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Building a New Future for Your Business through AI and Adaptive Hiring

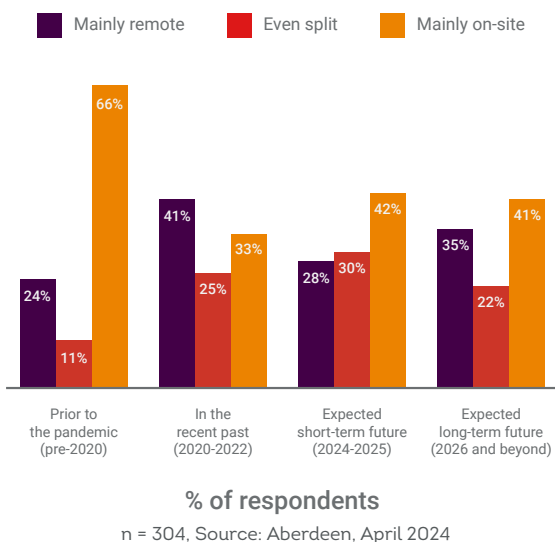## ◆ andela.

Overview and Introduction

Today's modern workforce differs significantly from that of the past. Employee expectations are rapidly evolving due to new technologies, contemporary lifestyles, and economic uncertainties. Similarly, businesses must continuously adapt their technology to hire and support the increasingly remote workforce of today. Over the past four years, the composition of organizations' in-office versus remote workforce has shifted tremendously (Figure 1).

In fact, Aberdeen Strategy & Research found that **59% of companies need to support a majority of their workforce remotely,** and only **1 in 5 businesses are entirely on-site.** In the future, businesses envision deciding between one or the other, but **22% will still have to manage both.**

In April 2024, Aberdeen Strategy & Research conducted a global survey to explore how businesses can use AI and new technologies to address modern hiring challenges and meet the evolving needs of both employees and employers. This research was conducted among 304 business professionals in IT, cybersecurity, HR, ERP, and other roles involved in workforce and technology infrastructure decision-making. Participating organizations include SMBs and enterprise-level companies from all industries.

This eBook presents key research findings on how businesses are adapting to hybrid and borderless workforces, examining the hiring strategies, infrastructure upgrades, and AI technologies that enhance workplace efficiency and employee satisfaction.
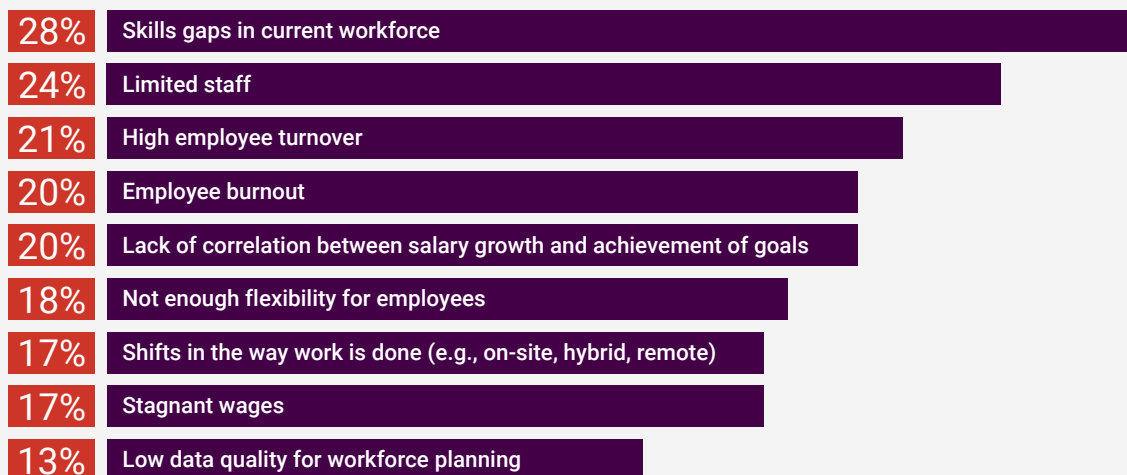
Figure 1: Past and Future Workforce Status

| Mainly remote | Even split | Mainly on-site |

- Prior to the pandemic (pre-2020): 24%, 11%, 66%
- In the recent past (2020-2022): 41%, 25%, 33%
- Expected short-term future (2024-2025): 28%, 30%, 42%
- Expected long-term future (2026 and beyond): 35%, 22%, 41%

