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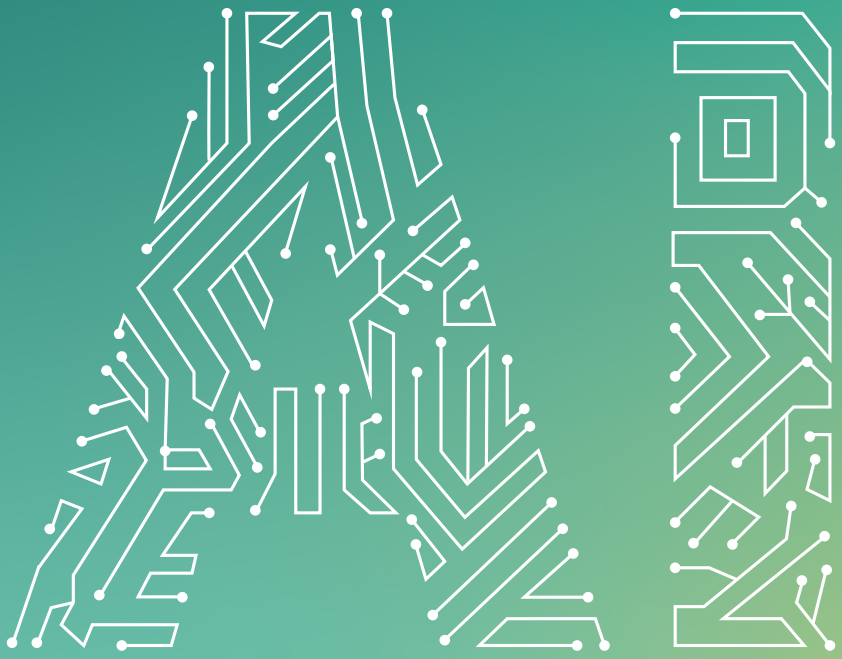

FOR HIRING

THE BUYING GUIDE

2019

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INTRODUCTION

We've seen an incredible amount of press, content, and opinions develop around AI. Analysis seems unanimous: AI is here to stay, and it's here to make an impact. The question remaining is: how?

This buying guide assumes very little artificial intelligence know-how. We'll walk through some definitions around AI and machine learning, explore the importance of data, and provide a brief explanation of model-building.

If you are already familiar with these concepts, we advise that you skip to Section 3, where we dig into how to start evaluating your organization's readiness for AI.

1

AI IN THE ENTERPRISE

AI IN THE ENTERPRISE

You are likely familiar with the applications of AI you already use today: Google Search, Amazon Alexa, and self-driving cars are some examples.

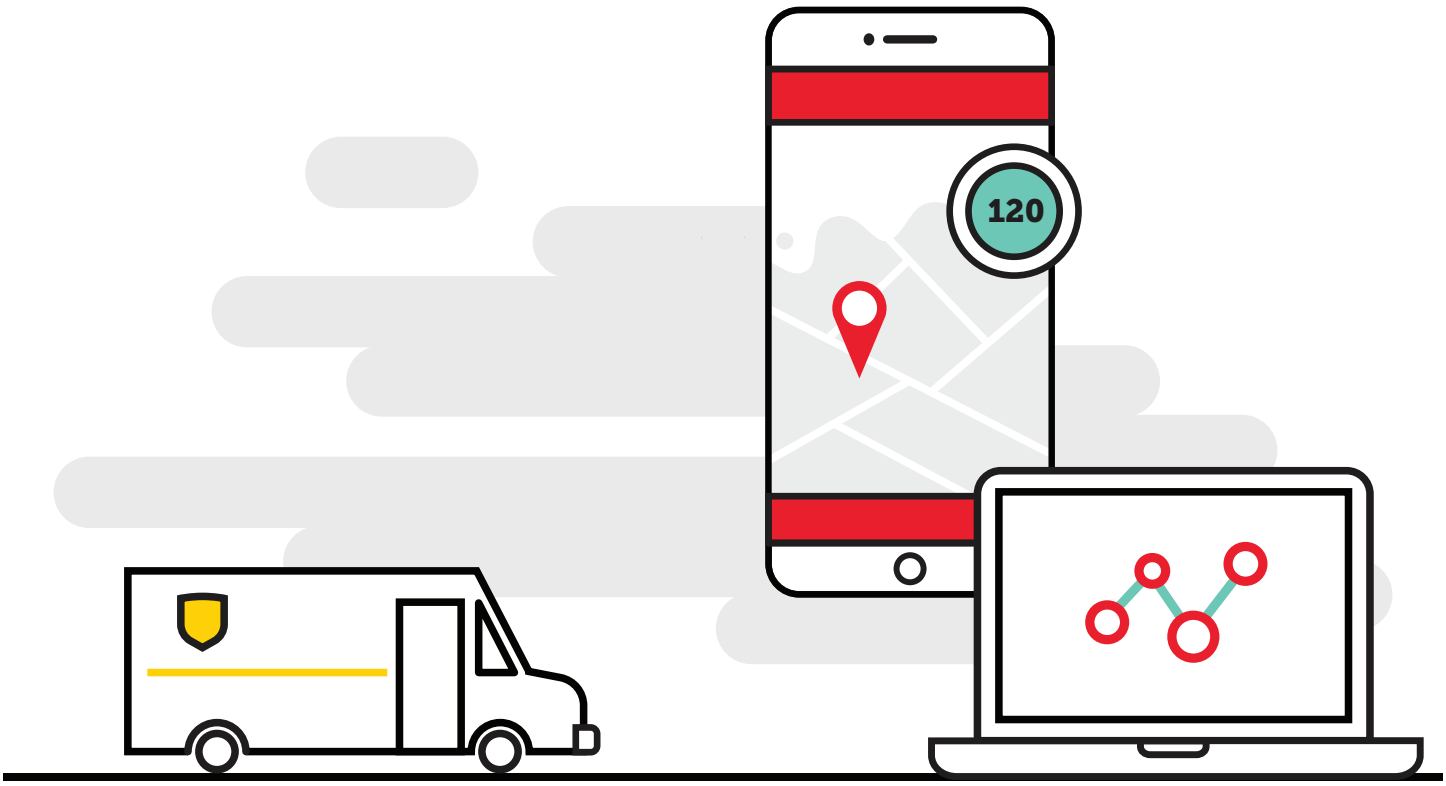
Less well publicized are examples of AI in the enterprise. These include:

JPMorgan Chase performs legal checks of commercial loan agreements with AI, a process which previously took 360,000 hours of legal review.

