



Making way for applied AI

Applied AI has more potential than just to supercharge your company's operations: it's also a powerful tool to build better organizations.

What's changing? More than half of the respondents in a McKinsey Global Survey on AI said they had adopted AI in at least one of their business units, and nearly two-thirds expected that their companies' investments in AI would increase over the next few years.¹ While some of this investment is about improving the speed and scale of operations, applied AI is also a powerful tool to build better organizations.

While organizational decisions previously were made mostly based on management judgment, AI-driven organizations are reimagining how they manage talent, processes, and organizational structures. These organizations are using AI to create sustainable, long-term talent pipelines; drastically improve the ways of working; and make faster, data-driven structural changes.

For talent, more and more companies are using AI-enabled software to match job candidates' behavioral attributes to open positions, helping these organizations shift to a skill-based approach to hiring. AI also helps in tailoring job offerings and advertising them to the right candidates, screening those candidates, and accounting for human biases. Other talent management applications include AI-based learning management systems and employee experience platforms.² One global tech company introduced a tool that predicts the likelihood of employee exits based on more than 20 data sources and informs leaders accordingly. This gives leaders the opportunity to approach

these employees proactively, understand the underlying reasons for their potential interest in leaving, and react to the information.

AI can also drastically improve the ways of working. One digital health company began using an AI-enabled integrated system to foster a collaborative, data-driven, and fun work environment and, in turn, has boosted productivity, employee engagement, and performance. No more emails at this company; everything is managed through the system. In addition to budgeting, invoicing, time tracking, and meeting scheduling, the system can even automatically order lunch for employees when they scan into the building. It also provides personalized data-driven experiences for employees. Other companies have used AI tools to improve communication across their organizations or help leaders assess the overall quality of team dynamics by identifying group-level attributes.³

Companies are using AI to make data-driven structural changes. These include using HR data to identify opportunity areas for leaders to ensure that the right work is being done in the right structure and to rebalance suboptimal spans of control across managerial roles, removing duplicative and transactional work and redistributing the allocation of activities across roles. The right people across the organization (business and HR leaders) can then collaborate and use these insights to design various scenarios of structural changes seamlessly in an integrated system, with real-time implications of design choices on target outcomes. The endless drawing and redrawing of organization charts is finally over.