics
Experience Designer	Often from COE or new hire	Designs user experience, interfaces, and user research
Technology Specialist	HR IT or new technical role	Implements and manages AI and technology components
Service Manager	Shared Service leader	Manages delivery operations, quality, and scale
Domain Expert	Subject matter expert from COE	Provides specialized knowledge and compliance oversight

Table: Product Team Structure and Responsibilities

The data shows that ALPHA's HR function already has the capacity to form these product teams without significant additional investment, with 39.6 FTEs that could be redirected to product-oriented work, representing approximately 60% of the total efficiency gain identified.

MEASURING PRODUCT VALUE

A critical aspect of the product management approach is establishing clear metrics for success. The data shows that traditional HR metrics focused on activity completion or cost efficiency will not capture the full value of AI-enabled HR products.

Examples
- 50% reduction in query handing time
- 30% decrease in HR administrative cost
- 22 FTEs re-directed to higher value tasks

Examples
- 25 pts. improved HR NPS (net promoter score)
- 15 pts. improved CES (customer effort score)
- 60% increase in self service ratio

Examples
- 4 ppts increase in internal placements ratio
- 20% decrease time-to-fill critical roles
- 7 ppts reduction of early leaver ratio

Examples
- 45% of workforce with real-time sentiment analysis
- 90% AI-recommended career advancements
- 244 predictive attrition alerts for critical roles

Efficiency Value

Experience Value

Total Product Value
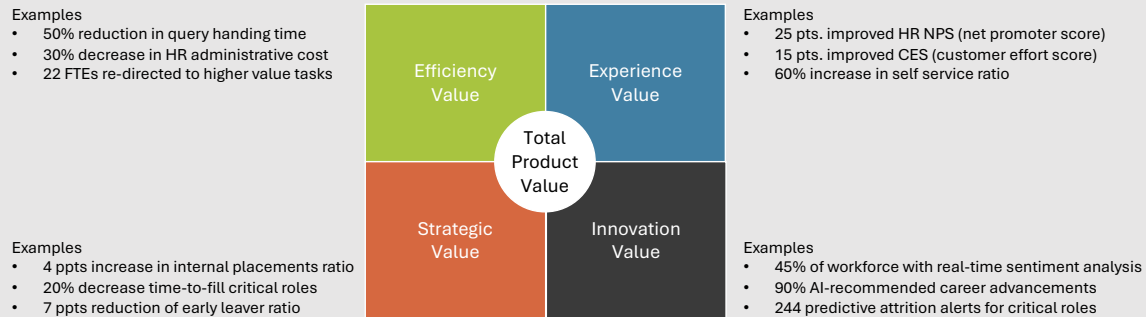
Strategic Value

Innovation Value

Illustration: Measuring Product Value in HR

Based on ALPHA's specific context, we recommend a comprehensive value measurement framework with four dimensions:

- **Efficiency Value:** *Measurable cost savings, time savings, and productivity improvements*
  - *Example: 50% reduction in time spent on routine HR queries through AI chatbots*
  - *Enabled by: HR Specialist Operations (50% efficiency gain), Associate Generalist HR (30% efficiency gain)*

- **Experience Value:** *Improved employee and manager experience with HR services*
  - *Example: 25-point increase in employee Net Promoter Score for HR services*
  - *Enabled by: HR Business Partner (19% efficiency gain), improved product design capabilities*

- **Strategic Value:** *Contribution to business outcomes and strategic objectives*
  - *Example: 15% improvement in quality of hire through AI-enhanced recruitment*
  - *Enabled by: Talent Acquisition Professional (28% efficiency gain), Expert Talent Management (23% efficiency gain)*

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- ***Innovation Value:*** *New capabilities and insights not previously possible*
  - o *Example: Real-time workforce sentiment analysis enabling proactive interventions*
  - o *Enabled by: Expert HR Controlling, Analytics & Efficiency (32% efficiency gain)*

PRACTICAL IMPLEMENTATION STRATEGIES

Compliance and Ethics Risks

The co-creation research with ALPHA identified significant compliance and ethics risks associated with AI implementation across HR roles. Understanding these risks is critical for developing appropriate governance frameworks.

Recent research from McKinsey shows that employees' top concerns about AI are cybersecurity risks (51%), potential inaccuracies (50%), and personal privacy (43%). Despite these concerns, 71% of employees trust their employers to deploy AI tools responsibly, safely, and ethically—significantly higher than their trust in other institutions such as universities (67%), large tech companies (61%), or startups (51%). This trust presents a unique opportunity for HR functions to implement robust governance frameworks that build on this foundation of employee confidence.

The data reveals varying levels of compliance and ethics risks by role:

HR ROLE	RISK SCORE (1-5)	KEY RISK AREAS
Payroll Analyst	4/5	Tax calculations, data privacy, regulatory compliance
Talent Acquisition Professional	4/5	Bias in screening algorithms, candidate data privacy

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Compensation & Benefits Specialist	4/5	Pay equity, regulatory compliance, data security
HR Specialist Operations	3/5	Employee data handling, documentation compliance
Expert HR Controlling	3/5	Data accuracy, integrity of analytics, privacy

Table: Compliance and Ethics Risk Profile by HR Role

Across these roles, several common risk factors emerge, including algorithmic bias, data privacy and security, regulatory compliance issues, and challenges with decision transparency. For ALPHA, the data suggests prioritizing governance for payroll and talent acquisition applications, where both the efficiency opportunity and risk profile are highest.

Technology Investment Strategy

AI implementation requires strategic technology investments aligned with the organization's existing HR IT ecosystem. Based on ALPHA's profile as a 30,000-employee organization, we recommend prioritizing three AI technologies:

AI TECHNOLOGY	INVESTMENT RANGE	PRIMARY APPLICATION	ROI DRIVERS
SAP SuccessFactors AI-Powered Insights	€500K-€800K/year	HR operations, payroll, personnel administration	22.0 FTE efficiency in HR Operations (50%)
Eightfold AI Talent Intelligence Platform	€600K-€1M/year	Recruitment, talent mobility, skills intelligence	8.8 FTE efficiency in Talent Acquisition (28%)
Microsoft Copilot for HR	€250K-€400K/year	Employee self-service, HR knowledge management	8.8 FTE efficiency in Associate HR Generalist (30%)

Table: Recommended AI Technology Investments for ALPHA across roles

For ALPHA, the anticipated €5.16M in annual efficiency gains provides ample justification for these investments, with potential ROI exceeding 300% within the first two years of full implementation.

