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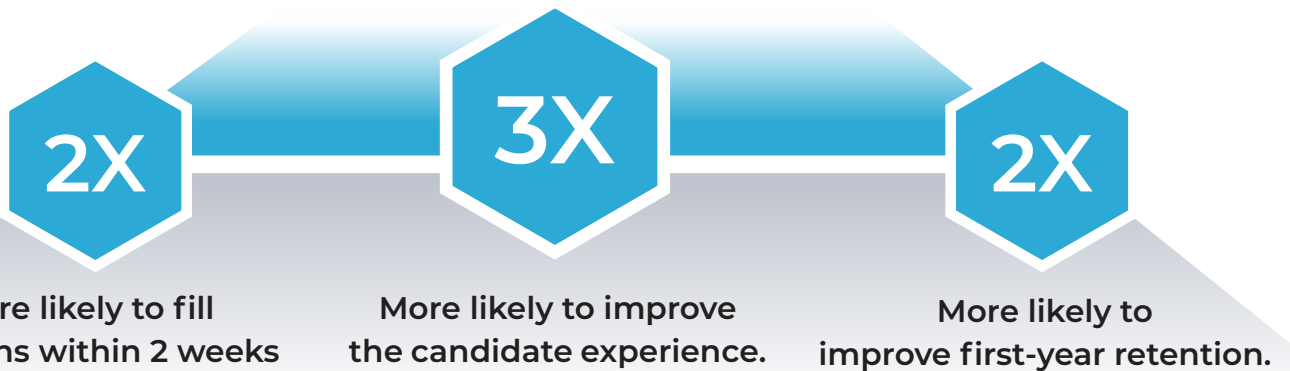# CONVERSATIONAL AI AND THE FUTURE OF HIRING:

HUMANS, TECHNOLOGY AND HOW THEY WORK TOGETHER

This report was conducted in partnership with Paradox, a conversational AI company helping some of the world's biggest brands embrace the future of work with assistive intelligence.

PARADOX

INTRODUCTION

Companies are increasing their investment in conversational AI to support talent acquisition efforts. According to Aptitude Research's 2020 talent acquisition study, 38% of companies are using or are planning to use conversational AI solutions in 2020 compared to 7% in 2019. And, while many companies are currently pushing pause on other areas of talent acquisition technology, the increased focus on conversational AI remains steadfast. This uptick in conversational AI is driven by the need to improve how talent acquisition operates. But, the benefits of these solutions extend far beyond efficiency. Conversational AI is more than a chatbot. It enhances the human side of talent acquisition by offering candidates consistent communication, AI-powered workflows, and the information they need in real-time. Aptitude Research found that companies that use conversational AI were:

2X	3X	2X
More likely to fill positions within 2 weeks	More likely to improve the candidate experience.	More likely to improve first-year retention.

Despite these benefits, many misperceptions exist around conversational AI and how companies use it. This research, based on data collected from February to May 2020, will help to clarify this market and include recommendations for companies interested in these solutions.

THIS REPORT WILL HELP TO ANSWER THE FOLLOWING QUESTIONS:

01   What are the major trends influencing this market?

02   What is the difference between conversational AI and chatbots?

03   What are the key drivers for investing in these solutions?

04   What is the business impact?

05   How are companies using conversational AI today?

06   What are some key recommendations?

Research Methodology

Quantitative Research: 382 responses from talent acquisition and HR leaders

Qualitative Research: Interviews conducted in 2020 on the challenges, strategies, and technology influencing decisions around conversational AI.

TOP TRENDS IN CONVERSATIONAL AI

1   Conversational AI is more than a chatbot.

Many of the misperceptions around conversational AI stem from the belief that it is simply a chatbot. Chatbots provide value in giving responses to candidates in real-time. These responses are typically canned answers to basic questions delivered through text. Conversational AI offers a more sophisticated and more personalized solution to engage candidates through multiple forms of communication. Conversational AI gets smarter through use and connects recruiters and candidates in a more meaningful way. In fact, 39% of companies using conversational AI state that the most significant benefit is improving the candidate experience (Aptitude Research).

> **By referring to this technology as "chatbots," companies miss the many use cases for engaging talent and the numerous benefits beyond saving time.**

2   Companies that use Conversational AI see high adoption and satisfaction.

Low adoption and poor satisfaction are two common complaints with talent acquisition technology. According to Aptitude Research, 79% of companies see the value in their conversational AI investment. One reason is that these companies see greater adoption across their talent acquisition teams. While companies are using only 3% of their ATS functionality and only 2% of their recruitment marketing functionality, nearly 60% of companies are using all of the capabilities in their conversational AI solutions (Aptitude Research). Conversational AI is intuitive and straightforward when compared to many other areas of talent acquisition technology.

