



## InnoVision Business Review

# Managing the Human Side of Enterprise in the New Age

This article reviews how the approach to managing human resources has evolved since the last century and how Artificial intelligence is transforming HR Practices in the 21st century.

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## Management styles based on assumptions of Human Motivation

Douglas McGregor, a renowned management theorist and professor at the MIT Sloan School of Management articulated his then groundbreaking ideas on human motivation at the workplace in his influential book *“The Human Side of Enterprise”* published in 1960.

McGregor proposed two contrasting views of human behavior in the workplace, which he called **Theory X and Theory Y**. These theories represent different assumptions about the nature of individuals and how they respond to work and organizational goals.

Theory X assumes that employees inherently dislike work and will avoid it whenever possible, they must be coerced, controlled, or threatened with punishment to achieve organizational objectives. The outcome of this belief is an authoritarian, control-oriented leadership style which was prevalent then and even now in many organisations.

Theory Y assumes that work is a natural part of human life; people can find enjoyment and satisfaction in their jobs. Employees are self-motivated, and creative, and can be highly committed to achieving organizational goals. People can exercise self-direction and self-control.

The outcome of this belief is a participative and collaborative leadership style, trust in employees' abilities and initiative, and encouragement of creativity and innovation.

McGregor's work was revolutionary because it challenged traditional assumptions about employee motivation and management practices. He argued that the way managers perceived their employees would significantly influence their leadership style and, consequently, the organizational culture. McGregor advocated a more participative and humanistic approach to management, emphasizing trust, collaboration, and employee empowerment. "The Human Side of Enterprise" has had a lasting impact on management thinking and has influenced subsequent theories and practices.

## Early 20<sup>th</sup> Century: The genesis of modern HR Practices in India

In India, **Jamshetji Nusserwanji Tata**, who founded Tata Steel (then Tata Iron and Steel Company) in 1907 and the Tata Group, introduced several pathbreaking HR initiatives such as Ethical Employment Practices, Employee Welfare, Skill Development, Community Development, Employee Engagement and Long-Term Employment. Several other Indian organisations also introduced similar practices.

## Late 20<sup>th</sup> Century: Development of Progressive HR Practices

Towards the late 20<sup>th</sup> century progressive organisations across the world started viewing the Human Resource function very seriously and with a conviction that human resources are critical to the success of any organization.

Organisations started focussing on **Leadership Development** aimed at identifying and nurturing talent within the organization, **Employee Training and Development**, **Talent Acquisition and Recruitment**, **Employee Engagement Initiatives** such as employee recognition programs, wellness activities, feedback mechanisms, **Diversity and Inclusion** within the workforce ensuring a balanced representation of genders, ethnicities, and backgrounds, **Performance Management Systems** to assess employee performance, provide constructive feedback, and set goals for professional growth, linking performance with career development and progression within the organization, **Employee Benefits and Wellbeing** initiatives, **Innovation and Research Opportunities** to work on innovative projects, contributing to the organisation's advancements, staying competitive in rapidly evolving industries and **Corporate Social Responsibility (CSR)** initiatives focussing on social welfare, community development, education, and healthcare.

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## The 21<sup>st</sup> Century: New Age Refinements in HR Practices using AI

Over the last two decades, organisations have introduced innovations in HR processes to maximise people-centric contribution to the organisation's goals. To this end organizations are leveraging artificial intelligence (AI) in various aspects of human resource management (HRM) to streamline processes, enhance decision-making, and improve overall efficiency. A few of the ways in which AI is being used in HRM are as follows:

**Recruitment and Talent Acquisition:** AI algorithms are used to analyze resumes and identify candidates whose skills and experiences match the job requirements. Chatbots powered by AI engage with candidates in the early stages of recruitment, asking preliminary questions and assessing basic qualifications.

**Candidate Sourcing and onboarding:** AI tools are used to scan online platforms to identify potential candidates who may be a good fit for specific job roles. AI-driven tools conduct video interviews and analyze candidates' facial expressions, language, and tone to assess their suitability for the job. Natural Language Processing (NLP) algorithms are used to analyse written or verbal communication to evaluate a candidate's communication skills and cultural fit. AI-powered chatbots guide new employees through the onboarding process, answering queries and providing necessary information.

**Performance Management:** AI is used to analyse employee performance data to predict future performance trends, helping administrators identify high-potential employees or areas that may need improvement. AI tools process feedback from various sources to provide a comprehensive analysis of an employee's performance.

**Employee Engagement:** AI-driven surveys collect and analyse employee feedback providing insights into the overall employee satisfaction and engagement levels. AI is used to analyse various factors to predict which employees are at a higher risk of leaving the organization, enabling proactive retention strategies, minimising attrition risk. AI tools are used to analyse communication patterns to identify signs of stress or burnout, allowing HR to intervene and offer support.

**Training and Development:** AI algorithms recommend personalised training programs based on an employee's skills, performance, and career goals. AI-powered chatbots assist employees in finding relevant training resources and answering queries related to professional development.

**Note of caution:** While using AI it is important to observe ethical considerations, transparency, and fairness and use the technologies responsibly. Also, maintaining a human touch in HR processes is essential for building trust among employees.

## How do AI Algorithms work?

AI Algorithms for screening resumes of candidates has been explained to give an understanding of how AI algorithms work.

### Algorithms for Resume Analysis

AI algorithms can be used to analyse resumes and identify candidates whose skills and experience align with job requirements. Here's how AI is commonly used as an aid to recruitment processes for resume analysis:

**Keyword Matching:** AI algorithms use keyword-matching techniques to identify specific skills, qualifications, and experiences mentioned in the job description. The algorithm then matches these keywords with the content of resumes to determine if there is a relevant match. If a job description

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requires "proficiency in Java programming," the algorithm scans resumes for instances of the keyword "Java" to identify candidates with this skill.