% of respondents

n = 304, Source: Aberdeen, April 2024

How Companies Come Up Short in Workforce Management

Workforce management is critical for all companies, but it also doesn't come without pain points. Aberdeen research has found that businesses face several challenges with workforce management, focused primarily around challenges with employees (See Figure 2).

Figure 2: Top Workforce Management Challenges

28%	Skills gaps in current workforce
24%	Limited staff
21%	High employee turnover
20%	Employee burnout
20%	Lack of correlation between salary growth and achievement of goals
18%	Not enough flexibility for employees
17%	Shifts in the way work is done (e.g., on-site, hybrid, remote)
17%	Stagnant wages
13%	Low data quality for workforce planning

% of respondents rating each pressure as one of their top 3

n = 304, Source: Aberdeen, April 2024

The top pressure reported by companies is existing skill gaps in the current workforce (28% ranking it as one of their top 3). This disparity between the skills an employer expects their employees to have and the actual skills employees possess makes it challenging for employers to fill open positions. Even if it wasn't identified as a top pressure, Aberdeen research found that **92% of companies cite skill gaps as a challenging factor for workforce planning.** These skills gaps can have significant impacts, including reduced organizational growth and profitability, decreased competitiveness, and broader socioeconomic challenges as companies struggle to find the talent they need.

To make filling skill gaps even more difficult, the second highest pressure is limited staff (24%). Many teams already lack the capacity to take on new tasks, and companies are having difficulties filling open roles as is, let alone for those highly technical roles that may be more specialized. High employee turnover (21%) and burnout rates (20%) are also prevalent, all of which are leaving businesses vulnerable. Faced with skill gaps, staffing limitations, and budget constraints, businesses are compelled to adopt new technologies and reimagine their hiring strategies to secure top talent for every role.

Building Tomorrow's Workforce Requires a New Approach to Hiring

As the data above shows, remote work will remain prevalent in the future. Because of this, Aberdeen sought out the ways in which organizations were preparing to support the workforce of tomorrow. Along with prioritizing filling capacity and skills-based needs, the research indicated there were several appropriate actions organizations are taking to improve preparedness:
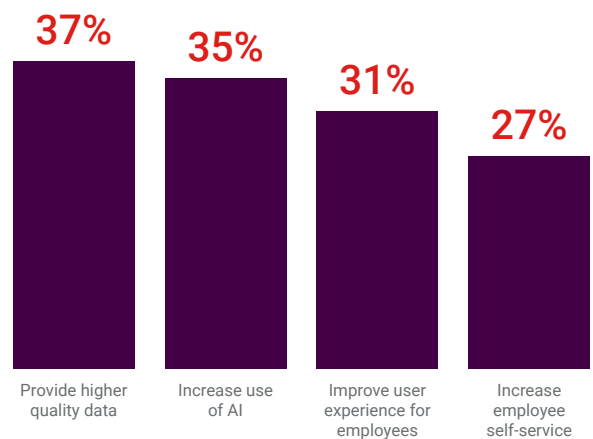
- Investing in IT infrastructure and ITSM solutions to better support remote/hybrid staff (29%)
- Implement strategies for work-life balance (e.g., moving away from the 9-5 schedule or 5-day work week) (26%)
- Investing in cybersecurity solutions to better support remote/hybrid workers (23%)
- Increasing the usage of collaboration tools (e.g., Slack, Teams) (21%)

Despite the findings above, over **20% of respondents don't feel that their tech stack fully supports the needs of remote and hybrid employees.** Due to the lack of support, some companies are turning to AI to help solve challenges, assist in their hiring needs, and help to bridge skill gaps.