3   The Conversational AI market is growing.

Conversational AI is quickly becoming a crowded market; many providers seem to have a chatbot, which creates confusion and misperceptions about how to evaluate and select a partner. While several of the ERP and ATS providers have chatbots or are looking to build chatbots, conversational AI solutions are few and far between. Companies that want to transform talent acquisition through better engagement and an improved experience are looking at stand-alone providers. According to Aptitude Research, nearly 60% of companies are looking at stand-alone providers over their ATS providers.

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4   **The investment remains steady during this global pandemic.**

While other areas of talent acquisition technology have been slowing down during today's global pandemic, the investment in conversational AI remains strong, with over 30% of companies still investing or planning to invest in these solutions in the next year. As companies face new realities with remote recruiting, candidate communication, and the future of work, conversational AI solutions can support companies through this uncertainty.

5   **Companies should look beyond candidates.**

When considering conversational AI, most companies think about the apply process or the screening process. Yet, many companies are expanding their use of these solutions into areas such as interviewing, onboarding, and the employee experience.

> **The benefits of consistent communication, real-time feedback, and 24/7 access should benefit more than candidates. It should reach employees and HR teams as well. Companies are exploring the use of conversational AI to support the full employee experience.**

6   **Companies across many industries are leveraging these solutions.**

Conversational AI is disrupting many industries. The belief is that these solutions are only suited for retail and restaurants. Aptitude Research found that the most significant growth was also in financial services, healthcare, and aerospace.
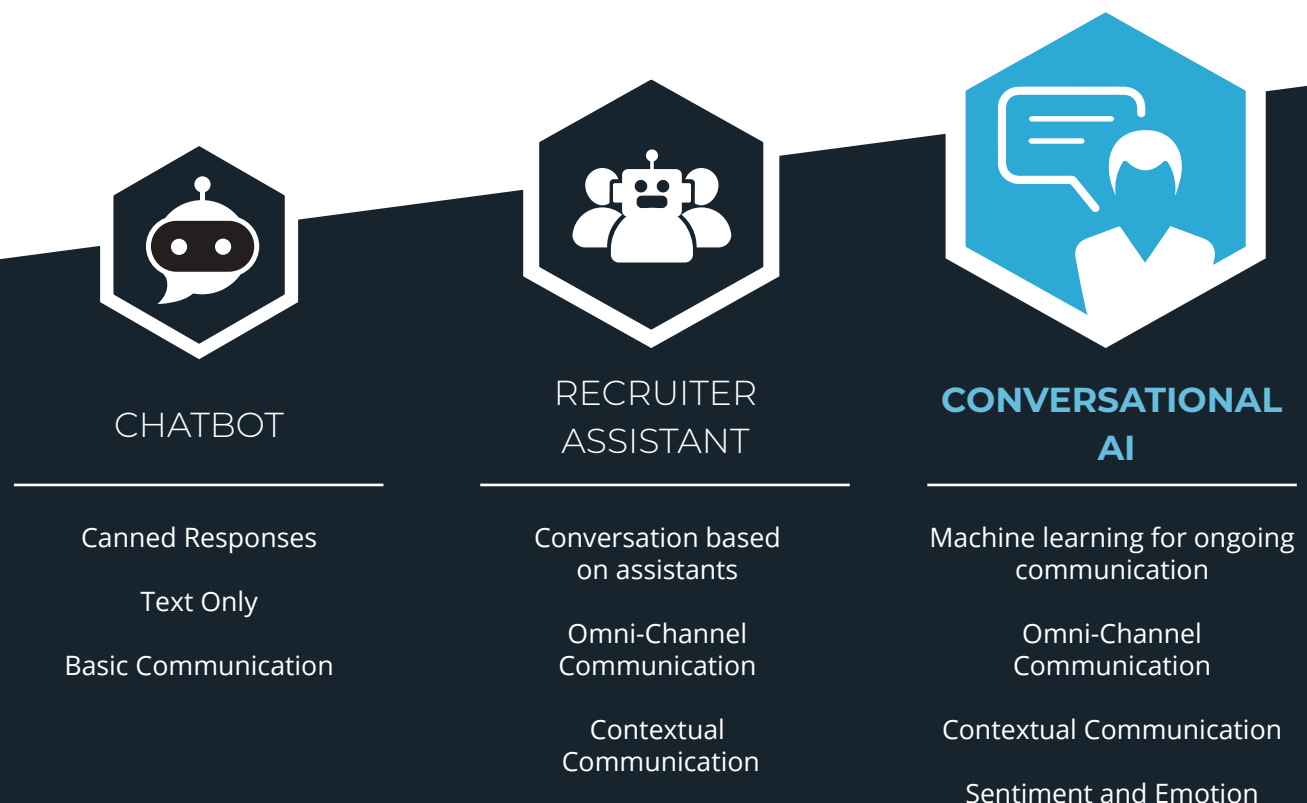
CHATBOT VS. CONVERSATIONAL AI