Change Management Considerations

AI adoption in HR requires thoughtful change management addressing both organizational and individual barriers. The co-creation research identified organizational barriers (insufficient training - 47.5%, data quality issues - 43%), technology barriers (trust issues - 36.4%, accessibility - 35.7%), and individual barriers (skills gaps - 44.2%, habit formation - 39.5%).

Based on ALPHA's specific context, the most effective change management approaches include visible executive sponsorship, an early wins strategy, a champions network, a structured capability building program, and a consistent communications campaign about the why, what, and how of AI transformation.

THE EVOLVING HR OPERATING MODEL

Role Transformation in the HR Function

The co-creation research provides unprecedented detail on how specific HR roles will evolve with AI implementation. This transformation includes both activities that will diminish in importance and new strategic activities that will emerge.

Activities projected to increase in importance include:

- *AI-Enhanced Employee Sentiment Analysis (Primary Role: Expert HR Controlling, Analytics & Efficiency)*

- *Tech-Enabled Organization Design (Primary Role: HR Business Partner)*

- *Predictive Workforce Planning (Primary Role: Expert Talent Management)*

- *AI-Augmented Leadership Development (Primary Role: Specialist, Learning and Development)*

Conversely, several current activities will dramatically decrease:

- *HR Data Management & File Compliance (6.6 FTEs, Automation Potential: 5/5)*

- *Personnel Administration (8.8 FTEs, Automation Potential: 5/5)*

- *Routine Employee Query Resolution (5.9 FTEs, Automation Potential: 5/5)*

- *Basic Reporting (4.2 FTEs, Automation Potential: 4/5)*

The data suggests several entirely new roles will emerge, including HR AI Ethicist, HR Service Experience Designer, HR Product Manager, and HR Data Scientist.

Skills of the Future HR Function

The evolving HR operating model demands a transformed skills profile. Five skills will be most crucial:
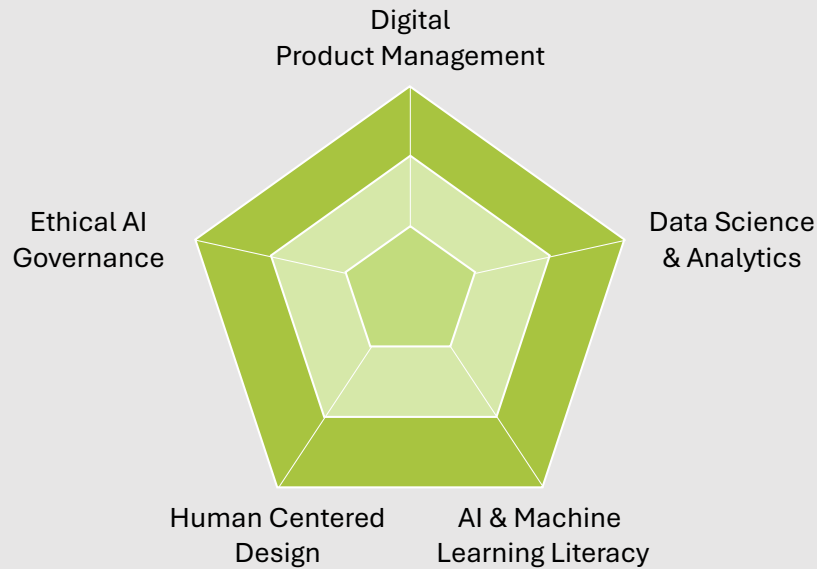
Table: Critical Skills for the AI-Augmented HR Function

In the context of ALPHA, the respective skill gaps were measured and prioritized:

SKILL	GAP (1-5)	DEVELOPMENT PRIORITY	RATIONALE
AI & Machine Learning Literacy	4/5	Very High	Essential for effective collaboration with AI tools
Human-Centered Design	4/5	High	Critical for creating effective user experiences
Data Science & Analytics	4/5	High	Necessary for leveraging AI-generated insights
Digital Product Management	3/5	Medium	Required for product-oriented HR approach
Ethical AI Governance	5/5	Very High	Essential for managing compliance risks

Table: Skills gap prioritization at ALPHA

To close these skill gaps, the data suggests a balanced approach of internal development (60%), strategic hiring (30%), and partnerships with external experts (10%).

Human-Machine Collaboration Models

As AI transforms HR roles and activities, new models for human-machine collaboration will emerge. The data suggests three primary collaboration models:
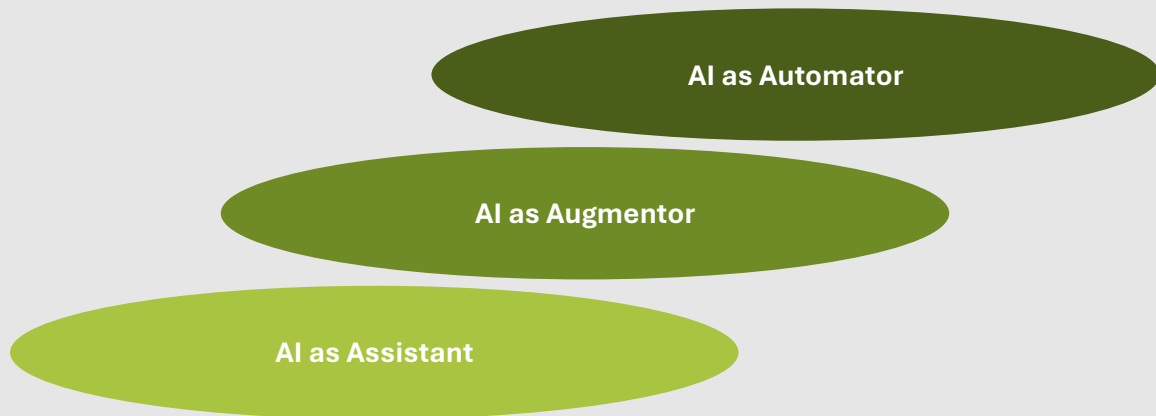
AI as Automator