Adaptive hiring strategies leverage AI to bring agility, flexibility, and scalability to the hiring process. Adaptive learning and prescriptive learning content fueled by AI can be game changers for closing skills gaps.

Aberdeen research validates that AI-based hiring and decision-making are a critical workforce planning initiatives (Figure 3). Utilizing AI results in both higher quality data (37%) as well as higher overall usage of AI among newly-hired employees (35%). There are also benefits for employees, as those who use AI have a better user experience (31%) and see an increase in self-service options (27%).

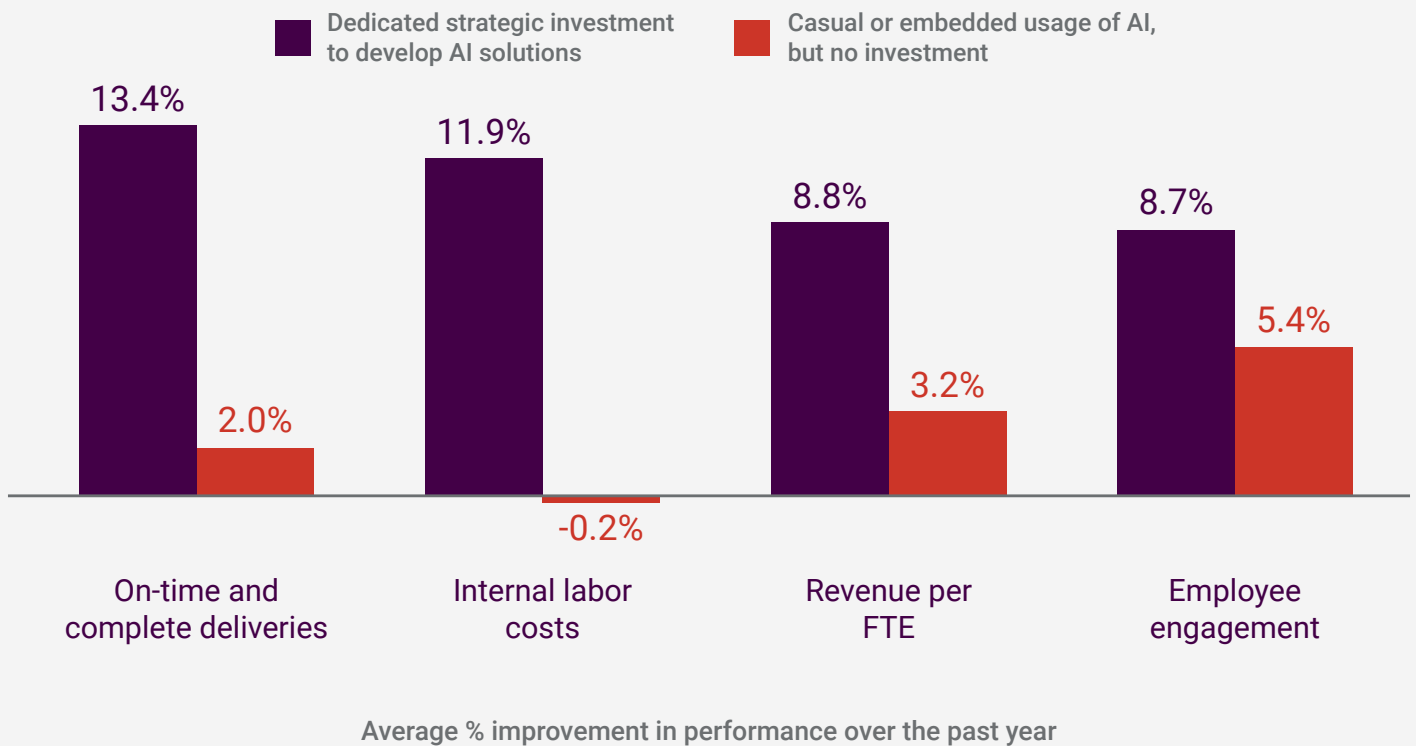**Figure 3: AI-Based Decision-Making in Hiring**