When most companies think about conversational AI, they think chatbots. The reality is that conversational AI is more advanced technology. Chatbots are primarily natural language text using rules that encourage canned interactions. They have predefined workflows that do not allow for personal communication. A chatbot engages a candidate by asking specific questions and responding through text. For example, it might ask a candidate for a zip code and then provide information on locations nearby. **Chatbots cover the basic questions in real-time, and most candidates will have a similar experience with a similar interaction. According to Aptitude Research, 62% of companies are concerned that chatbots do not provide a human-like experience.**

Conversational AI, on the other hand, enhances the personal, human side of talent acquisition. Conversational AI uses omni-channel communication to engage with candidates in a more meaningful way. This communication reaches candidates where they are most comfortable, including text, messaging platforms, and voice. Conversational AI is a solution that learns and becomes smarter the more companies use it. It takes the history of text or voice to improve the way it interacts with candidates. Figure 1 shows the evolution in this market from chatbots to recruiter assistants to conversational AI.

Figure 1: *Evolution of Conversational AI*

CHATBOT

Canned Responses

Text Only

Basic Communication

RECRUITER ASSISTANT

Conversation based on assistants

Omni-Channel Communication

Contextual Communication

CONVERSATIONAL AI

Machine learning for ongoing communication
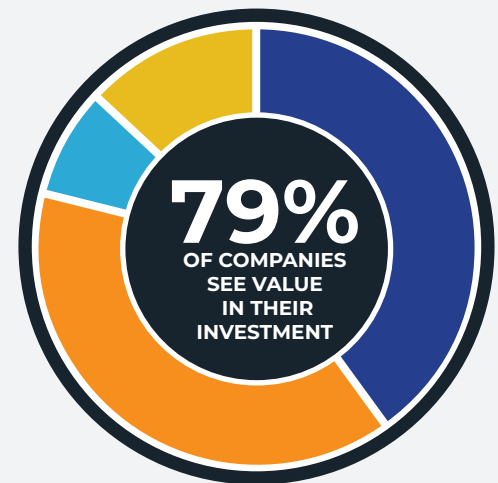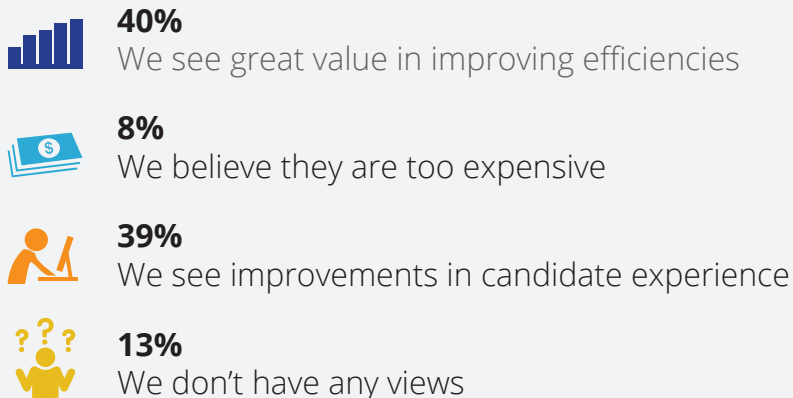
Omni-Channel Communication

Contextual Communication

Sentiment and Emotion

WITH CONVERSATIONAL AI, COMPANIES ARE NOT PICKING BETWEEN HUMANS AND TECHNOLOGY. THEY GET BOTH.

They leverage technology that is designed to enhance the relationship between the employer and the candidate. Aptitude Research found that nearly 80% of companies that invest in conversational AI are satisfied with their investment. These companies see benefits to the candidate experience and the overall efficiency (see Figure 2).

Figure 2: *Satisfaction with Conversational AI*

40%
We see great value in improving efficiencies

8%
We believe they are too expensive

39%
We see improvements in candidate experience

13%
We don't have any views

79%
OF COMPANIES SEE VALUE IN THEIR INVESTMENT

KEY DRIVERS FOR INVESTING IN CONVERSATIONAL AI

Talent acquisition has become increasingly complex. Talent acquisition leaders face new responsibilities, new pressures, and new obstacles. Yet, most companies still face the same obstacles when attracting and hiring talent. When asked about challenges impacting talent acquisition, companies cited finding quality of hire, competing for talent, reducing the administrative burden, and improving the candidate experience (see Figure 3).