AI as Augmentor

AI as Assistant

Illustration: Forms of human / AI collaboration

1. **AI as Assistant:** *AI handles routine tasks, humans make decisions*

   o Optimal for: High-complexity, high-judgment activities
   o Example: Leadership development, complex employee relations
   o Human Value-Add: Empathy, ethical judgment, context understanding

2. **AI as Augmenter:** *AI provides insights and recommendations, humans validate and apply*

   o Optimal for: Medium-complexity, data-intensive activities
   o Example: Talent analytics, compensation planning
   o Human Value-Add: Pattern recognition, stakeholder management, decision synthesis

3. ***AI as Automator:*** *AI executes end-to-end with minimal human oversight*

- o Optimal for: Routine, rule-based activities
- o Example: Documentation, payroll processing, initial screening
- o Human Value-Add: Exception handling, quality assurance, process design

For ALPHA, the high efficiency potential in HR Specialist Operations (50%) suggests prioritizing the "AI as Automator" model for transactional activities, while the moderate impact on HR Business Partners (19%) indicates an "AI as Augmenter" approach for strategic roles.

CONCLUSION: THE NEW REALITY OF HR IN THE AI ERA

Our research reveals a fundamental insight that transcends the technical details: AI is not merely automating HR—it's transforming the entire function from service delivery to value creation.

The data tells a compelling story. At ALPHA, a 30,000-employee organization, AI could free up 29% of HR capacity (66.4 FTEs) worth €5.16M annually. But the numbers only scratch the surface of the transformation underway. Three key insights emerge:

First, the impact is uneven but predictable. Operational roles show the highest efficiency gains (HR Operations at 50%), while strategic roles see more modest but still significant impact (HRBPs at 19%). This pattern holds consistently across organizations of varying sizes and industries. The traditional three-pillar HR model is being squeezed from both directions—AI is automating transactional work from below while business leaders demand integrated solutions from above.

Second, this isn't just about efficiency—it's about reinvention. Organizations that merely use AI to cut costs will miss the larger

opportunity. The real transformation happens when freed capacity is redirected toward higher-value activities: predictive workforce analytics, personalized employee experiences, and strategic business partnering. The 66.4 FTEs freed at ALPHA represent not just savings, but the capacity to fundamentally reimagine how HR creates value.

Third, the product management approach is not optional—it's essential. Traditional HR operating models organized around functional expertise cannot effectively leverage AI's potential. Product-oriented approaches that organize cross-functional teams around user needs create the integration needed to deliver AI-enhanced solutions at scale. This is not a theoretical shift, but a practical necessity driven by how AI technology actually works.

For executives, the imperative is clear: AI in HR is not a technology implementation but a strategic transformation. Organizations that approach it as merely a cost-saving initiative will fall behind those who see it as a catalyst for reinventing how HR creates value.

The research provides a clear roadmap: identify high-value automation opportunities, build product management capabilities, address compliance risks proactively, and develop the skills needed for the new HR operating model. Organizations that execute this playbook can expect not just substantial efficiency gains but a fundamental elevation of HR's strategic impact.

CHAPTER 3:
THE JOURNEY

Transforming an HR function for the AI era requires a structured approach that acknowledges both the current state of the organization and its desired future. This chapter provides a comprehensive framework for this evolution journey, enabling CHROs and HR leaders to navigate the transition effectively.

- Current HR operating model maturity
- Organizational AI readiness
- Technology landscape
- Workforce capabilities
- Value creation potential

- Organizational structure
- Role definitions
- Governance framework
- Technology architecture
- Value measurement system

- Phase 1 – Foundation building (3-6 months)
- Phase 2 – Pilot implementation (6-9 months)
- Phase 3 – Scaled transformation (9-18 months)
- Phase 4 – Continuous evolution (ongoing)

Note: Timeline to be adapted to company's risk profile, business cycle, resource constraints, and change capacity.

Baseline Assessment → **Future State** → **From Current to Future State**
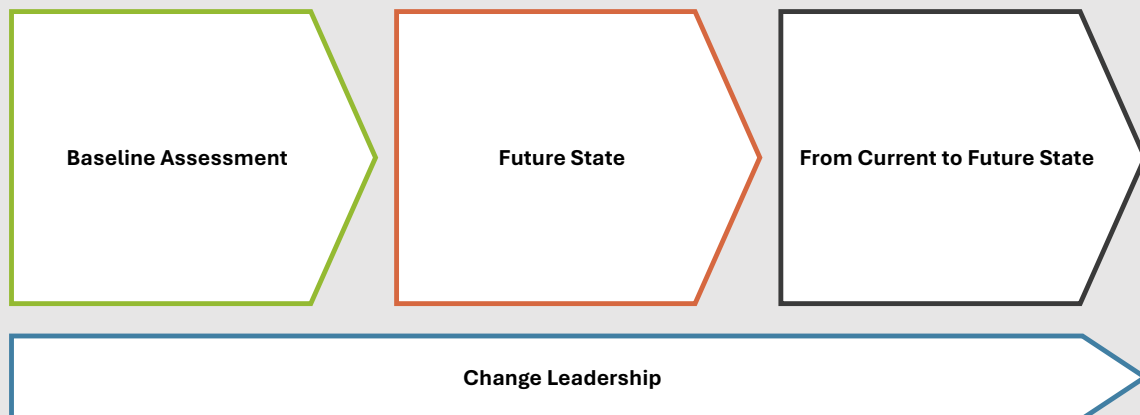
Change Leadership

- *Stakeholder management strategies:* Specific for CHRO, CFO, CIO, business leaders, HR team members, employees
- *Building the case for change*: Rational and emotional case, including clear value proposition, transformation journey, individual impact)
- *Quick wins to build momentum*: Visible impact, achievable, low risk, representative – e.g., AI-supported interview scheduling

Illustration: The AI Evolution Journey for HR

BASELINE ASSESSMENT: WHERE ARE YOU TODAY?

The first step in any transformation is developing a clear understanding of your current position. When assessing your organization's AI readiness, it's critical to recognize that employee adoption may be further along than leadership perceives. Only 4% of C-suite leaders believe employees are using AI for more than 30% of their daily work, when in reality that percentage is three times greater (13%). This disconnect highlights the importance of conducting thorough assessments of current AI usage patterns before designing transformation strategies.