37%	35%	31%	27%
Provide higher quality data	Increase use of AI	Improve user experience for employees	Increase employee self-service

% of respondents rating each priority as one of their top 3

n = 304, Source: Aberdeen, April 2024

AI-driven technology also assists in the hiring process by narrowing down candidates based on the skills companies are looking for much more quickly and efficiently than standard hiring processes. This leads to greater productivity and cost benefits for companies investing in AI for workforce planning. Aberdeen's research reveals that strategic investment in AI solutions yields significant returns, with businesses committed to AI development substantially outperforming those with only casual, non-invested AI usage. (Figure 4).

Figure 4: The Value of AI for Workforce Planning

Legend:
- ■ Dedicated strategic investment to develop AI solutions
- ■ Casual or embedded usage of AI, but no investment

On-time and complete deliveries: 13.4% / 2.0%
Internal labor costs: 11.9% / -0.2%
Revenue per FTE: 8.8% / 3.2%
Employee engagement: 8.7% / 5.4%

Average % improvement in performance over the past year

n = 304, Source: Aberdeen, April 2024

Companies that direct a strategic investment to develop AI solutions see improvements in on-time and complete deliveries, internal labor costs, revenue per FTE, and employee engagement. When these key business metrics improve, businesses begin to set themselves apart and are on the path to becoming Best-in-Class.

Leveraging AI and Adaptive Hiring Practices to Become Best-in-Class

To evaluate maturity, Aberdeen classified respondents into one of two categories based on their self-reported performance across several key metrics.

- Best-in-Class: Top 20% of respondents based on performance

- All others: Bottom 80% of respondents based on performance

It's evident that workforce management is a significant challenge for businesses, and there are solutions designed to help alleviate these burdens. The Best-in-Class are utilizing technology that partners with AI to streamline and improve the hiring process, allowing them to adopt an adaptive hiring approach.

Best-in-Class organizations are defined by Aberdeen as the top 20% of companies based on their performance in key data management metrics (see sidebar). Best-in-Class companies have seen a significant improvement in customer satisfaction (8x), employee engagement (18x), and productivity (13x) over the past year (Table 1).

Table 1: Best-in-Class Maturity Matrix

Business Metric (n=304)	Best-in-Class	All Others
Average improvement in **customer satisfaction** over the past year	+ 40.3%	+ 5.1%
Average improvement in **customer engagement** over the past year	+ 25.5%	- 1.4%
Average improvement in **productivity** over the past year	+ 36.8%	+ 2.8%

These leaders are selecting technology solutions that help businesses streamline the hiring process in a cost-effective way. Their strategy yields significant improvements in several key business metrics:

11x improvement in customer retention (33% vs. 3%)

8x improvement in sales bookings (25% vs. 3%)

8x improvement in profitability (25% vs. 3%)

16x improvement in internal labor costs (8% vs. 0.5%)

The value of AI is evident, but the Best-in-Class are even more likely to invest in AI and AI skill sets to support their tech stack and remote workforce. In fact, compared to All Others, Best-in-Class companies are:

2.1x
as likely to strongly agree that their tech stack fully supports the needs of remote employees (31% vs. 15%).

2.1x
as likely to put dedicated strategic investments toward AI (33% vs. 15%).