Figure 3: *Key Drivers in Talent Acquisition*

FINDING AND ATTRACTING QUALITY HIRES — 63%

COMPETING FOR TALENT ACROSS INDUSTRIES — 41%

MEASURING QUALITY OF HIRE — 39%

REDUCING THE ADMINISTRATIVE BURDEN — 29%

IMPROVING THE CANDIDATE EXPERIENCE — 23%
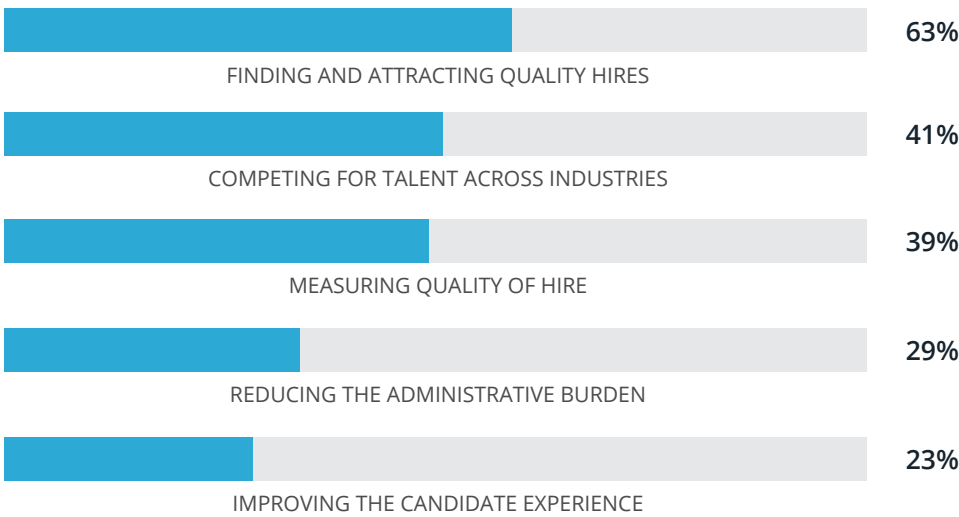
Companies have been struggling to balance efficiency, experience, and quality for the past decade. And, as talent acquisition grows in complexity, organizations need solutions that help to address all three. Below are the key drivers for investing in conversational AI:

EFFICIENCY:

Speed and efficiency are the most apparent benefit of conversational AI. When asked about the top priority for 2020, 62% of companies stated that filling positions quickly was the most critical. Although time-to-fill is not the only measure of success, the reality is that many companies still need to fill positions quickly. They do not have the luxury to wait for weeks or even months. According to Aptitude Research, 1 in 4 companies state that it takes over three months to fill some positions, and 1 in 3 companies state that it takes over 30 minutes for candidates to complete an application. Conversational AI speeds up the process by connecting with candidates in real-time, scheduling interviews, providing accurate information, and enabling better decision-making.

EXPERIENCE:

The candidate experience is mostly dependent on better communication. Aptitude Research found that companies have made some improvements over the past four years in providing company information, transparency, and a single point of contact (see Figure 4). Companies are looking for solutions that can deliver experiences that candidates have in personal lives as well. Conversational AI helps companies improve the candidate experience by providing communication in real-time at many stages of the talent acquisition life-cycle. For candidates who have received little to no communication in the past, conversational AI is a welcomed change.

Figure 4: *Current State of Candidate Communication*

	2017	2018	2019	2020
Company Information is made available	53%	24%	39%	54%
Single point of contact for communication	51%	42%	38%	50%
Transparency on application status	32%	11%	34%	36%
Mobile Apply	30%	21%	21%	26%

Source: Aptitude Research, 2020 Talent Acquisition Study, n=38

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QUALITY:

Quality of hire only improves when companies have data to make decisions. While quality of hire is certainly not a new concern, the responsibility has shifted from hiring managers to HR and talent acquisition leaders. Over 80% of organizations believe that quality of hire is a recruitment metric rather than a hiring manager metric, according to Aptitude Research's 2019 study. As a result, talent acquisition leaders are being held accountable for what happens beyond when a candidate accepts an offer.

One other driver of conversational AI is the ability to reduce bias in the talent acquisition process. **According to Aptitude Research, nearly 90% of companies are concerned with reducing bias in their talent acquisition process.** Yet, when talent acquisition leaders ask what steps they take 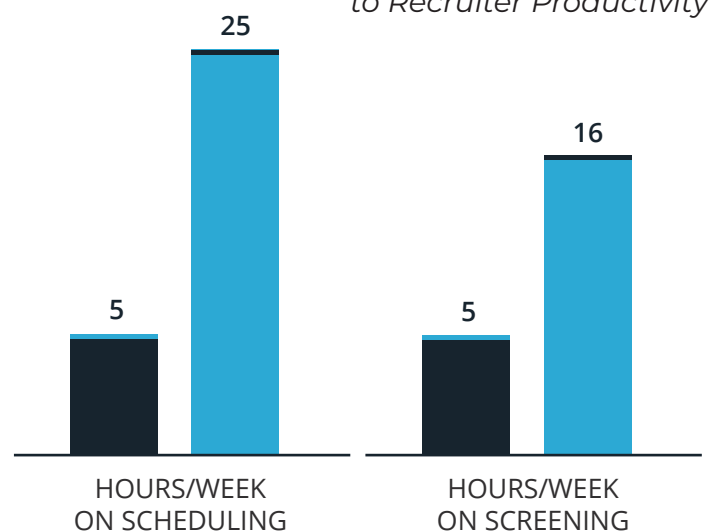to reduce bias, most companies focus on training programs. **Conversational AI can help companies reduce bias from communication and decision-making and personalize content to support diversity and inclusion efforts.**