Our recommended assessment framework evaluates five critical dimensions:

- ***Current HR Operating Model Maturity***

    o *Structure: How is your HR function currently organized (traditional three-pillar, matrix, hybrid)?*

    o *Roles: What roles exist, and how are responsibilities allocated?*

    o *Decision rights: How are decisions made, and who has authority?*

    o *Integration: How effectively do different parts of HR collaborate?*

- ***Organizational AI Readiness***

    o *Leadership alignment: Is there executive consensus on the AI vision for HR?*

    o *Risk appetite: How does your organization approach new technology adoption?*

    o *Change capacity: What is your organization's history with transformation initiatives?*

- Cultural factors: Are there aspects of your culture that will accelerate or impede adoption?

- ***Technology Landscape***

  - Current HR systems: What is your existing HR technology ecosystem?

  - Data quality and accessibility: How clean, comprehensive, and accessible is your HR data?

  - Integration capabilities: How easily can new technologies connect to your existing stack?

  - Security and compliance controls: What governance mechanisms are in place?

- ***Workforce Capabilities***

  - Digital literacy: What is the current level of technology proficiency in your HR function?

  - Product management expertise: Do you have experience with product-oriented approaches?

  - Data literacy: How comfortable are HR professionals with data-driven decision making?

  - Change readiness: How adaptable is your workforce to new ways of working?

- ***Value Creation Potential***

  - Efficiency opportunities: Where are the highest-value automation targets?

  - Experience gaps: What are the current pain points in the employee experience?

  - Strategic impact: Where could AI most significantly impact business outcomes?

o *Innovation potential: What new capabilities could be unlocked?*

Organizations will find themselves at different starting points across these dimensions. Common patterns include:

- **Traditional Model**: *Organizations with classic three-pillar structures, limited AI adoption, and siloed operations*

- **Partially Evolved**: *Organizations that have begun digital transformation but not yet fully integrated AI capabilities*

- **Digitally Advanced**: *Organizations with mature digital capabilities that are now focusing on scaling AI*

Each starting point requires a tailored approach to the transformation journey.

FUTURE STATE: THE AI-ENHANCED HR OPERATING MODEL

With a clear baseline established, the next step is designing your target operating model. This is not merely a theoretical exercise but requires detailed specification of how work will be performed, by whom, and with what technology.

Core components of the target operating model are:

Organizational Structure

- *Product teams aligned to key employee and manager needs*

- *Problem solver pools that can be deployed to strategic priorities*

- *Service delivery teams that orchestrate AI-human collaboration*

- *Centers of expertise that provide specialized knowledge on demand*

Role Definitions

- *Product Managers: Own end-to-end HR products, prioritize features, and measure value*

- *Experience Designers: Design user-centered experiences and interfaces*

- *AI Specialists: Implement and manage AI technologies*

- *Domain Experts: Provide specialized HR knowledge and compliance oversight*

- *Service Managers: Ensure efficient, high-quality service delivery*

Governance Framework

- *Decision rights for product investments and prioritization*

- *Data governance policies and procedures*

- *AI ethics guidelines and review processes*

- *Performance measurement and accountability mechanisms*

Technology Architecture

- *Core HR platforms that provide foundational capabilities*

- *AI services that deliver specialized functionality*

- *Integration layer that connects systems and data*

- *Self-service interfaces that provide access to HR services*

Value Measurement System

- *Efficiency metrics that quantify cost and time savings*

- *Experience metrics that measure user satisfaction and adoption*

- *Strategic metrics that connect HR activities to business outcomes*

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- *Innovation metrics that track new capabilities and insights*

CASE STUDY: MANUFACTURING COMPANY

Note: This is an illustrative case study based on our research with manufacturing sector companies similar to those in our co-creation sample.

A European manufacturing company with 25,000 employees redesigned its HR operating model to leverage AI capabilities. Key elements included:

Structure: Five product teams organized around key user journeys (Talent Acquisition, Employee Growth, Performance & Rewards, Employee Care, and Workforce Intelligence)

Roles: Each product team included a Product Manager, Experience Designer, HR Technology Specialist, and domain experts drawn from former COEs

Governance: A Product Council with representation from HR and business leadership, meeting quarterly to review performance and set priorities

Technology: SAP SuccessFactors as the core HRIS, augmented with Microsoft Copilot for HR and specialized AI tools for recruitment and analytics

Measurement: Balanced scorecard combining efficiency metrics (cost per employee, time to complete transactions), experience metrics (employee NPS, manager satisfaction), and business impact metrics (time to fill critical roles, retention of high performers)

This company achieved a 32% efficiency gain in the first 18 months while simultaneously improving employee satisfaction with HR services by 28 percentage points.

Info box: Illustrative Case Study

FROM CURRENT TO FUTURE STATE

The journey from current to future state requires careful planning and execution. Our research indicates that a phased approach is most effective, allowing organizations to build momentum through early wins while developing the capabilities needed for more comprehensive transformation.

Phase 1: Foundation Building (3-6 months)

- *Establish the transformation governance structure*

- *Assess current capabilities and identify critical gaps*

- *Develop the high-level target operating model*

- *Build the business case for change*

- *Launch initial capability building programs*

- *Identify quick-win opportunities*

Phase 2: Pilot Implementation (6-9 months)

- *Implement 2-3 product teams in high-priority areas*

- *Deploy initial AI applications with clear ROI*

- *Develop and test new ways of working*

- *Refine roles, responsibilities, and governance*

- *Expand capability building to broader HR population*

- *Measure results and refine approach*

Phase 3: Scaled Transformation (9-18 months)

- *Roll out the full product team structure*

- *Implement AI across all suitable HR activities*

- *Transition staff to new roles*

- *Formalize new career paths and development programs*

- *Scale governance mechanisms*

- *Establish comprehensive performance measurement*

Phase 4: Continuous Evolution (Ongoing)

- *Monitor technology advancements and market trends*

- *Continually refine products based on user feedback*

- *Expand AI capabilities to address new use cases*

- *Evolve governance to address emerging risks*

- *Develop advanced skills as technology matures*

This phased approach should be customized based on organizational size, complexity, and starting point. Key considerations include:

- **Risk Profile**: *Organizations with higher risk sensitivity may need a more gradual approach*