UPS uses AI to calculate and show drivers the most efficient route to take when making an average of 120 stops per day.

The Associated Press automates earnings reporting, publishing 4400 AI-written stories per quarter.

Results like these have only emerged in the last several years. Why are these only possible now, rather than years ago?



2

WHAT IS ARTIFICIAL INTELLIGENCE?

DEFINITIONS

Artificial intelligence is any application of machine learning algorithms to perform a task typically requiring a level of human intelligence. Usually this takes the form of making predictions, in one way or another.

Machine learning is a subset of AI, and underpins the majority of AI-driven results seen in the market today. In a typical software program, a computer follows a set of instructions, letter for letter. With machine learning, an algorithm is trained on a set of data, identifying patterns and forming the basis for prediction.

An **algorithm** is a set of instructions that tells a computer how to solve a problem. A machine learning algorithm is unique in that the computer constructs the set of instructions on its own, rather than being hard-coded by a human developer.

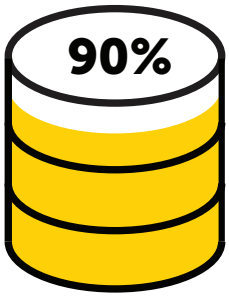
A **model** is the final, trained algorithm. **Data modeling** describes the overarching process of training an algorithm on existing data for the purpose of making predictions from that data or about similar data in the future.

WHY ARE WE ONLY HEARING ABOUT AI NOW?

The mathematics underlying AI have been around since the the 1960s. The reason it is just now making an impact is due to two factors:

1. THE QUANTITY OF DATA AVAILABLE

AI requires large quantities of data in order to identify patterns and make predictions. 90% of all human-created data has been created in the last two years.[1]



2. THE QUANTITY OF COMPUTER PROCESSING POWER AVAILABLE

AI requires significant computational resources, both in speed and data storage, in order to crunch large quantities of data. Computational power has increased by a trillion-fold since the 1950s.[2]

WHAT GOES INTO CREATING ARTIFICIAL INTELLIGENCE?

To develop a deeper understanding of artificial intelligence (and more specifically machine learning), it may be helpful to visualize the typical process for building a model:

COLLECT DATA

Collect the data you want to base your predictions on. This typically involves cleaning the data as well: removing inaccurate or incomplete information from the data set.

COMBINE RELEVANT DATA SOURCES

The ultimate goal of the model is to predict an attribute (employee performance, turnover likelihood, the "meaning" behind a candidate's response to a chatbot, etc) from a collection of other attributes. We need to combine the raw data into the categories that make sense for predicting what we're trying to predict.

SELECT THE ALGORITHM

There are many different types of algorithms. Each excels in different situations. The type of data you have and the type of prediction you're trying to make will determine the best selection. Remember that a machine learning algorithm is effectively the instructions for the computer to build its own instructions based on the data we give it.

TRAIN THE ALGORITHM ON THE DATA

This step involves feeding the data you collected and combined in Steps 1 & 2 to the algorithm selected in Step 3. When training is finished, the algorithm is equipped to make predictions based on new data. This trained algorithm is the "model."

TEST & AUDIT THE MODEL

Every model should be validated and audited to ensure it predicts what we set out to predict. In the domain of talent acquisition and HR, models should also be audited for potential bias. If the model does not predict what we want it to predict (or is found to have bias), it needs to be retrained with a data set modified to maximize the predictive power or minimize bias.

You don't need to be a data scientist to make an informed decision about AI. If the above doesn't seem entirely intuitive, that's okay. What you should take away is:

1. *THE IMPORTANCE OF DATA*
   Open-source algorithms are widespread; it's never been easier for a developer with relatively little knowledge or resources to create an "AI." The data used to train the algorithm is often what makes the difference between a predictive, unbiased AI and an inappropriate, biased one.

2. *THE AUDITING IMPERATIVE*
   Like with data, it's the post-training auditing that can make or break applications of artificial intelligence. It is not uncommon to see a model perform brilliantly on the data used to train it, only to fail spectacularly when introduced to new data. Testing and auditing is crucial, particularly in the HR space.

Like with data, it's the post-training auditing that can make or break applications of artificial intelligence.

THE HUGE POTENTIAL OF AI IN HIRING

The potential for AI to make an impact in all domains is huge, and recruiting is no exception. Talent acquisition succeeds when it predicts the best candidates for a job, and builds the relationships that convert those candidates to employees.

Think about how your recruiting strategy might change if you could:

> Predict the best candidates for the job.
>
> Predict the passive candidates most likely to respond to outreach.
>
> Predict the type of candidate your existing efforts attract.

AI has the potential to provide an unprecedented competitive advantage. But given the newness of the space, and the increasing ease with which "AI" can be built, it can be difficult to navigate the landscape of AI-driven solutions.

In this guide, you'll learn how to benchmark your organization's readiness for AI, evaluate vendors, and build a business case for this transformative technology.

3

HOW DO YOU CREATE AI READINESS IN YOUR ORGANIZATION?