> "CONVERSATIONAL AI CAN HELP COMPANIES REDUCE BIAS FROM COMMUNICATION AND DECISION-MAKING AND PERSONALIZE CONTENT TO SUPPORT DIVERSITY AND INCLUSION EFFORTS."

EXPLORING THE BUSINESS IMPACT: GETTING MORE DONE WITH LESS

Efficiency is an important benefit of conversational AI. These solutions save recruiters and managers time so that they can focus on more strategic initiatives. According to Aptitude Research, recruiters spend less time on scheduling and screening each week. Conversational AI takes the administrative burden off recruiters, and they can respond to candidates 24/7 without waiting for recruiters to engage.

CONVERSATIONAL AI

NO CONVERSATIONAL AI

Figure 5: *Improvements to Recruiter Productivity*

HOURS/WEEK ON SCHEDULING — 5, 25

HOURS/WEEK ON SCREENING — 5, 16

> *While many companies use efficiency as the sole measure of success when considering conversational AI, Aptitude Research found benefits that impact many areas of talent acquisition, including quality of hire, the candidate experience, and first-year retention rates (see Figure 6).*

Figure 6: *The Impact of Conversational AI*

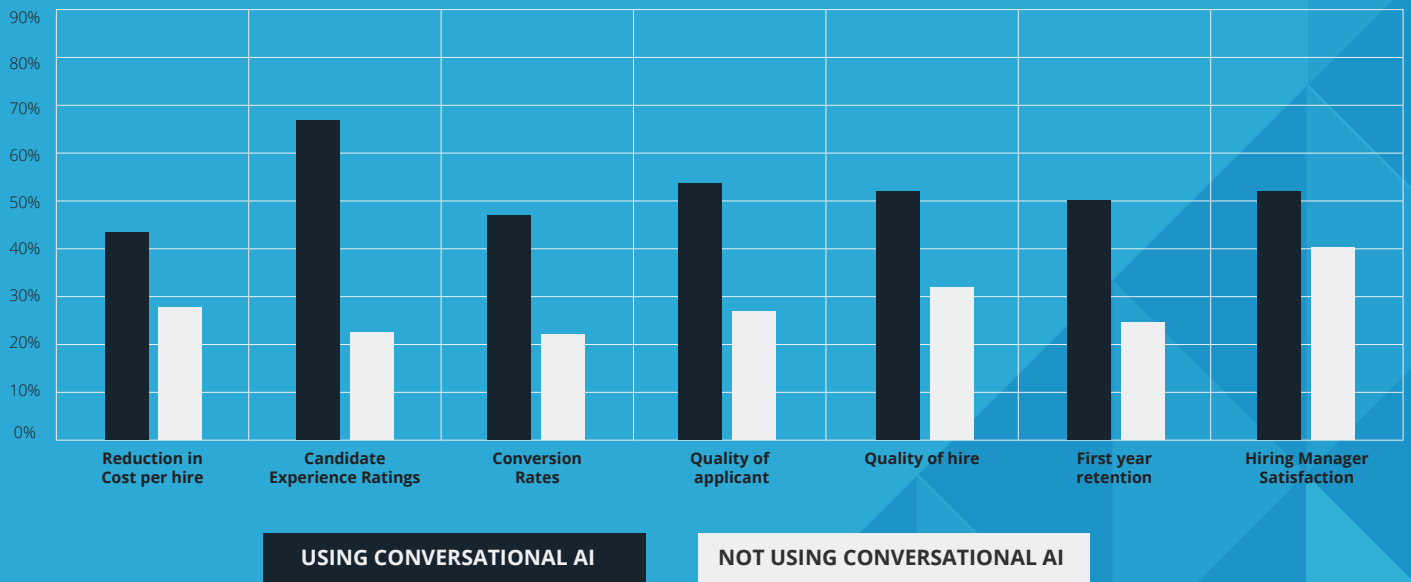USING CONVERSATIONAL AI   NOT USING CONVERSATIONAL AI

Figure 7 shows why each of these metrics is critical to talent acquisition today and how conversational AI impacts them.