- **Business Cycle**: *Align major changes with natural business cycles to minimize disruption*

- **Resource Constraints**: *Scale ambition to available financial and human resources*

- **Change Capacity**: *Consider the organization's ability to absorb change when setting pace*

Risk Mitigation Strategies

Successful transitions require proactive management of risks that could derail the transformation:

- ***Service Continuity Risks***

  - o *Implement changes in waves to avoid disrupting critical services*

  - o *Maintain parallel operations during transition periods*

  - o *Establish escalation paths for addressing service issues*

  - o *Create contingency plans for critical processes*

- ***People Risks***

  - o *Develop clear communication about how roles will evolve*

  - o *Provide comprehensive training and support for new skills*

  - o *Create transition plans for individuals whose roles are significantly impacted*

  - o *Recognize and reward early adopters and change champions*

- ***Technology Risks***

  - o *Conduct thorough testing before deploying AI applications*

  - o *Implement strong monitoring and control mechanisms*

  - o *Maintain fallback options for critical systems*

  - o *Phase implementation to limit exposure to any single technology failure*

- ***Compliance Risks***

  - o *Involve legal and compliance teams early in the design process*

  - o *Establish clear protocols for AI oversight and governance*

  - o *Create audit trails for AI-influenced decisions*

  - o *Regularly review AI outputs for potential bias or other issues*

CHANGE LEADERSHIP: MOBILIZING THE HR FUNCTION

The success of any operating model transformation ultimately depends on effective change leadership. Research shows that 92% of companies plan to increase their AI investments over the next three years, yet only 1% believe their investments have reached maturity. Successful change leadership requires addressing the fact that 47% of C-suite members feel their companies are developing AI tools too slowly, while simultaneously managing employee expectations for proper training and support.

Stakeholder Management Strategies

Different stakeholders will have different concerns and priorities regarding the transformation:

- **CHRO**: *Demonstrating strategic impact, managing transformation costs, developing future-ready capabilities*

- **CFO**: *Ensuring ROI, containing implementation costs, quantifying business benefits*

- **CIO**: *Integrating with existing systems, managing security risks, aligning with enterprise technology strategy*

- **Business Leaders**: *Improving service quality, addressing specific business challenges, minimizing disruption*

- **HR Team Members**: *Understanding career implications, developing required skills, maintaining work quality during transition*

- **Employees**: *Receiving high-quality HR services, protecting privacy, trusting AI-influenced decisions*

Effective stakeholder management requires tailored messaging and engagement strategies for each group.

Building the Case for Change

A compelling case for change addresses both rational and emotional dimensions:

- **Rational Case**: *Quantify the potential value in terms of efficiency gains, service improvements, and strategic impact*

- **Emotional Case**: *Articulate how the transformation will make work more meaningful and create career opportunities*

Key elements of an effective case for change include:

- **Clear Value Proposition**

    o *Efficiency gains in specific processes and roles*

    o *Service quality improvements for employees and managers*

    o *Strategic impact on business outcomes*

    o *New capabilities and insights not currently possible*

- **Transformation Journey**

    o *Vision for the future HR operating model*

    o *Roadmap with clear milestones and timeline*

    o *Resource requirements and investment plan*

    o *Roles and responsibilities for implementation*

- **Individual Impact**

    o *How specific roles will evolve*

    o *New skill requirements and development opportunities*

    o *Career paths in the transformed organization*

    o *Support mechanisms during the transition*

Creating a change coalition that includes millennials—who demonstrate the highest AI familiarity (62% of 35-44 year olds report high levels of

expertise)—can help bridge the gap between leadership aspirations and employee experience.

Quick Wins to Build Momentum

Identifying and implementing quick wins is essential for building credibility and momentum for the broader transformation. Effective quick wins share several characteristics:

- **Visible Impact**: Benefits are noticeable to key stakeholders

- **Achievable**: Can be implemented within 3-6 months

- **Low Risk**: Minimal disruption to critical services

- **Representative**: Demonstrate the potential of the broader transformation

Examples of effective quick wins include:

- **AI-Enhanced Employee Help Desk**

    o Deploy conversational AI to handle routine HR queries

    o Measure reduction in response time and increase in resolution rate

    o Free up HR generalists for more complex issues

- **Interview Scheduling Automation**

    o Implement AI-powered scheduling for recruitment

    o Measure reduction in time-to-schedule and coordinator effort

    o Improve candidate experience through faster scheduling

- **Manager Insight Dashboards**

    o Create AI-enhanced analytics dashboards for managers

- Provide insights on team performance, engagement, and talent risks

- Measure increased data usage and manager satisfaction

These quick wins help demonstrate the potential of AI while building organizational capability and confidence for more ambitious changes.

CHAPTER 4:
CAPABILITIES FOR SUCCESS

Achieving the full potential of AI in HR requires developing new capabilities across people, process, and technology domains. This chapter outlines the critical capabilities needed for success and provides practical guidance for building them.

TECHNOLOGY INVESTMENT ROADMAP

Implementing AI in HR requires a thoughtful approach to technology investment, sequenced to deliver value while managing risk and building organizational capability.

Core Technology Components

- *Foundation Layer*
  - *Modern HRIS platform with strong API capabilities*
  - *Robust data management and integration infrastructure*
  - *Identity and access management systems*
  - *Security and compliance controls*

- *AI Service Layer*
    - o *Natural language processing for conversational interfaces*
    - o *Document understanding for processing unstructured content*
    - o *Predictive analytics for workforce insights*
    - o *Recommendation engines for personalized experiences*
- *Experience Layer*
    - o *Employee self-service portals and mobile applications*
    - o *Manager dashboards and decision support tools*
    - o *HR professional workbenches*
    - o *Cross-platform notification and workflow capabilities*

Investment Sequencing

Organizations should sequence investments based on value potential, technical complexity, and organizational readiness:

24+ months
- Deploy advanced reasoning capabilities for complex decision support
- Implement organization-wide skills intelligence
- Create fully integrated employee experiences across the lifecycle

12-24 months
- Expand AI to more complex processes (talent acquisition, performance management)
- Implement advanced analytics for workforce planning and optimization
- Develop personalized employee experiences