OPPORTUNITY ISOLATION AND IDENTIFICATION

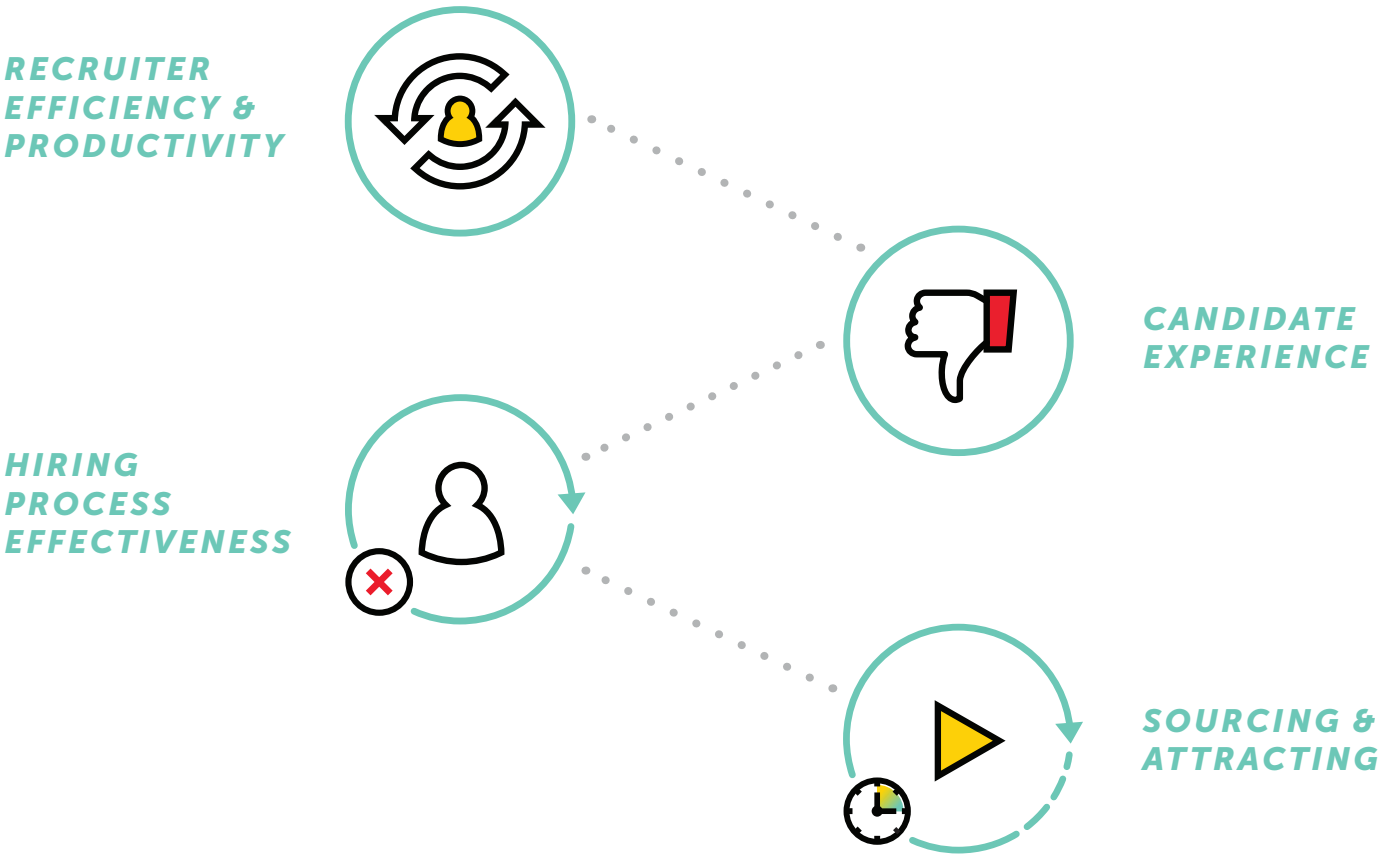
The first step of benchmarking your recruiting team's readiness for AI is identifying opportunities for improvement, and how it can help you hit your goals.

Ideally, you should identify a specific opportunity for your recruiting team before engaging with AI vendors.

Doing this will help both you and the vendor uncover if their solution is a match for your situation.

These are the common focus areas AI can solve for, as well as some of the leading indicators that show it is worth exploration:

WHAT IS YOUR PRIMARY OPPORTUNITY?



RECRUITER EFFICIENCY & PRODUCTIVITY

Opportunity worth investigating if you experience:

- High recruiter turnover.
- Poor feedback from candidates.
- Poor feedback from hiring managers.
- Long delays when moving candidates from one process step to the next.

CANDIDATE EXPERIENCE

Opportunity worth investigating if you experience:

- Poor feedback from candidates.
- Low completion rates for hiring process steps.
- High candidate dropout.

HIRING PROCESS EFFECTIVENESS

Opportunity worth investigating if you experience:

- Vacancy fill times at or over the industry average.
- Poor feedback on candidates from hiring managers.
- Inability to contend with large applicant volume.
- Inability to "find" quality candidates in your applicant pool.
- Poor feedback from candidates.
- Inability to hire a more diverse range of candidates.

SOURCING & ATTRACTING

Opportunity worth investigating if you experience:

- Low applicant volume.
- Inability to fill niche positions that don't have sufficient applicant volume.
- Vacancy fill times at or over the industry average.
- Lack of engagement with employment branding content.
- Inability to hire a more diverse range of candidates.

EXTENDING ADVANTAGES

The problem might also be less concrete. You might not have a problem with things as they are now, but still aspire to improve further. In this case, your opportunity is related to extending existing advantages:

- You see the opportunity for a significant productivity lift, even if things are going well according to most industry benchmarks.
- You have bigger initiatives you want to tackle, and want to look into how automation can give you that bandwidth.
- You want to build systems that provide the groundwork for data-driven decision making.
- You want to maintain or expand an existing competitive advantage.

Ultimately, there are very few organizations who would not see at least an incremental benefit in using the appropriate artificially intelligent algorithms to assist in recruiting. That said, isolating your key opportunities is only one piece of the puzzle.

CULTURAL READINESS

A big part of organizational readiness for AI is cultural. Leveraged most effectively, AI is not a plug-and-play technology. If you apply new, transformative technology to an old process, the result will be an expensive, old process.

If you apply new, transformative technology to an old process, the result will be an expensive, old process.

CONSIDERATIONS WHEN EVALUATING CULTURAL READINESS

APPETITE FOR CHANGE

This is the leading indicator for success with any new technology. Is your TA organization ready to rethink its process and overall recruiting approach? Or are key members committed to the status quo?

