

# MANAGING HUMAN CAPITAL IN A DIGITAL AGE

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Technological innovation for managing human capital has held the promise of making job markets more transparent and improving the match of skilled workers with labor needs. This promise is beginning to be realized as more companies use digital and social tools and platforms to integrate and optimize their recruitment, development, employee engagement and retention efforts.

McKinsey Global Institute concluded that as more companies turn to digital labor platforms, global labor markets will draw in more workers and begin to optimize human resources processes and efficiencies. By 2025, McKinsey estimates that \$2.7 trillion could be added to global gross domestic product (GDP) from digital labor platforms and that employment could potentially increase by 72 million full-time equivalent positions.<sup>1</sup>

Here's how digital technology is transforming human resources processes:

- **Recruitment** — Bob Myhal, director of digital marketing at CBC Advertising and former CEO of NextHire, sees resumes being replaced by dynamic representations of applicant experiences, skills and knowledge that constantly change and evolve. These multidimensional representations will draw from social media profiles, big data and other sources to create a comprehensive profile of applicants and provide significant insight for the screening process.<sup>2</sup>
- **Finding passive candidates** — Companies are using digital tools and websites to recruit candidates who aren't necessarily job hunting. GitHub, the largest online repository for open-source code, is a site where companies look for code authors to recruit. TopCoder is a company that sponsors online competitions in computer programming, graphic design and software development that enable potential employers to post challenges, award prize money and identify highly skilled candidates for recruitment.<sup>3</sup> Meanwhile, some companies are using robots to troll through social media sites and big data analytics to find potential candidates who would be open to a new career opportunity.<sup>4</sup>
- **Assessment and hiring** — Social and digital platforms enable employers to leverage more data for analysis about candidates, thus removing human judgment as a primary driver and better enabling unbiased evaluation of a candidate's potential success. Myhal believes data analytics combined with cloud-based assessment and filtering tools will go far in helping companies evaluate and predict which candidates are most likely to fit the company and position.<sup>5</sup> Predictive modeling, online tests and games are also being used to assess a candidate's fit for an open position and within the company's culture.<sup>6</sup>
- **Onboarding** — Digital tools have been successful in helping new employees acclimate and add value quickly. Google found that by developing an onboarding program, the productivity of its new hires rose by 15%.<sup>7</sup> Some companies assign online mentors, while others create orientation websites with frequently asked questions to speed assimilation. Virtual onboarding communities available through the company's intranet enable new workers to chat and share experiences.



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- **Employee engagement and retention** — Employee engagement has gone digital too, moving beyond the employee satisfaction survey. Digital screening tools can help predict not only a successful fit for new hires, but also identify which employees are at risk of leaving the company. This can prompt actions such as mentoring, a new job assignment, or advancement to improve satisfaction and engagement.<sup>8</sup>

For many employees, connecting personal values to the work improves engagement and increases job satisfaction. Social media use policies vary by company, but many organizations are viewing social media as a way to give employees a voice on issues that matter most to them. Social media can improve employee engagement and retention, as well as humanize the company's public image.<sup>9</sup>

The payoff from integrating digital human capital tools into a cohesive labor platform can be significant. McKinsey estimates that such platforms could increase output by nearly 9%, reduce employee-related costs by 7%, and improve profit margins by an average of 275 basis points.<sup>10</sup> Digital labor platforms can help companies optimize human resource functions, increase productivity and strengthen corporate culture by improving employee job satisfaction and engagement.

**To discuss these topics in more detail, please contact your PNC Relationship Manager.**

<sup>1</sup> "Connecting talent with opportunity in the digital age," a report by James Manyika, Susan Lund, Kelsey Robinson, John Valentino and Richard Dobbs, McKinsey Global Institute, June 2015. Available at: <http://www.mckinsey.com/global-themes/employment-and-growth/connecting-talent-with-opportunity-in-the-digital-age>

<sup>2</sup> "Hiring in the Digital Age: What's Next for Recruiting?" by Nicole Fallon Taylor, *Business News Daily*, Jan. 11, 2016. Available at: <http://www.businessnewsdaily.com/6975-future-of-recruiting.html>

<sup>3</sup> "Managing talent in a digital age," *McKinsey Quarterly*, March 2016. Available at: <http://www.mckinsey.com/industries/high-tech/our-insights/managing-talent-in-a-digital-age>

<sup>4</sup> "Hiring in the Digital Age: What's Next for Recruiting?" by Nicole Fallon Taylor, *Business News Daily*, Jan. 11, 2016. Available at: <http://www.businessnewsdaily.com/6975-future-of-recruiting.html>

<sup>5</sup> "Hiring in the Digital Age: What's Next for Recruiting?" by Nicole Fallon Taylor, *Business News Daily*, Jan. 11, 2016. Available at: <http://www.businessnewsdaily.com/6975-future-of-recruiting.html>

<sup>6</sup> "Managing talent in a digital age," *McKinsey Quarterly*, March 2016. Available at: <http://www.mckinsey.com/industries/high-tech/our-insights/managing-talent-in-a-digital-age>

<sup>7</sup> "Managing talent in a digital age," *McKinsey Quarterly*, March 2016. Available at: <http://www.mckinsey.com/industries/high-tech/our-insights/managing-talent-in-a-digital-age>

<sup>8</sup> "Managing talent in a digital age," *McKinsey Quarterly*, March 2016. Available at: <http://www.mckinsey.com/industries/high-tech/our-insights/managing-talent-in-a-digital-age>

<sup>9</sup> "Employee Engagement in the Digital Age," by Christopher P. Skroupa, *Forbes*, April 19, 2016. Available at: <http://www.forbes.com/sites/christopherskroupa/2016/04/19/employee-engagement-in-the-digital-age/#1085838d4409>

<sup>10</sup> "Managing talent in a digital age," *McKinsey Quarterly*, March 2016. Available at: <http://www.mckinsey.com/industries/high-tech/our-insights/managing-talent-in-a-digital-age>

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