Figure 7: *Key Metrics in Talent Acquisition*

| Metrics	Why Is It Critical?	How Conversational AI impacts It?
Time to Fill	Companies need to fill positions quickly, and many industries can no longer wait weeks or even months when they are facing intense pressure from the business to fill positions in 1-2 days.	Conversational AI automates many administrative tasks of talent acquisition, provides candidates with real-time information, and is available 24/7, so candidates do not need to wait for a response. Regis Corporation was able to reduce hiring time by 86%.
Cost per Hire	As companies look closely at their budgets and headcount, cost per hire is critical for business leaders.	Conversational AI helps companies better manage recruiting spend and advertising dollars. These solutions can also help optimize recruiting activities and events. Koch Trucking is an example of a company that could save $3400 off the cost per hire.
Conversion Rates	As companies look to increase the number of applicants, conversion rates measure the success in getting candidates to apply.	Conversational AI solutions provide a simple user experience to engage with candidates and help them apply.
Recruiter Productivity	Recruiters spend, on average, 16 hours a week just scheduling time with candidates and hiring managers. The administrative tasks that recruiters handle impact their productivity and also, recruiter turnover.	Recruiters do not need to spend their days scheduling time with candidates and hiring managers or screening candidates. Conversational AI allows recruiters to be more effective through every stage of talent acquisition.
Quality of Hire	Companies need a better way to define, measure, and track quality of hire. This metric is considered the most critical to organizations, but it is difficult to measure without consistency.	Conversational AI gives companies better data on candidates and employees to measure and track quality of hire. It provides consistency and reduces bias in the process.
Candidate Experience	The candidate experience impacts more than talent acquisition. It affects customer retention, brand, and business outcomes. Candidate communication is a significant component of the candidate experience.	Candidates get confidence that they have the information that they need in real-time. Candidates can also engage with an employer at any time, even when offices are closed. For many candidates, the communication and consistency they receive from conversational AI are more than they would get from a recruiter. Conversational AI is also available 24/7, so it shortens the response time.

The benefits of conversational AI increase when companies leverage these solutions across multiple areas of recruitment. The more companies use conversational AI, the more they see results. The next section looks at the different use cases.
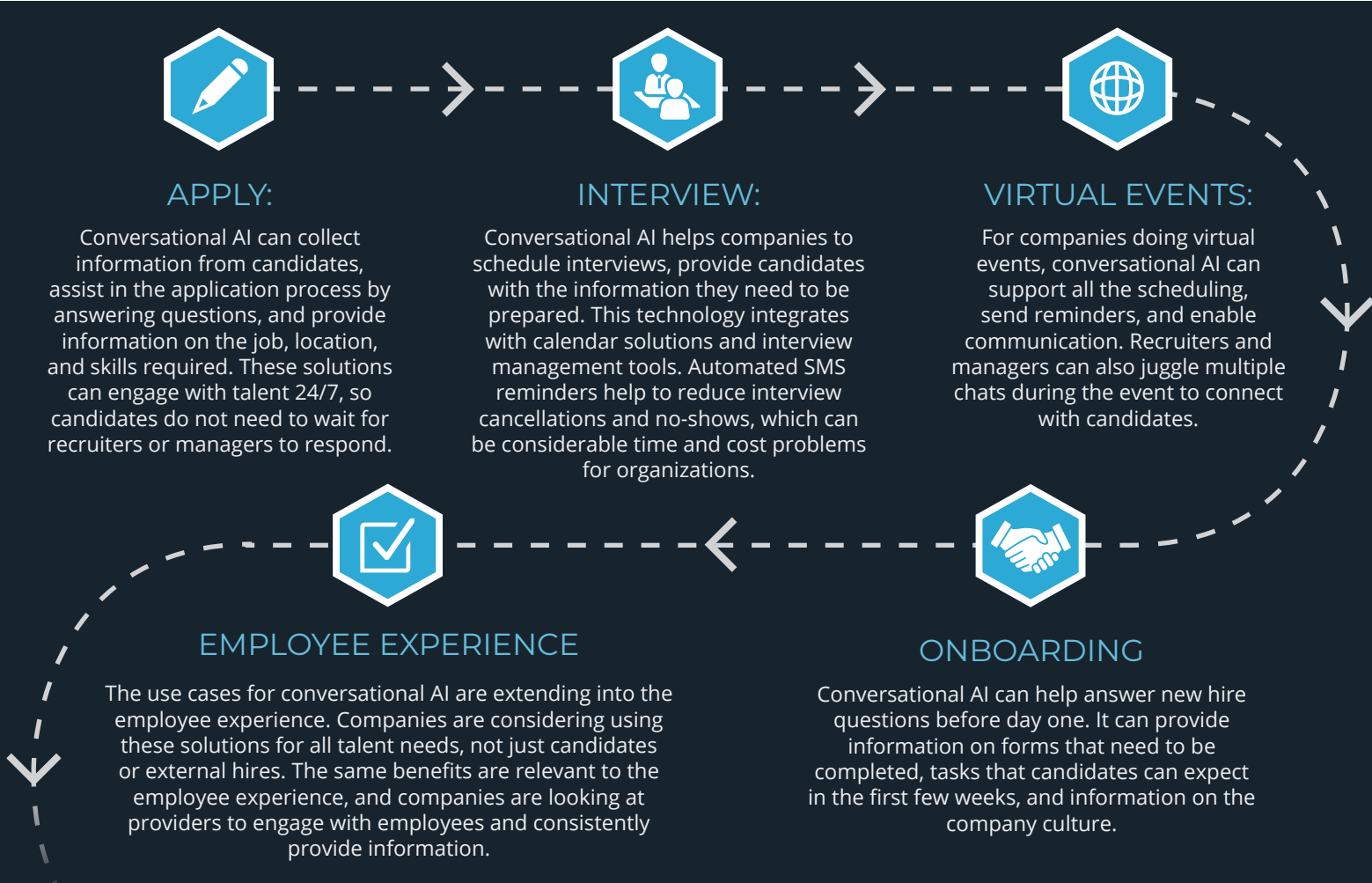
USE CASES