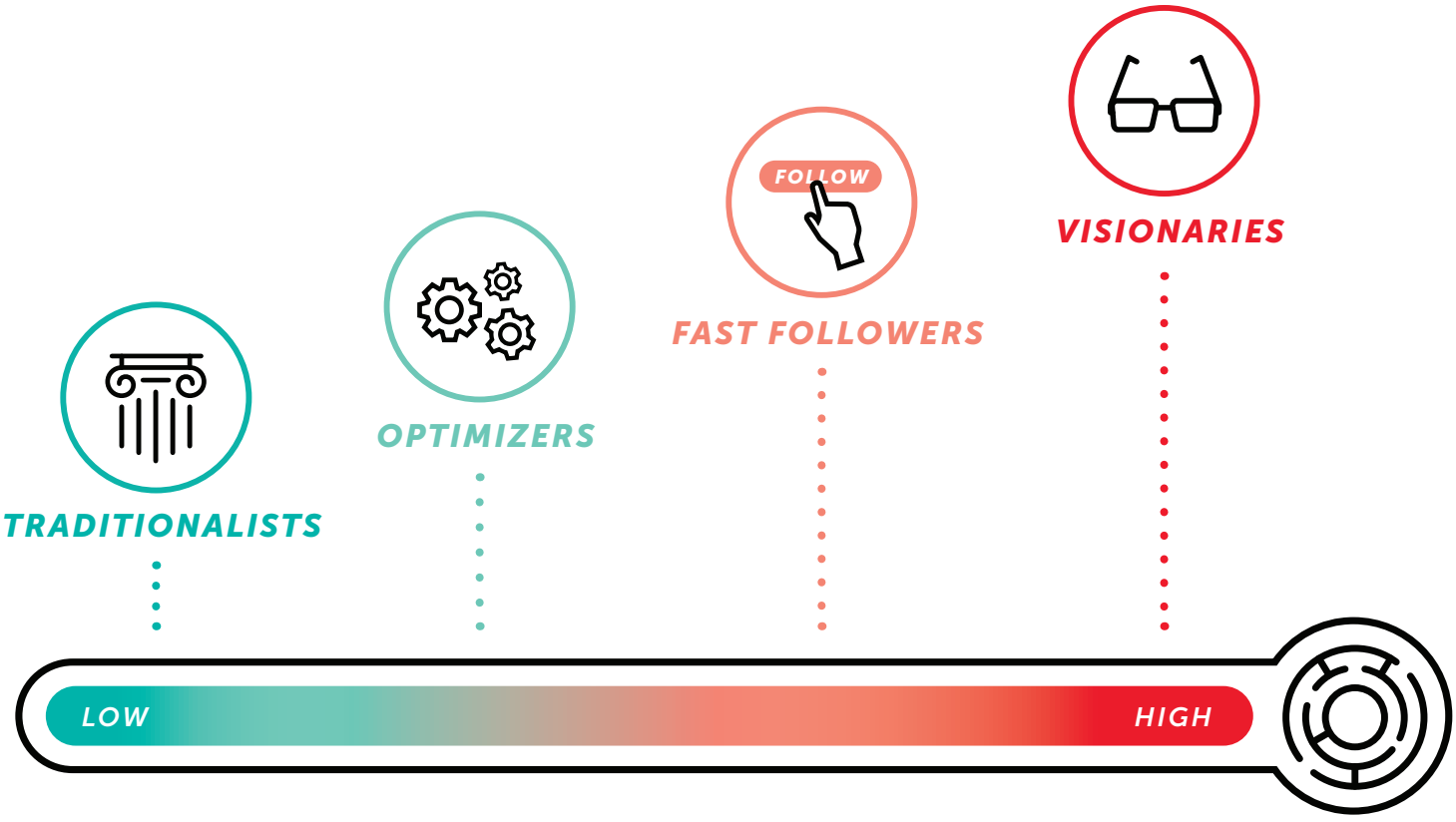
The adoption of new technology like AI is typically isolated to visionaries and their fast followers. While innovators are generally rewarded for their agility and vision, those that stick with the status quo rarely see significant negative impacts (at least for the time being). No one gets burned for optimizing legacy processes or sticking with the status quo.

ORGANIZATIONS CAN'T AFFORD TO "WAIT AND SEE" WITH AI

Artificial intelligence is different. *The benefits that come from AI are compounding and cumulative.* Every outcome generated by an algorithm can be used, in turn, to refine and perfect it. You can't "flip a switch" and immediately see the same results as organizations that have been using it for years. Early adopters enjoy proprietary lessons learned on technical framework, process development, and governance of their AI systems.

There is a very real possibility that companies that wait to adopt AI may never catch up.[3]

INNOVATION SEEKING & APPETITE FOR CHANGE



BUILDING AN APPETITE FOR CHANGE

All different types of organizations (visionaries, fast followers, optimizers, and traditionalists) have benefitted from AI in hiring. That said, they require different approaches to build an appetite for change.

Visionary organizations are constantly investigating new technologies and have little difficulty building a case for change.

How to Build the Appetite for Change:

> Look to vendors for their "ideal" use case. Examine what other organizations like yours are piloting, and who they end up partnering with long-term.
>
> Evangelize the transformative possibilities that come from transforming a process, or significantly changing the types of work that need to be done.

Visionaries should focus on the potential state of their recruiting function when building an appetite for change.

Fast Follower organizations keep a close eye on what their visionary counterparts are doing, allowing visionaries to "test the waters" before adopting a new tech themselves.

How to Build the Appetite for Change:

> Find visionaries in your space who are having success leveraging AI for recruiting. Spread their successes to build consensus around investigating artificial intelligence.
>
> Evangelize external successes and ideal internal use cases that show demonstrable ROI with AI and prove that the technology is enterprise ready.

Fast followers should focus on existing successes by visionaries and create a narrative around enterprise-readiness when building an appetite for change.

Optimizer organizations have existing infrastructure or relationships that prevent them from making radical transformations in the way they do things. Instead, they focus on optimizing and deriving efficiencies from existing methods.

How to Build the Appetite for Change:

> Build a robust business case, focusing on the efficiency and productivity increases that come from AI. You'll learn how to do this in Section 5.
>
> Evangelize stories that show how AI can reduce (optimize) the size of your tech stack and empower your recruiting teams.

Optimizers should focus on improvements in hiring processes, efficiencies, and outcomes when building an appetite for change.

Traditionalist organizations are loyal to their legacy technologies and processes. They generally deviate from the status quo only when it becomes a competitive necessity.

> Generate urgency. Develop an understanding around the compounding benefits of AI to demonstrate why sticking with legacy technology could produce an insurmountable barrier later on.
>
> Evangelize stories of change and transformation in other traditionalist organizations. Many AI vendors know the impact their product has, and have processes in place for change management.

Traditionalists should create a narrative around the time-sensitive nature of AI adoption - that there is the very real possibility of getting left behind permanently - and show that other organizations like them are already seeing significant benefits when building an appetite for change.

Just because a team has a low appetite for change right now doesn't mean it can't be developed. Appetite for change is directly related to opportunity identification, and discovering the ROI of addressing those focus areas. Many vendors understand the impact their product has, and have processes in place for change management. As you uncover the barriers to your goals, isolate underlying problems, and build a business case for AI (more on this in Section 5), you'll see that appetite grow.

THE PILOT VS. PARTNERSHIP MINDSET

Some organizations thrive on piloting the latest tech from early stage startups, patching together their own unique solutions from untested vendors. Culturally, these companies have a high tolerance for risk, delayed timelines, and potential security issues in order to stay on the bleeding edge. A very small, unique set of companies are in this mindset.

Most organizations will find more continued success forming partnerships with established, trusted vendors. Culturally, these companies minimize their risk and maximize their impact by developing long-term relationships with vetted partners in emerging technologies.

