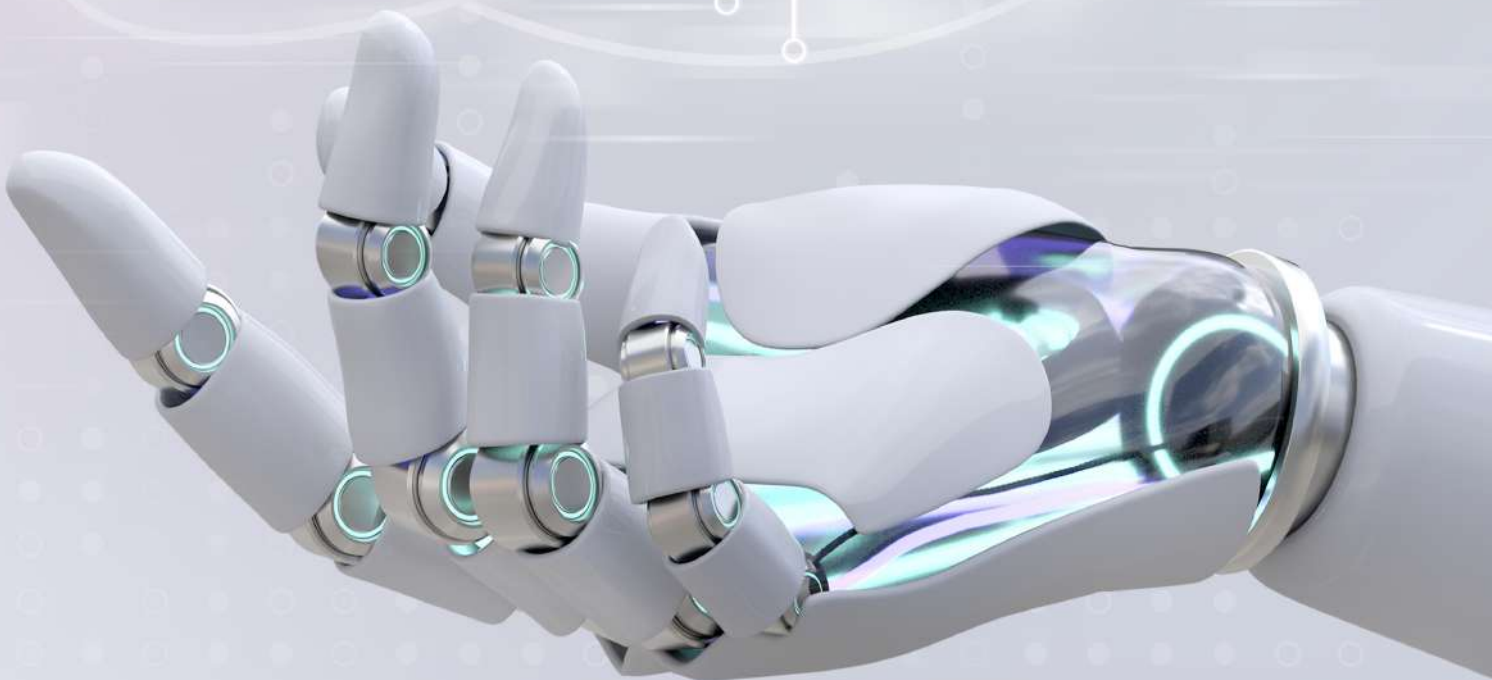![Marlin Selection logo]

THE EVOLUTION OF HR
IN THE TECHNOLOGY AGE

We live in the age of some incredible, innovative technology. It is constantly transforming our working and personal lives. With this innovatory sector comes a different way of working and the need for evolution in the HR practices within organisations.

This white paper examines the rise of the tech companies, the different ways of working that have emerged in recent years, and the implications for HR.

The rise of the tech companies has been meteoric, from the 90s dot-com bubble, to the rapid emergence of a second wave of consumer-focused internet companies led by PayPal, to the birth of the iPhone in 2007, to the recent pandemic boom in virtual working and living. According to PwC's 2017 Global Innovation 1000 ranking, tech companies made up nine of the 20 most innovative companies in the world.

Around 3 million people in the UK are employed in the tech industry, with almost 30% working for tech firms based in the capital. An Adzuna study found 23% of all roles advertised in London were in the digital sector. This boom in demand came from tech companies of all sizes, from startups to large multinationals, according to the report.

While the software and computer services sector is the leading recruiter for tech developers and engineers, posting over 11,132 vacancies in 2021—a rise of 102.2% since 2020 and 119%
on pre-pandemic levels—the fintech sector has seen the largest growth. Fintechs have posted 113.8% more tech jobs since 2020, overtaking the media broadcasting and publishing sector as the second-biggest hirer of developers and engineers.

This expansion in jobs is driven by the massive expansion of tech companies themselves. Technology companies accounted for 31% of world shareholder distributions in 2020, up from 28% in 2019, according to a PwC report. The same report found that in 2021, the combined value of Global Top 100 technology companies was up 71% since March 2020, and the market cap of the technology sector was $10.5 trillion, the largest in the world.

Much of this figure represents the giants: Apple, Microsoft, Amazon, and Google have each reached market caps well above $1.5 trillion. At a market cap of more than $2.1 trillion, Apple's market cap is larger than 96% of country GDPs, a list that includes Italy, Brazil, Canada, and Russia.

However, the tech sector is also known for its small companies: startups and unicorns. A tech startup is a business in its first stage of operations, often being financed by its entrepreneurial founders. A tech unicorn, so called for its rarity, is a privately-held startup valued at over $1 billion. However, the boom is such that unicorns are no longer that rare, with 1,000 around the world as of February 2022.

