

Artificial Intelligence Replaces Human Capital

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THE COMPANY

International Business Machines Corporation (IBM) is a multinational technology and consulting company that provides technological solutions to organizations, companies, and governments. Arvind Krishna, IBM's current CEO, has made an important bet on Artificial Intelligence (AI), as he has developed a strategy to replace those employees who have no contact with the end customer by using Watson's apps. According to Ford (2023), with this decision Krishna has triggered a global controversy about pausing hiring new staff in Human Resources (HR) and replacing them with Artificial Intelligence. This makes IBM the first technology company to bet on the dehumanization of the Human Resources department.

Image. Tonodiaz in Freepik, 2023.



IBM has over 250 thousand employees in 160 countries (Pastor, 2023).

PROGRESS

IBM was founded in 1911 after the merger of four small companies, and back then, it was called Computing-Tabulating-Recording Company (CTR). The president at that time was Charles Ranlett Flint, who in 1924 changed the company's name to the one we know now. According to the About IBM site (2023), this firm has stood out in the field of computer equipment for the US army, typewriters, calculators, and in the 80's in the personal computers and laptops market. At the beginning of the 90's, the company went from manufacturing to technological services. In 2004, they sold their last manufacturing division, Thinkpad laptops, to Lenovo.

IBM has different commercial operations that bring together *i)* hardware, *ii)* software such as IBM AIX, middleware and apps, *iii)* artificial intelligence (IBM Watson, for instance, is the artificial intelligence platform that combines automatic learning, natural language processing, and other technologies), *iv)* consultancy services, and *v)* cloud computing, which includes Infrastructure-as-a-service (IaaS), Platform as a service (PaaS), and Software as a service (SaaS). Additionally, IBM Research is known for its innovative contributions in the fields of semiconductors, nanotechnology, and quantum computing. Finally, Mainframe is one of the crucial computers in the IBM business as it is one of the most renowned and prestigious in the world.

According to Baker (2023), in the 2010's IBM bet strongly on solutions in the cloud

and artificial intelligence services like Watson. The latter consists of a remote access system where customers can ask questions on the user's interface and with simple, everyday language, while Watson offers solutions. Bridget van Kralingen (2010) affirms that the transformation and rebirth of IBM came when they moved from the manufacturing of computer equipment to digital solution services, among which we find AI systems, and where Watson stands out for its learning capacity, not only of users' search patterns, but also for its capability to expand its body of knowledge and solutions. Today, Watson is one of the most outstanding services of IBM, which has enabled them to enter markets such as the legal, corporate government, the retail industry, criminalistics, economics, gastronomy, medicine, productive chains, and customer service with AI solutions.



Image. Freepik, 2023.

As pointed out by Fernández (2016), the Watson Chef app stands out as an artificial intelligence's creative learning means to create new recipes and flavors.

TALENT ATTRACTION

IBM (2023), in their “talent acquisition and development” section, shares different strategies and some of their most important practices:



1. Business culture: place people first. The company cares about the dignity of each employee; even though the customer is placed above all, diversity, inclusion, and innovation are valued. It is also important to communicate a positive and loyal business culture, and to encourage a collaborative work environment with highly qualified professionals.



2. Talent development: The company offers continuous professional development programs and training opportunities for its employees. They also offer the possibility to grow and on-the-job learning, as support in the life and career plan.



3. Competitive compensation: this includes competitive salaries, benefits, bonuses, and other incentives. This offer is essential to attract and retain talent of international quality.



4. Career opportunities: IBM offers opportunities to work on innovative, challenging projects. Each employee can go forward into areas he/she finds attractive and which cover his/her interests.



5. Work flexibility: The company has different hiring modalities that offer flexible, global mobility options.



6. Innovation: IBM is recognized for its focus on innovation and scientific research. It can be an attractive alternative for those who seek to work on pioneer projects and contribute to advanced technological solutions. A noteworthy data in this sense is that the company employed five Nobel Prize winners, as recorded in the history of the company (IBM, 2023).

Images. **Circlon Tech, Uniconlabs, Smashicons, MindWorlds, Iconjam and Surang in Flaticon, 2023.**





7. Wellness space: encouraging the wellness of employees is fundamental to attract and retain committed collaborators. IBM has wellness and health programs, guidance and balance between the job and personal life.