**Natural Language Processing (NLP):** NLP enables AI algorithms to understand the context and semantics of the text in resumes. This goes beyond simple keyword matching and allows the algorithm to comprehend the meaning of sentences and phrases, identifying the relevance of skills and experiences. NLP can understand that "developed software applications using Java" indicates a candidate's proficiency in Java programming.

**Skills Extraction:** AI algorithms can extract specific skills mentioned in resumes using named entity recognition (NER) techniques. This helps in creating a structured list of skills for each candidate, extracting skills such as "project management," "data analysis," or "Python programming" from the resume.

**Semantic Matching:** Semantic matching algorithms assess the similarity between the job requirements and the content of resumes based on the meaning of words and phrases. This allows for a more nuanced evaluation of compatibility. Understanding that "client management" and "customer relations" may be synonymous in the context of a resume.

**Experience and Education Parsing:** AI algorithms parse and extract information about a candidate's work experience and education, including relevant details such as job titles, companies, and dates. This helps in evaluating the candidate's career progression and industry exposure.

**Contextual Analysis:** AI algorithms consider the overall context of the resume, taking into account the candidate's career trajectory, achievements, and the industries they've worked in. This helps in identifying candidates who not only possess the required functional skills but also have other relevant skills such as leadership skills, administrative skills, organisational skills, networking skills and team-building skills.

**Scoring and Ranking:** AI algorithms assign scores to resumes based on the degree of match between the candidate's profile and the job requirements. Resumes can then be ranked in order of relevance.

## Is the use of AI for resume screening Vital, Essential, or Desirable?

In an age of online resume databases where for every job position, thousands of resumes are available, screening resumes effectively is impossible without implementing these AI-driven resume analysis techniques.

## Direct Engagement using AI

Algorithms like the one explained above can be used to assess people without direct engagement. But to gain a deeper appreciation of an individual's capabilities, motivations, attitudes and values, direct engagement is essential. Here again, achieving direct engagement on a large scale poses challenges.

The mode of engaging people to elicit responses that can be then assessed by AI algorithms is the Chatbot. Two of the applications of Chatbots in HR Processes are given below:

## Chatbots for Candidate Selection

Chatbots are used for selecting candidates in recruitment processes to automate initial interactions, answer basic queries, and assess certain qualifications. These chatbots use natural language processing (NLP) and machine learning algorithms to engage with candidates and make preliminary evaluations. Here are some common applications:

**Automated Preliminary Interviews:** A chatbot initiates a conversation with candidates to ask basic interview questions, such as their background, experience, and motivations for applying. The chatbot then evaluates responses based on predefined criteria.

**Qualification Assessment:** A chatbot asks candidates about their education, skills, and relevant experience. The chatbot uses NLP to understand and assess the responses, comparing them to

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predefined criteria to determine whether the candidate meets the initial qualifications for the position.

**Personality and Cultural Fit Evaluation:** Chatbots use NLP to analyse the tone, communication style, and language used by candidates to assess their personality traits and cultural fit within the organization. Additionally, the chatbot might identify attitudes, behaviours and values that align with the company culture.

**Preliminary briefing and interview Scheduling:** Chatbots can provide candidates with information about the company, the job role, and the recruitment process. They can collect additional information from candidates, such as their preferred location or willingness to relocate. Chatbots can assist in scheduling interviews eliminating the need for human intervention in the scheduling process.

## Chatbot to assess Employee Motivation

Chatbots can be used to assess an employee's motivation to perform a job through conversational interactions that delve into various aspects of motivation, engagement, and job satisfaction. Here are some ways in which chatbots are applied to assess employee motivation:

**Engagement Surveys:** Chatbots can administer regular surveys to employees, asking questions related to their job satisfaction, motivation, and engagement. Through natural language processing, the chatbot can understand and analyse responses to identify trends and areas that may need attention.

**Feedback and Recognition:** Chatbots can initiate conversations to gather feedback on recent projects or accomplishments. They can inquire about the employee's level of satisfaction, whether they feel recognized for their contributions, and if they find their work meaningful.

**Goal Alignment:** Chatbots can engage in discussions with employees about their career goals, aspirations, and how well their current role aligns with these objectives. This can provide insights into whether the employees feel motivated by their current responsibilities.

**Job Satisfaction Assessment:** Through conversational interactions, chatbots can explore factors contributing to job satisfaction, such as the work environment, relationships with colleagues, and alignment with organizational values. The chatbot can analyse responses to gauge overall job satisfaction.

**Wellbeing Assessment:** Chatbots can periodically check in with employees to assess their sense of well-being, stress levels, and work-life balance. By understanding factors affecting an employee's motivation, organizations can take proactive measures to address concerns.

**Recognition and Rewards:** Chatbots can play a role in the recognition and rewards process by initiating conversations about achievements, acknowledging contributions, and providing information about incentive programs. This can contribute to boosting employee motivation.

**Personalized Developmental and Motivational Content:** Chatbots can recommend personalized developmental and motivational content based on an employee's preferences and interests. This content may include articles, videos, or resources aimed at inspiring and energizing the individual in their role.

**Career Development Discussions:** Chatbots can engage employees in conversations about their career development aspirations. By understanding an employee's motivation for growth and learning, organizations can tailor development plans to meet individual needs.

## Takeaways

Several organisations are struggling to have basic HR practices in place. Organisations need to evolve to establish best practices and ensure that team members are mentally and emotionally aligned with the organisation's goals.

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