MEASUREMENT AND METRICS GATHERING

The metrics you gather will depend on the specific focus area you articulated previously. Metrics should be a combination of industry benchmarks and internal metrics.

Examples include:

- Time to Fill
- Quality of Hire
- New Hire Turnover
- New Hire Diversity
- Candidate Net Promoter Score
- Process Step Yield Ratios (the percent of candidates who make it from one process step to the next)

The goal here is fourfold:

1. Benchmark where you stand in comparison to other organizations that are competing for similar talent pools.
2. Create a single reference for internal operational recruiting metrics.
3. Create a compelling case to internal stakeholders to devote time and resources to pursuing solutions.
4. Align non-HR stakeholders with your goals to draw on their expertise as needed.

Not only are these critical in entering conversations with vendors to help provide a clear picture of the problems you are trying to solve, it will also help provide visibility and support from internal stakeholders.

TECHNICAL READINESS

On the technical side of things, most vendors will do the heavy lifting in terms of data collection and algorithm building. That said, you can greatly increase how quickly a project gets off the ground. While metrics like performance and turnover data are not necessary per se, they accelerate your ability to get the most from a partnership with an AI vendor.

Use these questions to evaluate how quickly you will be able to launch an AI project:

- When data is required, how quickly can teams collect, clean, and share it?
- Do vendors offer certified integrations with your existing technology stack?
- Do you have a clear and realistic way of measuring success?
- What systems surround your identified area for improvement? Will it be critical to have an integration?
- Do you know who has technical knowledge of key systems or data sets?

AI is rightly considered a complicated technology, but customer-centric vendors have already developed options to make data collection and implementation as seamless as possible. The right vendor can help you get your house in order (technically speaking) and build the groundwork for additional AI projects. **Getting started with AI now is a competitive advantage, one that only compounds with time.**

4

WHAT TO EVALUATE AT EACH STEP OF THE BUYING PROCESS

SURVEYING THE MARKET: WHAT TO EVALUATE DURING EXPLORATION

The market of AI-driven recruiting solutions has exploded in the last two years. If you've identified a key opportunity you want to tackle, surveying the landscape is much less overwhelming.

The good news is that you can find a solution that will solve multiple problems. Vetting those solutions is not always an apples-to-apples comparison. Regardless, surveying the market from the perspective of current challenges will help you construct a shortlist of viable categories worthy of further exploration.

ALIGN YOUR OPPORTUNITY WITH AVAILABLE CATEGORIES OF SOLUTIONS

During exploration, the focus should be on aligning your identified opportunity with the market of available AI categories.

If you've identified multiple potential focus areas, that's okay too. The goal of this exercise is to provide general direction and rule out groups of solutions that are not a good fit for your most pressing challenges.

Categories of AI-Driven Solutions

LIST OF AI SOLUTIONS	*HIRING PROCES EFFECTIVENESS*	*SOURCING & ATTRACTING*	*RECRUITING PRODUCTIVITY*	*CANDIDATE EXPERIENCE*
AI-Driven Assessments	●		●	●
Candidate Rediscovery		●		
Job Description Optimization		●	●	●
Ad Automation		●		
Job Market Forecasting			●	
Candidate Relationship Management		●		
Chatbots				●
Resume Filtering			●	
Social Candidate Discovery		●		

HOW THE AI DOES THINGS DIFFERENTLY VS. STATUS QUO

When surveying the various categories of AI-driven tools and solutions, it's important to evaluate how the AI handles tasks differently from how they are conventionally performed. Thinking about the landscape this way helps separate the truly transformative applications of AI from those that provide just incremental improvements.

When you look at a category of solutions, do they:

> Replace something in your existing recruiting process or workflow? Or:
>
> Transform your existing recruiting process or workflow?

While point solutions have their place and are often useful, they can be distracting when evaluating AI vendors for the first time. Focus on categories of solutions that can fundamentally transform your recruiting process, empower recruiters to spend their time on high value activities, and allow you to rethink previous recruiting strategies.

HOW THE AI IMPACTS YOUR HIRING OUTCOMES

Evaluating the impact of AI solutions on recruiting process is important, but it is just as critical to look a level deeper at how the AI stands to impact actual hiring outcomes. Employee turnover, employee productivity, leadership potential, and new hire diversity are all areas where AI can–and is–making an impact.

When you look at a category of solutions, do they:

> Impact only process outcomes (time to fill, time in process step, etc)? Or:
>
> Have the potential to also improve actual hiring outcomes (quality of hire, new hire diversity, etc)?

The most transformative categories of AI solutions will impact both process and hiring outcomes.

At this point, your list should consist of a selection of categories. In the next section, we'll explore the five ways you should go about vetting specific vendors.

“

If a vendor comes to you with ‘AI’ as their leading part of the conversation, it’s time to rethink the relationship. This is about solving real problems with how we hire, and AI should not be the focus of the discussion. Instead, it should first look at the “what,” such as results, impacts, and outcomes. Then the conversation can naturally delve into AI and other “how” elements of how the system works on a technical level.

”

Ben Eubanks
Principal Analyst,
Lighthouse Research & Advisory

NARROWING THE FIELD: WHAT TO EVALUATE DURING VETTING

Now that we've narrowed down the categories of relevant AI vendors, it's time to look at how to evaluate specific vendors and generate a shortlist. These are the five key criteria you should look at when vetting vendors:

IS THE VENDOR EXPERIENCED WITH THE RECRUITING SPACE?

It's become much easier to create AI-enabled software over the past few years. This is a large reason why we've seen the space explode with new entrants. Many have the teams in place to do excellent data science, but are light on domain expertise and people science (e.g., Industrial Organizational Psychology).

We saw this play out when a large tech company created an AI to sort resumes, adversely impacting female applicants in the process. In recruiting it is critical for an AI vendor to possess a background in the laws, guidelines, and best practices of the field. This domain knowledge is crucial for the proper testing and auditing of algorithms.

How to tell if an AI vendor possesses the proper recruiting domain knowledge to build compliant and unbiased AI:

They have a history of success increasing workplace diversity.

Cites academic literature and research as justification for features, platform, and functionality.

They use widely accepted and validated standards like adverse impact.

They have a team of Industrial Organizational Psychologists on staff, not just data scientists. This is most applicable when the AI plays a role in candidate filtering or selection.

They are open and transparent about validity, retraining models, and has processes in place for improving against undesirable outcomes.

They possess a large set of structured and reliable data to train models on.

They understand and have demonstrated the legal implications of their technology on hiring.

They have an independent legal opinion on their technology.