8. Corporate citizenship and voluntary work: employees look for socially committed with their community companies. Organizations that have these projects are attractive, especially for millennials and centennials.



9. Skills first initiative: (2023), As of 2012, the then CEO of IBM, Ginni Rometty, encouraged a recruitment and talent development program based on competencies and abilities (Ammerman, Groysberg, and Rometty, 2023). The latter with the intention of offering access to work opportunities to people who do not have conventional academic and professional credentials, such as a bachelor's degree. It is a way to promote meritocracy and promote equity towards vulnerable groups in the countries where the company's offices operate.

KEY PERFORMANCE INDICATORS (KPI'S)

According to Business Automation Workflow of IBM (2023), the firm has process performance indicators and to create service level agreements (SLA). Some measure automation and other standardized and personalized processes. These indicators are vital to have strategic measures that provide data about how operations work, in an optimized way.

REDESIGN

Since 2021, CEO Arvind Krishna has led IBM towards an ambitious bet for Artificial Intelligence to develop human talent and its strategy of HR 3.0 transformation. It first detects abilities, strengthening them to create a future learning route and retain high performance staff. This is complemented with an adaptive talent strategy. This strategy has three very important advantages based on consultancy of talent development: *i)* efficient staff planning, *ii)* inspiring experiences, and *iii)* an adaptable talent platform.

In accordance with IBM's proposition of their competitive strategy, based on digital services, the use of AI in HR for this company is regarded as a customization and agile service tool that is efficiently applied in all the phases of the human resources cycle.

According to IBM's publication: "The business case for AI in HR. Insights and tips on getting started" (2021), the main attributes and features of the new human talent management system by using Artificial Intelligence are:

- a. Refinement in the design of job positions and vacancies' advertising.
- b. Candidates' filtering and ranking to ease the job interview.
- c. Analysis of employee social network interactions to detect topics related to motivation and performance, generating a prompt and customized alert system for each manager.
- d. Improvement of the KPIs measurement system of each job position as a means to strengthen decision-making, feedback, and key talent development.
- e. Compensation and benefits system that learns from the decisions of the managers for each team and employee, towards supplying customized packages, according to the employee's interests, performance, motivation, and company's needs.
- f. Development of a personalized learning system for the employee according to the company's needs and to the user's behavior patterns.
- g. Management system of internal vacancies with CV, questionnaires, and interactions customized with the position to ensure professionalism, efficiency, and zero discrimination.
- h. 24/7 service chatbot for IBM employees regarding payments, holidays, licenses, and other HR department process, with automation and immediacy.

THREATS

To IBM, AI is a tool that will revolutionize all industries globally and that represents the opportunity to boost the company's competitiveness. In the words of IBM's HR director (2021):

HR is on the verge of a massive disruption. The ubiquity of the mobile, social technologies and customization have redefined the bar for the employees' experience. With the disruption of the business model in all industries, the talent acquisition game has changed, and with the impact of technological change in the job, the need of a continuous learning culture has never been more urgent.

Arvind Krishna believed that the HR department is an area where it can be proved that the participation of artificial intelligence will bring benefits for the comfort of users,

Image: Freepik, 2023.



A part of IBM's commercial initiative consists of demonstrating, from their own management, that the use of AI is a strategic partner in the face of competitiveness and automation of business processes.

promptness, stability, reliability, and 24/7 availability, with no prejudice or bias. In an interview with Bloomberg, the director affirmed that, "he could easily foresee 30% of the staff being replaced by AI and automation in five years' time". This number represents approximately 7,800 jobs. Even when the people who currently occupy those positions

will not be fired, an IBM spokesperson told the same media, "in the event of a vacancy due to burnout it will not be covered". Bloomberg previously informed that the company, which employs 260 thousand people, had announced a staff reduction early in this year, representing 1.5% of their labor force (Business Insider, 2023).



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Such has been the expansion of IBM's innovations, that in May 2023, the CEO announced having reached the decision to stop hiring people in the Human Resources department, under the premise that Artificial Intelligence will replace people in those roles where there is no direct interaction with customers. How will this strategical decision affect the working future of the Human Resources Department?

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