The most significant change in conversational AI over the past year has been in the increase in talent acquisition use cases. With high adoption and customer satisfaction, companies are looking at these solutions to support broader talent acquisition needs. Companies are looking at interviewing, onboarding, and even employee experience as the next wave of conversational AI. McDonald's case study included in this report is an example of the multiple use cases for conversational AI.

Many companies initially considered conversational AI to support the apply process and screening (see Figure 8). For many companies, the earlier stages of talent acquisition are the most complex, and conversational AI gives them a simple solution to engage with talent.

Figure 8: *Use Cases for Conversational AI*
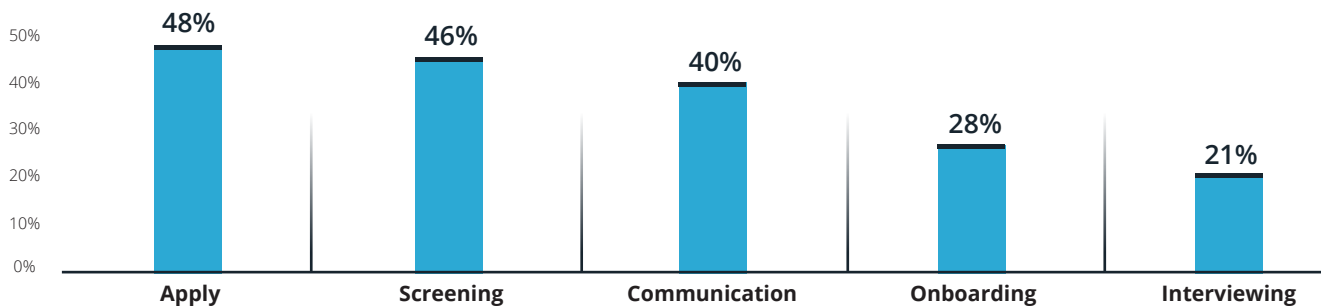
Yet, companies may not realize is that the experience of conversational AI does not need to end once a candidate applies for a job. Below are some of the use cases for these solutions.

APPLY:

Conversational AI can collect information from candidates, assist in the application process by answering questions, and provide information on the job, location, and skills required. These solutions can engage with talent 24/7, so candidates do not need to wait for recruiters or managers to respond.

INTERVIEW:

Conversational AI helps companies to schedule interviews, provide candidates with the information they need to be prepared. This technology integrates with calendar solutions and interview management tools. Automated SMS reminders help to reduce interview cancellations and no-shows, which can be considerable time and cost problems for organizations.

VIRTUAL EVENTS:

For companies doing virtual events, conversational AI can support all the scheduling, send reminders, and enable communication. Recruiters and managers can also juggle multiple chats during the event to connect with candidates.

EMPLOYEE EXPERIENCE

The use cases for conversational AI are extending into the employee experience. Companies are considering using these solutions for all talent needs, not just candidates or external hires. The same benefits are relevant to the employee experience, and companies are looking at providers to engage with employees and consistently provide information.

ONBOARDING

Conversational AI can help answer new hire questions before day one. It can provide information on forms that need to be completed, tasks that candidates can expect in the first few weeks, and information on the company culture.

CASE STUDY

McDonald's is the largest fast-food company with nearly two million employees globally between corporate-owned and franchise owned and operated restaurants. Over the past two years, McDonald's has transformed its talent acquisition function to improve efficiency, strengthen the candidate experience, and align closely with the company brand. This transformation included an overhaul of recruitment processes and an investment in new talent acquisition technology. Conversational AI was a critical part of this transformation.