0-12 months
- Implement foundational capabilities (data integration, identity management)
- Deploy proven AI applications with clear ROI (chatbots, document processing)
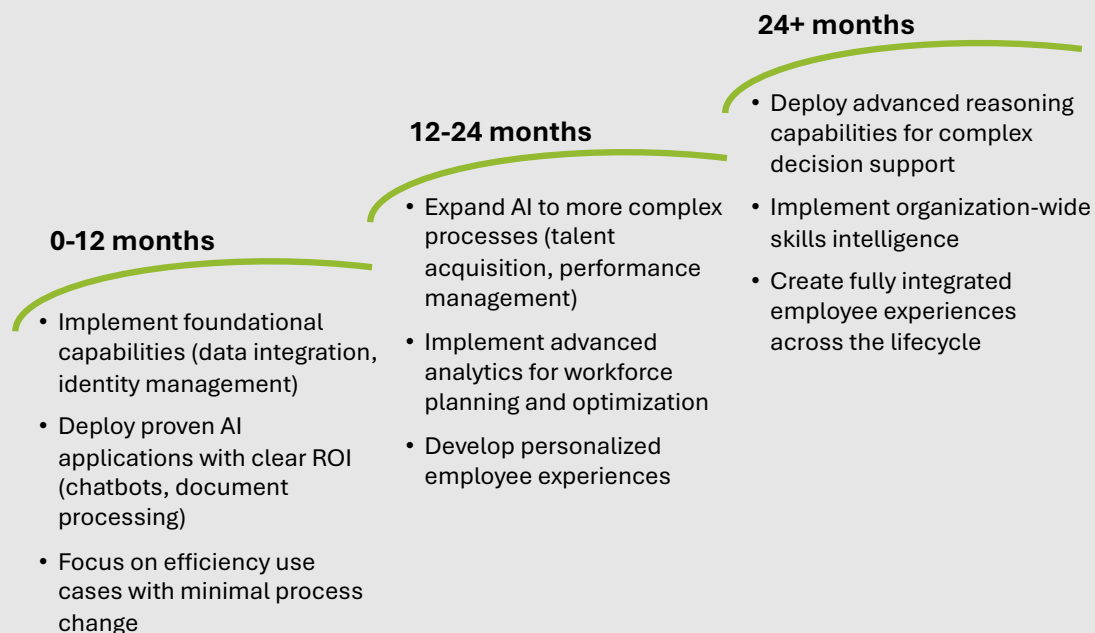- Focus on efficiency use cases with minimal process change

Illustration: Investment Sequencing

Integration Strategy

Successful AI implementation requires seamless integration with existing systems and data sources:

- **Data Integration**
    - o *Identify authoritative sources for key HR data*
    - o *Establish data quality standards and remediation processes*
    - o *Implement robust data governance*
    - o *Create unified data models for consistent analytics*
- **Process Integration**
    - o *Map end-to-end processes across systems*
    - o *Identify integration points and handoffs*
    - o *Design exception handling procedures*
    - o *Establish monitoring and control mechanisms*
- **Experience Integration**
    - o *Create consistent user interfaces across applications*
    - o *Implement single sign-on and unified authentication*
    - o *Establish cross-platform notification systems*
    - o *Design coherent user journeys that span multiple systems*

Vendor Selection Guidance

Selecting the right technology partners is critical for successful AI implementation. Key selection criteria include:

- **Strategic Alignment**: *How well does the vendor's product roadmap align with your needs?*

- **Integration Capabilities**: How easily will the solution connect with your existing systems?

- **Data Privacy and Security**: What controls are in place to protect sensitive information?

- **AI Ethics and Governance**: How does the vendor address bias, transparency, and explainability?

- **Implementation Support**: What resources and expertise can the vendor provide during implementation?

- **Total Cost of Ownership**: What are the full costs beyond license fees (implementation, integration, maintenance)?

Organizations should also consider different partnership models:

- **Enterprise Platform Providers**: Companies like SAP, Oracle, and Workday offering comprehensive HR suites with embedded AI

- **HR AI Specialists**: Companies like Eightfold, Phenom, and Humu focusing on specific HR domains

- **General-Purpose AI Platforms**: Companies like Microsoft, Google, and IBM offering AI capabilities that can be applied to HR

- **Custom Development**: Building proprietary solutions for unique needs using AI development frameworks

The optimal approach often involves a combination of these models, with enterprise platforms providing the foundation and specialized solutions addressing specific needs.

TALENT AND SKILLS DEVELOPMENT PLAN

Building the capabilities needed for AI-powered HR requires a comprehensive approach to talent development, combining upskilling, strategic hiring, and innovative learning experiences.

Capability Requirements by Role

Different roles in the future HR operating model require different capability profiles:

HR Product Managers:

- *Product management fundamentals*

- *User research and journey mapping*

- *Agile/Scrum methodologies*

- *AI literacy and use case identification*

- *Business case development*

- *Performance measurement and analytics*

HR Experience Designers:

- *Human-centered design principles*

- *User research techniques*

- *Prototyping and usability testing*

- *Information architecture*

- *Visual communication*

- *Service design*

HR Technology Specialists:

- *AI implementation and integration*

- *Data architecture and management*

- *API and system integration*

- *Security and compliance controls*

- *Vendor management*

- *Technical documentation and training*

Domain Experts:

- *Deep HR functional knowledge*

- *Compliance and regulatory expertise*

- *Process design and optimization*

- *Data interpretation and application*

- *Consulting and facilitation skills*

- *Change management*

Service Managers:

- *Service design and delivery*

- *Performance measurement and optimization*

- *Quality management*

- *Vendor and partner management*

- *Continuous improvement*

- *User support and enablement*

Capability Building Approach

Organizations should adopt a multi-faceted approach to developing these capabilities:

Internal Development (60%)

- *Structured learning programs*

- *On-the-job application with coaching*

- *Internal rotations and project assignments*

- *Communities of practice*

- *Mentoring and knowledge sharing*

Strategic Hiring (30%)

- *Target critical specialized roles*

- *Source talent from adjacent fields*

- *Create hybrid roles that combine HR and technical expertise*

- *Partner with universities for early career talent*

- *Establish competitive value propositions for technical talent*

External Partnerships (10%)