Both small and giant tech companies tend to have working practices that are very different from those of traditional corporates, and these innovations are now spreading to other sectors.

Five characteristics of new firms

Equity as the majority of EVP

An employee value proposition (EVP) is the value a company offers to employees in return for the value they bring to the organisation. In the current talent drought, it's become more important than ever for companies to have a strong EVP to attract staff. Tech companies have always headed the pack on this, with Google in particular famed for its efforts to create a fun working environment. Now employee demands have changed, going far beyond office perks and beyond the office, and tech companies are continuing to lead the way.

The importance of diversity, equity and inclusion (DEI) has become unignorable, with the Black Lives Matter movement—and stats on the superior profitability of diverse teams—driving large-scale change across sectors. The new wave of jobseekers demand equitable treatment for themselves and their colleagues. Recent studies show 51% of employees want more equity in pay and promotion decisions, and heading their list of must-haves is flexible working.

Another important aspect of EVP for prospective candidates is good corporate governance and social responsibility by an organisation. It is important to people not only what they do and how they do it, but also who they do it for. A three-year study by the Kenexa High Performance Institute found that employees in "organisations that have a greater sense of responsibility towards their communities and environment, both ecological and social" were four times more engaged than those in low-CSR organisations.

Very flexible working

Tech companies have always had a reputation for offering more flexible hours than most, allowing employees to take their time getting into the office in the mornings as long as they got their work done. While some sectors have struggled to adapt to the new demand for flexible working, tech companies have taken to it readily, with companies including Quora, Basecamp and Muck Rack going fully remote, and many others offering permanent full-time remote working to whoever wants it.

New skillsets

The rise of new technologies has come with massive demand for new skillsets, notably AI and machine learning, data science and analytics, data engineering and data visualisation. The move to online work in particular has also drastically increased demand for skilled talent in cybersecurity and cloud computing.

The marketability of these skills is spreading beyond tech companies to every sector, leading many of those looking for pastures new in the "Great Resignation" to consider retraining.

Flat management structure

Tech specialists tend to value independence and informality, so it's perhaps no surprise that the trend for flat management structures started in tech companies. Rather than assigning a set hierarchy of roles and departments, where there are many layers of middle management separating the boss from the lowliest employees, companies with a flat hierarchy have only a few or no layers of middle management. They tend to rely on 'spontaneous organisations', where individuals or teams decide on their focus, rather than having it handed down from above.

Agility

The drastic changes brought about by the pandemic forced companies in every sector to become agile, with old-school manufacturing companies pivoting to produce ventilators on short notice. This is an area where new tech companies naturally excel; the flat management structure makes it easier to avoid silos (business divisions that operate independently and avoid sharing information), make rapid changes without going through layers of approval, and move people into and out of roles as circumstances demand.

Five implications for HR

Pick-your-own salaries

An interesting reorganisation of devising pay scales and of reward for HR is the concept of letting employees set salary benchmarks, rather than handing that power to individual managers. Satalia asked their employees to nominate what salaries people should be on in the organisation. Whilst this sounds potentially absurd as a concept, it was a successful adoption to the company's process of reward.

Using AI, the company created a system whereby staff input how much of a pay rise they feel they should receive – all salaries are already transparent – and other employees use the system to vote for whether all, some or none of it should be accepted.

Availability of data

Leveraging the increasing availability of data with HR data analytics can help inform and improve almost every area of HR, including recruitment, training, development, performance, and compensation. HR managers can use big data to make smarter decisions and help an organization meet its goals more efficiently.

In addition, big data can give HR departments the chance to identify employee patterns and trends and develop programs that are designed to improve loyalty and reduce turnover. With big data, HR managers can understand what is necessary not only to recruit top talent, but to keep it as well.

HR chatbots

The UK is already seeing its first HR-focused chatbots. Software provider MHR developed a bot that works by accessing the existing HR self-service system rather than deploying machine learning, and 'saves' the equivalent of one HR professional per 1,500 employees, according to chief commercial officer Tim Johnson.

"Very quickly, answers to frequently asked questions – such as 'when is the next pay day?' and 'how many holidays do I have left?' – can be built into the chatbot, which means HR can get on with more important strategic tasks," says Johnson, whose next goal is to get the bot to sync with calendars and handle expenses claims.

CoachBot, an application built by UK start-up Saberr and trialled by organisations including Unilever, the NHS and NFU Mutual, is going a step further, aiming to do the kind of team-building work usually handled by an external trainer. After asking team members simple questions about their communication style, work goals and team dynamics, it builds profiles of each employee and offers suggestions about how to work smarter or handle conflict.

Smart recruitment

Collecting and assessing data before, during, and after the hiring process helps HR managers to monitor and track the efficiency of recruitment efforts to better identify the most efficient strategies that attract the ideal candidates. In this way, big data can streamline hiring processes, saving time and money.

However, the implications go far beyond this. There are already commercial applications on the market that read CVs and use algorithms to support human decision-making. If you've applied for a job in the past year, there's a fair chance AI has handled your CV. This comes with potential pitfalls; AI is only as smart as the dataset it's trained on, meaning early attempts to use AI to eliminate unconscious bias only resulted in creating racist AI.

Ethical decision-making

This brings us to the final point: an area in which AI needs humans, not the other way around.

Part of HR's role in an AI future will be to help make decisions about if and when to automate, whether to reskill or redeploy the human workforce, and to examine the moral and ethical aspects of such decisions. In this area, human skills like critical thinking, empathy and creativity will be more in demand than ever.

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