WHAT WERE SOME OF THE KEY DRIVERS FOR INVESTING IN CONVERSATIONAL AI?

McDonald's wanted technology that could support a better experience and allow United States restaurants to fill positions quickly. As a large, complex organization, the technology needed to simplify talent acquisition rather than complicate it.

When evaluating ATS providers, it became clear that many solutions could not offer this simplicity for its United States restaurants. The decision to invest in conversational AI was driven by:

EXPERIENCE:

McDonald's wanted to provide candidates with an intuitive, consumer-like experience and to provide managers with the ability to post jobs and review candidates in minutes.

EFFICIENCY:

McDonald's needed to reduce the hiring process from weeks to days. It was looking to streamline the process and make it easier to connect with the right candidates.

HOW DID MCDONALD'S CREATE BUY-IN?

Once the Talent Acquisition leaders at McDonald's identified a partner, they could gain buy-in through the following initiatives:

- **Talent acquisition acted like marketers to create commercials to use internally.**
- **They leveraged owner-operators at the different restaurants to test the solution and advocate for it.**
- **They showed the solution to as many people as possible.**

Through these initiatives, owner-operators and different stakeholders could see how simple and intuitive the experience was for candidates and managers.

HOW IS MCDONALD'S USING CONVERSATIONAL AI?

McDonald's made headlines in 2019 for announcing the ability to apply for a job ("ApplyThru") through Amazon Alexa and Google Assistant. This ability to apply not just through text but also voice was the result of a strong partnership with Paradox. McDonald's started using conversational AI to support the apply process and quickly realized that the solution was flexible enough to be used in other areas of talent acquisition. McDonald's uses it for its restaurants to support:

- **Apply process ("ApplyThru").**
- **Candidate care (candidate communication and Q&A).**
- **Scheduling.**
- **Onboarding.**

It also uses conversational AI to support the corporate side for the apply process and candidate care (communication).

WHAT RESULTS HAS MCDONALD'S SEEN SINCE INVESTING IN CONVERSATIONAL AI?

Conversational AI has helped McDonald's improve overall efficiency, strengthen the candidate experience, and impact quality.

- **The hiring process was reduced to 1-2 days from 10-14 days.**
- **The candidate experience has improved significantly. Application time has improved from 10 minutes to 2 minutes.**
- **More applicants have applied for a job.**
- **Losing fewer people through the process and improving quality of hire.**
- **Aligns with the company brand.**

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Before Conversational AI

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Now

DAYS TO HIRE
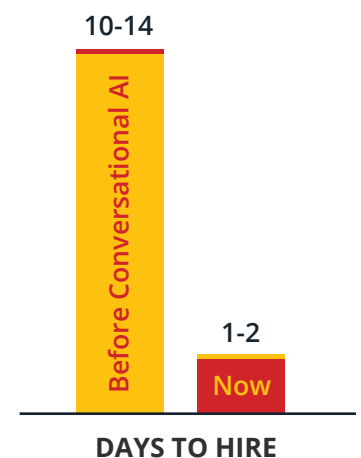
KEY RECOMMENDATIONS

FIND A PARTNER:

Conversational AI requires a new approach to talent acquisition. Companies should consider providers that can support them through change and build solutions to meet their needs. A partner will co-create solutions for companies and address their unique use cases.

EXPAND USE CASES:

Companies should consider the multiple use cases for conversational AI and look at providers that are expanding their use cases.

TEST OUT THE EXPERIENCE:

Companies should test out the experience from the candidate's perspective. Is the process simple and intuitive, and does it provide an engaging experience? The alternative for many companies not using these solutions is very little engagement or no engagement with candidates.

THINK BEYOND EFFICIENCY:

Speed is the obvious benefit of these solutions, but companies should consider the benefits to the candidate, recruiter, and hiring manager experience as well.

ABOUT US

Aptitude Research Partners is a research-based analyst and advisory firm focused on HCM technology. We conduct quantitative and qualitative research on all aspects of Human Capital Management to better understand the skills, capabilities, technology, and underlying strategies required to deliver business results in today's complex work environment.

To learn more, visit www.aptituderesearch.com

Launched in late 2016, Paradox was founded with the belief that recruiters, hiring managers, and talent leaders should spend their time with people, not software. Olivia, the company's conversational AI assistant, automates administrative work — like screening, scheduling, onboarding, employee communications, and more — to drive efficiency that gives teams hours back in their week, and enables everyone to do better work, faster. Since its founding, Paradox has earned the trust of more than 200 clients globally, including some of the biggest brands in the world — CVS Health, McDonald's, Unilever, Intel, Aramark, and many more in the Fortune 500. The company has won numerous awards, including being named one of Human Resource Executive's Best HR Products of 2019, and was recently named one of Forbes' Top 500 Startup Employers.

To learn more, visit www.paradox.ai.