- *Consulting relationships for specialized capabilities*

- *Co-creation partnerships with technology providers*

- *Academic collaborations for emerging skills*

- *Industry consortia for shared learning*

- *Gig workers for specialized projects*

Learning Experience Design

Effective capability building requires well-designed learning experiences that combine formal and informal elements:

Formal Learning:

- *Structured courses on foundational topics*

- *Certification programs for specialized skills*

- *Workshops and simulations for practical application*

- *External conferences and seminars for broader perspectives*

- *Academic programs for deep expertise*

Informal Learning:

- *Project-based learning on real business challenges*

- *Communities of practice for knowledge sharing*

- *Mentoring and coaching from experienced practitioners*

- *Learning labs for experimentation*

- *Self-directed learning with curated resources*

Digital Enablement:

- *AI-powered learning platforms with personalized recommendations*

- *Microlearning modules for just-in-time knowledge*

- *Virtual reality simulations for complex scenarios*

- *Collaborative platforms for knowledge sharing*

- *Performance support tools embedded in workflow*

Capability Development Roadmap

Organizations should sequence capability development to support the broader transformation journey:

Phase 1: Foundation Building

- *AI literacy for all HR professionals*

- *Product management fundamentals for future product managers*

- *Data literacy for analytics consumers*

- *Change management for transformation leaders*

Phase 2: Role-Specific Development

- *Specialized training for product teams*

- *Technical skills for HR technology specialists*

- *Design thinking for experience designers*

- *Advanced analytics for data specialists*

Phase 3: Advanced Capabilities

- *AI implementation and governance*

- *Advanced product management*

- *Complex problem solving*

- *Innovation and design thinking*

THE CHRO'S LEADERSHIP ROLE

The CHRO plays a critical role in driving the transformation of the HR operating model for the AI era, acting as both a strategic leader and a change catalyst.

Shifting from Functional Leader to Transformation Catalyst

The CHRO's role is evolving from managing the HR function to orchestrating a broader transformation of how work gets done:

Traditional CHRO Role:	Evolved CHRO Role:
Oversee HR policies and programs	**Reimagine the future of work**
Provide HR expertise to the executive team	**Lead business value creation through people**
Lead the HR function	**Drive organization-wide transformation**
Manage HR talent and operations	**Orchestrate human-machine collaboration**

Table: Critical Skills for the AI-Augmented HR Function

Building Digital Leadership Capabilities

CHROs must develop specific capabilities to lead in the AI era:

Digital Fluency

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- *Understanding of AI technologies and their potential applications*

- *Familiarity with data-driven decision making*

- *Awareness of digital trends and their implications*

- *Experience with digital transformation*

Innovation Leadership

- *Creating environments that encourage experimentation*

- *Managing innovation portfolios*

- *Balancing risk and opportunity*

- *Scaling successful innovations*

Ecosystem Orchestration

- *Building networks of partners and providers*

- *Managing complex stakeholder relationships*

- *Facilitating collaboration across boundaries*

- *Creating shared value*

Ethical Technology Leadership

- *Establishing principles for responsible AI use*

- *Addressing privacy and security concerns*

- *Managing algorithmic bias and transparency*

- *Balancing efficiency and humanity*

Influencing the C-Suite on AI's Strategic Importance

CHROs must position AI transformation as a strategic business priority, not just an HR initiative:

Frame in Business Terms

- *Connect AI initiatives to strategic business priorities*

- *Quantify value in terms that resonate with executives*

- *Demonstrate competitive implications*

- *Present a clear vision of the future state*

Build Coalitions

- *Partner with the CIO on technology strategy*

- *Engage the CFO on investment planning and ROI*

- *Collaborate with business leaders on use cases*

- *Align with the CEO on strategic vision*

Manage Risk Effectively

- *Acknowledge legitimate concerns*

- *Present balanced risk-reward assessments*

- *Develop robust governance frameworks*

- *Demonstrate responsible implementation*

Lead by Example

- *Adopt AI tools in the CHRO's own work*

- *Showcase HR's AI transformation*

- *Demonstrate personal commitment to learning*

- *Model ethical decision making*

MEASURING SUCCESS AND CONTINUOUS EVOLUTION

The transformation to an AI-powered HR operating model is not a one-time event but an ongoing journey of continuous improvement and

adaptation. Effective measurement is essential for guiding this evolution.

Performance Metrics for the Transformed HR Operating Model

A comprehensive measurement framework should address multiple dimensions of value:

Efficiency Metrics

- *Cost per employee served*
- *Time to complete key transactions*
- *Automation rate for eligible processes*
- *Capacity reallocation to strategic activities*

Experience Metrics

- *Employee satisfaction with HR services*
- *Manager effectiveness ratings*
- *Adoption rates for self-service tools*
- *First-contact resolution rates*

Strategic Impact Metrics

- *Contribution to business outcomes*
- *Quality of workforce decisions*
- *Speed of workforce adaptation*
- *Innovation in people practices*

Capability Metrics

- *Skill development in critical areas*
- *Progress on learning objectives*
- *Engagement in capability building*

- *Application of new skills*

KPIs for Tracking Transformation Progress

Beyond steady-state performance metrics, organizations should establish specific KPIs to track transformation progress:

Implementation Milestones

- *Completion of key activities*
- *Delivery of planned capabilities*
- *Adherence to timeline*
- *Resource utilization*

Adoption Metrics

- *User engagement with new tools*
- *Compliance with new processes*
- *Participation in training*
- *Behavioral changes*

Business Case Realization

- *Achievement of efficiency targets*
- *Delivery of experience improvements*
- *Realization of strategic benefits*
- *Return on investment*

Organizational Health Indicators

- *Employee engagement*
- *Change readiness*
- *Capability development*

Leadership alignment

- *Feedback Mechanisms for Continuous Improvement*

- *Effective transformation requires robust feedback loops for continuous adjustment and improvement:*

User Feedback Systems

- *Pulse surveys and quick polls*

- *In-application feedback tools*

- *User testing and observation*

- *Focus groups and interviews*

Performance Monitoring

- *Real-time dashboards*

- *Exception reporting*

- *Trend analysis*

- *Comparative benchmarking*

Governance Reviews

- *Regular steering committee meetings*

- *Executive updates*

- *Cross-functional reviews*

- *External advisory input*

Learning Capture

- *After-action reviews*

- *Lessons learned documentation*

- *Knowledge sharing forums*

- *Case study development*

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Organizations should establish a regular cadence for reviewing these insights and adjusting their approach accordingly, typically quarterly for tactical adjustments and annually for strategic recalibration.