DOES THE VENDOR HAVE A HISTORY OF SUCCESS IN ORGANIZATIONS OF YOUR SIZE?

While the number of documented AI success stories grows by the day, many applications of AI remain theoretical.

When a vendor has a library of documented, referenceable success stories from organizations like yours, it indicates:

- You'll be a partner, not a beta tester.
- You'll have a built-in playbook for success, rather than discovering everything from scratch.
- The vendor has experience meeting the needs of an enterprise of your size.
- The vendor has a depth of experience in scaling things like customer support to peak seasons to ensure great experiences for candidates.
- The vendor has a robust team to ensure high standards of platform security.
- The vendor regularly works with customer teams that are addressing complex problems and can share best practices for optimizing outcomes.
- The vendor offers the language support necessary for an organization of your size.
- The vendor has a roadmap and product plans beyond the solution you launch with.

A SIDE NOTE FOR LARGE ORGANIZATIONS

Transformative change - the type possible with artificial intelligence - rarely happens overnight. It needs infrastructure and support to succeed. Customer support, platform security, and international language support are all necessary for large enterprises. And like any technology you invest in, it will be more impactful if it integrates well with your existing technology stack.

New vendors without enterprise customers rarely have the ability to scale this auxiliary infrastructure to support the enterprise's needs. Robust and enterprise-tested integrations are also rare. This isn't to say a partnership is impossible. But if you are a vendor's first or second enterprise customer, you should expect significant delays, bugs, and inconsistencies as they work to scale to your organization's needs.

WHAT DATA DOES A VENDOR USE TO IDENTIFY AND EVALUATE CANDIDATES?

With a few exceptions, most applications of AI in recruiting are designed to uncover great candidates. The primary differences are:

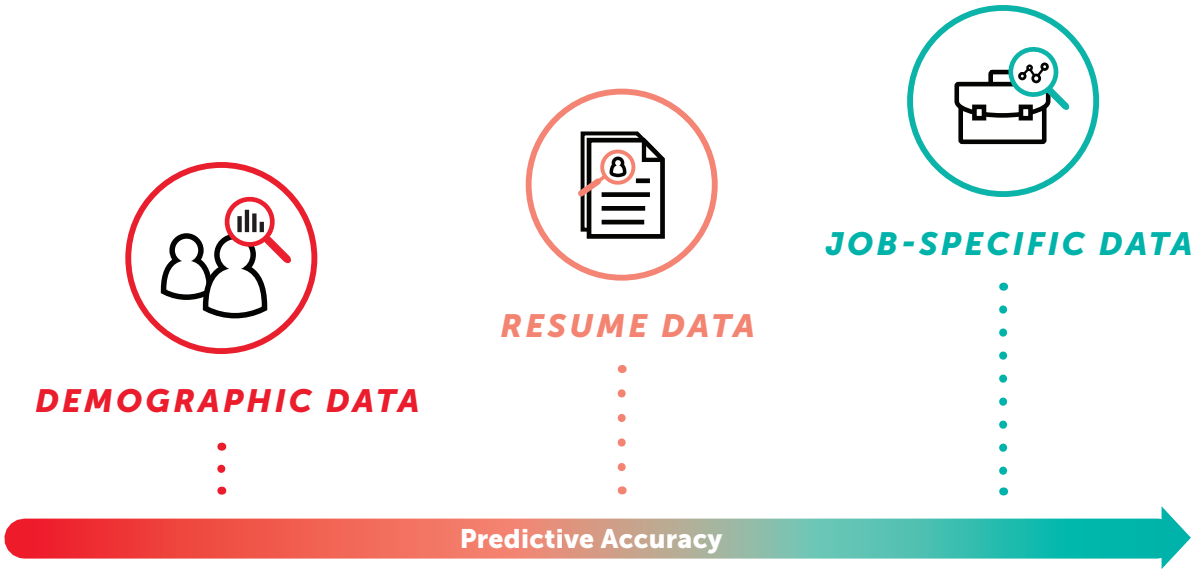
1. Where in the hiring process the evaluation takes place.
2. The accuracy with which the evaluation is made.

Sourcing tools, whether through social media scraping or candidate rediscovery, evaluate passive job seekers who have yet to apply. Chatbots and resume-filtering tools evaluate applicants at or during the application phase. AI-driven assessments evaluate applicants post-application.

The data that feeds these tools plays a large role in their predictive accuracy and potential for bias. You can evaluate a vendors' ability to predict what they say they can predict by the data they use to make the prediction:

1. ***DEMOGRAPHIC DATA***
   An individual's name, address, internet browser, commute time, and other attributes not related to job skills. **Very low (non-existent) predictive accuracy. High potential for bias.**
2. ***RESUME DATA***
   An individual's education, certifications, work experience, GPA and other data you'd find on a typical resume. **Low to medium predictive accuracy. Medium potential for bias.**
3. ***JOB-SPECIFIC DATA***
   Data created by the candidate as proof of ability for a specific job role (think: interviews, pre-hire assessments). **High predictive accuracy. Lowest potential for bias.**

Depending on the application, certain types of data might be fine. Certain recruiting scenarios may not require a high level of predictive accuracy. What matters is how much you trust the data for informing its specific application. For example, an individual's work history might suffice if you are deciding whether or not to enroll them in a recruitment marketing campaign, but would be insufficient for making a decision during the later stages of the hiring process.



AI has the potential to do immense good, but, improperly developed and implemented, it can also negatively impact marginally and underrepresented groups. One important step to enabling a positive impact to your organization, as well as diverse groups, is to understand your own data and how your vendor will use, store, and process it. Further, it is important to understand the major assumptions built into the AI and their impact on decisions and recommendations. Ultimately, AI and the insights it offers should augment, not replace, other data and human perspectives in decision-making processes.

Stacia Sherman Garr
Co-founder & Principal Analyst,
RedThread Research

DOES THE VENDOR AUDIT ALGORITHMS FOR ADVERSE IMPACT?

One of the biggest promises of AI is its ability to make hiring more objective and fair. That said, AI is like any powerful technology: improperly built and tested, there is the potential for harm.

Vendors should be able to provide full documentation around their process for mitigating bias.

This doesn't just apply to AI vendors in the selection space. Recently we saw how job advertisements on Facebook inadvertently excluded members of protected classes, like age or gender. Any algorithm in the recruiting space should be vetted to prevent adverse impact against protected classes.

Any algorithm in the recruiting space should be vetted to prevent adverse impact against protected classes.

IS THE VENDOR COMMITTED TO ETHICAL AI?