59%
more likely to have near-term headcount or technology initiatives to support their AI plans (56% vs. 89%).

n = 304, Source: Aberdeen, April 2024

Not only are the Best-in-Class reaping the benefits of their investment in AI, but they're also focusing on new approaches to hiring to close skills gaps and set them ahead. Adaptive hiring makes it possible to secure quality talent with the right skills at the right time—for any business objective or project. It provides the flexibility to scale up or down quickly, and encourages companies to expand their search beyond their borders, embrace diversity, and focus on qualities and competencies that are critical for success in a role, rather than credentials and location.

While many companies are struggling to fill skills gaps and hire the ideal candidates, Aberdeen research found that **Best-in-Class companies are 62% less likely to struggle with hiring skilled talent** (35% vs. 21%) than All Others.

This is largely a result of adaptive hiring practices that encourage flexibility such as borderless and skills-based hiring.

Aberdeen defines **borderless hiring** as a practice that breaks down geographical barriers in the hiring process, which allows companies to hire talent domestically or internationally, regardless of an employee's location. The research found that **Best-in-Class businesses are 18% more likely than All Others to use borderless hiring processes.** The Best-in-Class group has the technology in place to support a remote workforce, making the world their hiring pool. This allows them to find the right person for the right role more quickly and efficiently than the standard hiring process.

The Best-in-Class are also realizing the benefits of **skills-based hiring** as opposed to traditional role-based hiring. This means that they're focusing on assessing and selecting candidates based on their specific skills, abilities, and competencies relevant to the job role rather than solely relying on traditional qualifications such as education and experience. This approach allows businesses to find candidates based on specific criteria versus excluding candidates based on certain prerequisites. **Best-in-Class Businesses are 20% more likely than All Others to use skills-based hiring,** while All Others are 57% more likely than the Best-in-Class to use traditional role-based hiring.

The Best-in-Class are 18% more likely than All Others to use borderless hiring in their talent acquisition practices and 20% more likely to use skills-based hiring.

Skills-based hiring reduces the time it takes to determine if a candidate has the right skills for a position and widens the pool of potential candidates, even if they lack a required degree. It also reduces the risk of hiring the wrong person for a role if they don't have the necessary skills. Adaptive hiring processes allow top companies to be flexible, scaling their workforce according to market conditions and adjusting their hiring practices to meet industry trends and business needs. If they can't handle this in-house, the best companies look for a partner with an AI platform to assist with adaptive hiring. Using AI in the hiring process gives them quick and efficient access to pre-qualified talent that combines cost-effectiveness with quality, along with access to a large global talent pool for remote roles with flexible contract terms.

Conclusion

Companies today are pressured not only by the budgetary and technical demands of supporting a remote workforce but also by addressing skill gaps and hiring the right people for the right roles. Research clearly indicates that businesses should incorporate AI into their workforce planning, as it can significantly reduce costs and bridge skill gaps.

Businesses should also begin to lean into new and more flexible approaches that adaptive hiring provides, such as borderless and skills-based hiring. These methods allow companies to scale up or down as necessary in order to meet business needs while managing budget constraints. Hiring outside of your borders also allows you to access untapped markets that may provide highly skilled technical workers at a lower cost of local or US-based talent. The Best-in-Class are also leveraging an adaptive hiring partner to bring all of their needs together in one place to quickly hire qualified talent globally, with flexible terms when needed.

Following in the footsteps of the Best-in-Class allows organizations to leverage AI and adaptive hiring practices to become leaders in their own verticals.

About the Sponsor

Andela operates one of the world's largest private marketplaces of skilled digital talent. Its adaptive hiring model gives companies greater flexibility to quickly deploy skilled talent based on need. The company's exclusive AI-powered platform, Andela Talent Cloud, optimizes the process of finding the right talent and getting projects started fast. Clients can select individual roles or engage fully managed teams up to 66% faster at 40% less cost than traditional approaches. Andela's seasoned hiring professionals manage all the groundwork associated with borderless hiring, from compliance and payroll to talent management. Andela's diverse talent ecosystem spans over 135 countries, including untapped markets like Africa and Latin America.

Learn More About Adaptive Hiring

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