CHAPTER 5:

PREPARING FOR THE FUTURE

While the previous chapters have focused on immediate and medium-term transformation, organizations must also prepare for longer-term evolution. This chapter explores emerging trends and broader organizational implications.

EMERGING TRENDS ON THE HORIZON

The AI landscape is evolving rapidly, with new capabilities emerging that will further transform HR practices and operating models.

Next-Generation AI Capabilities

Several AI capabilities on the horizon will have significant implications for HR:

Advanced Reasoning

- *AI systems that can perform complex reasoning tasks*
- *Applications in workforce planning, organizational design, and strategic decision making*

- *Potential to automate even more sophisticated HR activities*

Agentic AI

- *AI systems that can operate autonomously to achieve goals*

- *Applications in personalized employee experiences and proactive HR services*

- *Potential to create "always-on" HR support for employees and managers*

Multimodal Interactions

- *AI systems that can work with text, voice, images, and video simultaneously*

- *Applications in interviewing, onboarding, and learning experiences*

- *Potential to create more natural and effective human-machine interfaces*

Explainable AI

- *AI systems that can clearly articulate their reasoning and decision processes*

- *Applications in performance management, compensation, and other high-stakes decisions*

- *Potential to increase trust and adoption of AI-influenced decisions*

Neuromorphic Computing

- *Computing architectures inspired by the human brain*

- *Applications in advanced pattern recognition and predictive modeling*

- *Potential to enable more sophisticated workforce analytics and planning*

The Evolving Regulatory Landscape

As AI becomes more pervasive in employment contexts, regulatory frameworks are evolving to address potential risks:

AI Regulation

- *The EU AI Act and similar regulations in other jurisdictions*

- *Requirements for risk assessment, transparency, and human oversight*

- *Implications for HR practices involving high-risk applications*

Data Privacy Evolution

- *Expansion of GDPR-like regulations globally*

- *Increasing restrictions on data collection and use*

- *Growing emphasis on data minimization and purpose limitation*

Algorithmic Accountability

- *Requirements for auditing and explaining algorithmic decisions*

- *Mandatory impact assessments for high-risk applications*

- *Potential liability for discriminatory or harmful outcomes*

Worker Rights

- *New protections related to AI monitoring and evaluation*

- *Requirements for transparency in AI-influenced decisions*

- *Rights to contest or appeal automated decisions*

Organizations must monitor these regulatory developments closely and build compliance considerations into their AI implementation strategies.

Future Skill Requirements for HR Professionals

The skills required for HR professionals will continue to evolve as AI capabilities advance:

Advanced AI Orchestration

- *Designing complex systems of human-AI collaboration*
- *Managing AI applications across multiple domains*
- *Optimizing the division of labor between humans and machines*

Extended Reality Integration

- *Designing and implementing AR/VR experiences for HR applications*
- *Creating immersive learning and development experiences*
- *Facilitating collaboration in virtual environments*

Ethical AI Stewardship

- *Establishing comprehensive AI governance frameworks*
- *Conducting ethical impact assessments*
- *Managing complex trade-offs between efficiency and humanity*

Human Potential Optimization

- *Identifying and developing uniquely human capabilities*
- *Creating environments that maximize human creativity and judgment*
- *Designing work experiences that leverage human-machine complementarity*

HR leaders should begin planning for these emerging skill requirements, even as they address more immediate capability gaps.

ORGANIZATIONAL IMPLICATIONS BEYOND HR

The transformation of HR's operating model has implications that extend far beyond the HR function itself, influencing the broader organization in significant ways.

Enabling Enterprise-Wide AI Adoption

HR's experience with AI transformation can serve as a model and catalyst for similar transformations in other functions:

Transferable Practices

- *Change management approaches*
- *AI governance frameworks*
- *User-centered design methodologies*
- *Capability building programs*

Cross-Functional Collaboration

- *Joint development of AI applications with shared use cases*
- *Aligned data governance and security practices*
- *Coordinated approach to vendor management*
- *Shared investments in foundational capabilities*

Enterprise-Wide Standards

- *Consistent ethical principles for AI applications*
- *Common approaches to explainability and transparency*
- *Aligned data management practices*
- *Shared measurement frameworks*

HR can serve as a center of excellence for AI implementation, sharing lessons learned and best practices with other functions.

HR's Role in Shaping the Future of Work

Beyond its own transformation, HR has a critical role to play in guiding the organization's broader adaptation to AI-enabled work:

Workforce Transition

- *Identifying roles and skills at risk of disruption*
- *Designing reskilling and redeployment programs*
- *Managing the human implications of automation*
- *Ensuring fair and ethical transitions*

Work Design

- *Reimagining jobs to optimize human-machine collaboration*
- *Designing new organizational structures and collaboration models*
- *Creating policies for remote, hybrid, and flexible work*
- *Establishing guidelines for AI-assisted decision making*

Culture Evolution

- *Fostering adaptability and continuous learning*
- *Building trust in human-machine collaboration*
- *Maintaining human connection in increasingly digital environments*
- *Preserving organizational values through technological change*

Leadership Development

- *Preparing leaders to manage in AI-enabled organizations*
- *Developing new leadership competencies for the digital age*
- *Creating models for ethical technology leadership*
- *Building capabilities for managing human-machine teams*

Through these activities, HR can help ensure that AI adoption enhances rather than diminishes the human experience of work.

Cross-Functional Integration

The product-oriented approach to HR creates opportunities for deeper integration with other functions:

IT Collaboration

- *Joint technology strategy and roadmap*
- *Shared governance and security frameworks*
- *Collaborative development of AI applications*
- *Integrated user experience design*

Finance Partnership

- *Aligned investment planning and prioritization*
- *Collaborative business case development*
- *Integrated performance measurement*
- *Joint workforce and financial planning*

Business Unit Alignment

- *Tailored HR products that address specific business needs*
- *Embedded HR capabilities within business processes*
- *Collaborative development of business-specific AI applications*
- *Shared accountability for people outcomes*

This cross-functional integration enables more holistic and effective approaches to organizational challenges.

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