This is also the time to look inward and decide if AI ethics are important to you and your organization. If they are, you should take the opportunity to evaluate if vendors on your shortlist have the same commitment.

Vendors that are serious about ethical AI:

Have a documented series of ethical principles that guide their work.

Have methods, groups, and governance that ensure the ethical principles are adhered to.

Can explain how they audit and test their algorithms for bias.

Can explain how they go about removing bias if it is found.

Can show documentation around adverse impact, and how they mitigate it.

Have an external technical advisory board, made up of academics, researchers, and ethicists.

Take data security seriously and are certified on a range of information security standards.

SELECTING YOUR PARTNER: WHAT TO EVALUATE DURING CLOSING

EVALUATING THE POTENTIAL FOR IMPACT

At this point, you should have a shortlist of vetted vendors who you are confident can handle the complexities of enterprise recruiting while ensuring objectivity in their algorithms. So how do you make a final decision when all remaining vendors seem well-equipped to tackle your most pressing recruiting challenges?

It boils down to impact. What vendor has the greatest potential to truly transform how you recruit and deliver a true productivity lift to your team?

ALIGNMENT WITH THE IDENTIFIED OPPORTUNITY

When making your final decision, it is necessary to revisit the opportunity you identified as part of appraising organizational readiness. By this point, vendors on your shortlist will have provided insight into how they can help you overcome it.

THE FUTURE STATE OF YOUR TEAM

Generally, most of the problems TA leaders would like to solve have some impact on the way time is spent by recruiting teams. Vendors can share best practices or ideas of how to use freed up time to add more value to the recruiting process. Ultimately, the question is simple:

What activities do you wish your recruiting teams could spend more time on tomorrow?

For this step, you should analyze where your team spends their time right now. How does that compare to where you wish they spent their time?

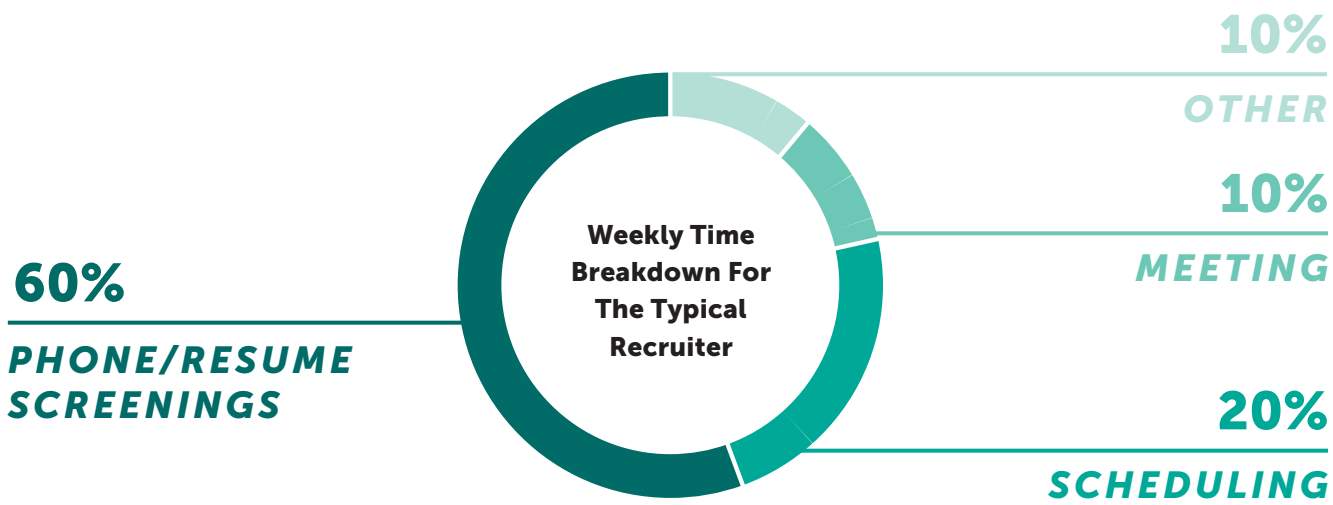
If your recruiting team is like most, your recruiters are spending up to 80% of their time on administrative tasks like coordinating schedules, playing phone tag, and screening candidates. With this time freed up, they could take on a more strategic role - consulting with hiring managers, developing relationships with hard-to-hire candidates, and developing your employment brand.

Vendors with the highest potential for impact will have a clear vision for closing the gap between where you are now and where you could be. They can explain how other customers are empowering their recruiters and reimagining talent acquisition from the ground up.

LOOK AT THE ROI IN YOUR BUSINESS CASE

In the next section, we'll examine the makings of a compelling business case for AI-driven recruiting. At this point in the buying process, vendors should be working with you to provide metrics and show the potential ROI that comes from their solution. They should show you what success looks like in other organizations, as well as how their technology can help you transform the way you recruit.

This step is often performed in conjunction with your final list of vendors. They'll work with you to expand on the metrics you identified during your readiness assessment and turn them into ROI metrics.



5

BUILDING THE BUSINESS CASE FOR ARTIFICIAL INTELLIGENCE

WORK WITH THE VENDOR TO TELL A STORY WITH YOUR DATA

To tell a story with your data, you need to translate your internal metrics to into ROI metrics. ROI metrics are the results you expect to see from generating improvements in your operational recruiting metrics.

On the x-axis are Soft Dollar ROI and Hard Dollar ROI.

These describe how the metric demonstrates value:

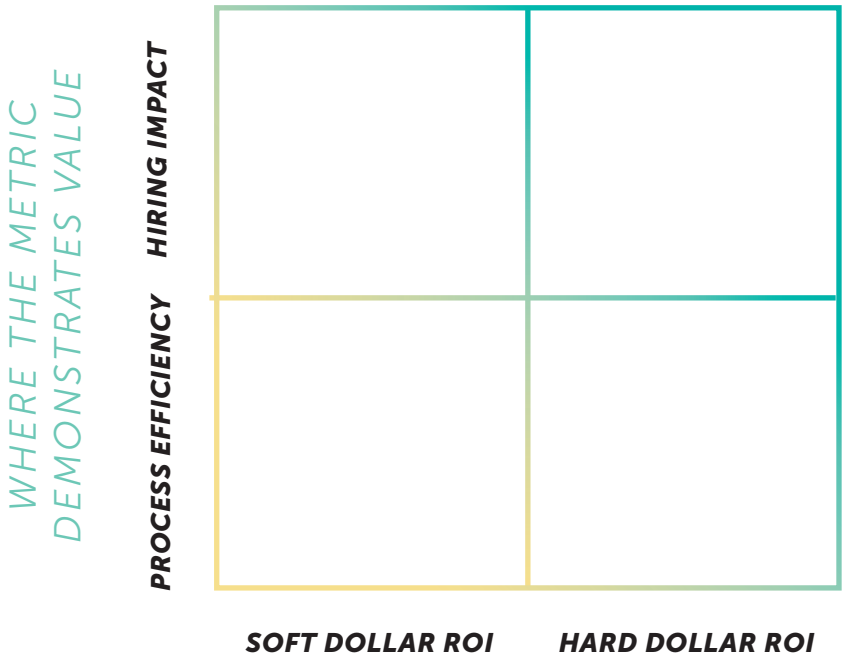
1. HARD DOLLAR ROI METRICS

Hard dollar metrics can be directly translated into dollars. Since the ultimate goal of the business case is to support funding an initiative, these form the backbone of the case. Examples of hard dollar metrics include revenue gains from increased quality of hire and cost savings from lowered recruitment costs.

2. SOFT DOLLAR ROI METRICS

Soft dollar metrics cannot be directly translated into dollars. Since they deliver ROI outside traditional dollar values, soft dollar metrics play a supporting role in a business case. Examples of soft dollar metrics include improved candidate experience and reductions in fill times.

HOW TO THINK ABOUT ROI METRICS



This distinction is important to keep in mind.

Confusing a Hard Dollar ROI metric for a soft dollar one can result in a less robust business case, and confusing a Soft Dollar ROI metric for a hard dollar one can draw your analysis into question.

On the y-axis are Process Efficiency and Hiring Impact.

These describe where the metric demonstrates value:

1. PROCESS EFFICIENCY METRICS

Process Efficiency metrics demonstrate improvement within the hiring process. If you have identified specific bottlenecks within the hiring process, these metrics show the extent to which they can be improved. Examples of Process Efficiency metrics include improvements in time to fill and time in workflow step.

2. HIRING IMPACT METRICS

Hiring Impact metrics demonstrate improvement within the organization at large. They show ROI by illustrating the improved outcomes that result from a new technology or process. Examples of Hiring Impact metrics include: improvements in quality of hire and improvements in new hire diversity.

Vendors will be able to show you past examples of success improving on process-related metrics, how the technology works in your specific industry, and what outcomes you can expect in your organization. They should also help you explore the Soft and Hard Dollar ROI implications of improving them.

Each type of metric plays a crucial role in a robust business case. That said, Hard Dollar ROI and Hiring Impact metrics present your case in a language more accessible to the rest of the business. In many cases, you can translate a soft dollar metric into a hard dollar metric by spelling out the results that come from improving it.

EXAMPLE: TRANSLATING A SOFT DOLLAR PROCESS METRIC TO HARD DOLLAR ROI

REDUCED TIME TO FILL

Translates into:

> Decreased time hiring managers spend evaluating candidates: productivity and dollars returned to the business
>
> Decreased time recruiting spends on each requisition: lowered recruiting costs
>
> Decreased time a revenue-generating position stays vacant: increased revenue potential & sales productivity (for revenue-generating roles)

Exploring ROI Metrics

PUTTING IT ALL TOGETHER

A finalized business case has three primary components: Industry Comparisons, Soft Dollar ROI, and Hard Dollar ROI. Each plays an important role in proving your case.

1. INDUSTRY COMPARISONS

These generate urgency. They juxtapose your efforts with those of your talent competitors. If you are significantly lagging, that's a strong reason for investigating solutions in and of itself.

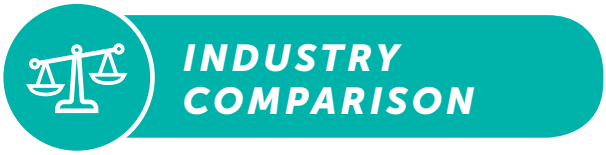
2. SOFT DOLLAR ROI METRICS

These appeal to principles and values. They display a mismatch between your current state and your organizational values. The ROI comes from erasing the mismatch. **Both Process Efficiency metrics and Hiring Impact metrics should be represented.**

3. HARD DOLLAR ROI METRICS

These appeal to logic and fiscal sensibility. They present your case in the universal language of business: dollars. **Process Efficiency metrics and Hiring Impact metrics should be represented.**

THE COMPONENTS OF A ROCK-SOLID BUSINESS CASE



Industry Time to Fill vs. Your Time to Fill
Industry Cost to Hire vs. Your Cost to Hire
Industry Candidate Experience vs. Your Candidate Experience
Industry Turnover vs. Your Turnover

PROCESS EFFICIENCY

Time to Hire
Candidate Conversion Rates
Hiring Manager Satisfaction

HIRING IMPACT

Candidate Experience
User Experience
New Hire Diversity

PROCESS EFFICIENCY

Cost to Hire
Vacancy Cost
Hiring Manager/ Recruiter Productivity

HIRING IMPACT

New Hire Productivity
Reduced Turnover
New Hire Performance/ Promotability

Taken together (industry comparisons, Soft Dollar ROI, Hard Dollar ROI, and their respective implications on Process Efficiencies and Hiring Impacts), you have the makings of a robust business case that shows the value of an AI-driven solution on a number of different levels.

CONCLUSION

The potential of artificial intelligence in recruiting is tremendous. But the potential is accompanied by hype, misinformation, and market noise that makes it difficult to discern the applications of AI which are truly transformative. So while some early adopters are seeing incredible advances in their recruiting processes, platforms, and metrics, most TA teams remain on the sidelines.

The goal of this guide was to equip you with the necessary tools, frameworks, and knowledge to chart a course through the rapidly growing market of AI-driven recruiting solutions. Best of luck on your journey!

IN GRATEFUL APPRICIATION

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ABOUT HIREVUE:

HireVue is transforming the way companies discover, hire and develop the best talent globally with Hiring Intelligence and its HireVue Video Interviewing platform. Using a ground-breaking combination of industrial/organizational science and rigorously tested, predictive artificial intelligence, customers are hiring higher quality talent, faster.

HireVue is available worldwide in over 30 languages and has hosted more than ten million on-demand interviews and one million assessments.

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BETTER HIRING WITH AI-DRIVEN PREDICTIONS

GET A DEMO

CITATIONS

1 US Chamber of Commerce, 2015.

2 Experts Exchange, 2015.

3 Harvard Business Review, 2018. Why Companies that Wait to Adopt AI May Never Catch Up.