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What Generative AI Means for Your Talent Strategy

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The accelerated investment in generative AI has unsurprisingly led to concerns about how this technology will affect jobs, including those once thought impervious to automation. Some roles will cease to exist, while many others will change radically, encompassing new tasks and requiring new skills. Faced with a potentially historic disruption, executive leaders should shape their talent strategies using a new framework for understanding generative AI's impact on the workforce.

AI applications have been affecting workers for years, but this time feels different. During the late 2010s, few executive leaders would claim publicly that layoffs were in any way due to investments in AI or automation. They would usually say they identified impacted staff, retrained them and shifted them to other roles. Today, however, as use of generative AI tools such as ChatGPT spreads rapidly, leaders are more willing to explicitly call out AI as one of the reasons positions will disappear — whether the technology is truly the culprit or not.^{1,2}

Assess Impact Within Your Business Context

Generative AI will affect each organization differently. Executive leaders must consider their enterprise's unique situation as they anticipate the effects of this technology (and AI more broadly) on the workforce. Most available models for measuring automation risk from AI analyze only existing roles and estimate the potential for AI to replace current employees. While these models have merit, they omit two important factors in any executive leader's talent decisions:

- **Demand drivers** show whether your organization should scale up products and services, scale them down or hold them steady.
 - Talent impact: Future demand for specific capabilities within your organization, industry or broader market will determine where you invest in talent and technology. Demand also affects your ability to meet your talent needs: Sought-after workers are harder to attract, and low-demand jobs become less desirable and more challenging to fill.

- **Technology drivers** relate to how your organization implements and uses technology. They affect how you organize work within and across teams.
 - Talent impact: Organizations adopting generative AI will design roles and workflows differently depending on what they are using it for. Executive leaders must also account for the combinations of skills available within the organization and the wider labor market.

Generative AI will directly alter tasks such as content creation, question answering and discovery, translation, document summarization and software coding. But how it will transform individual jobs is more challenging to predict. For example, knowing generative AI will disrupt copywriting and customer support doesn't tell you what it means for the people providing those services in your organization. Your business context will determine whether you use the technology to make these employees more productive, phase out jobs that can be done by machines or reconfigure these roles to provide new types of services.

The following steps will help executive leaders identify the impact of AI on their organization's workforce and adapt their business, talent and technology strategies accordingly.

Step 1: Forecast Demand

First, examine how you expect demand for a given product or service to change, based on forecast business conditions and company strategy. Apply this exercise at the enterprise, business unit, department or team level, and for both internal- and external-facing services. This helps clarify how much a given team will need to deliver in the future.

Demand for a product or service could be:

- **Increasing/High** — An offering's success is driving a marked rise in demand, with high growth targets. This demand may also be for a particular capability — such as AI, software or other digital technologies — that needs to scale to an increasing number of domains.
 - Examples: Medical diagnostics, software engineering, AI development, prompt engineers
- **Stable/Core** — Volume and future evolution are predictable, possibly with some variability linked to seasonality or similar factors. There are no plans for either high growth or phasing out the service.
 - Examples: Payroll services, customer service supporting stable markets, internal IT services, insurance claims processing

- **Decreasing/Low** — The service or product targets a niche market or is being phased out. Ongoing support is required, but there are no plans for investing further to try scaling up to a bigger offering. This includes instances where a company continues to serve existing customers for a product or service but no longer offers it to new ones.
 - Examples: Legacy products no longer sold but with multidecade contracts that need to be honored; niche products such as parametric insurance

Step 2: Envision AI Technology Applications

After forecasting demand, formulate your future vision for how you will apply generative AI and AI more broadly. This helps identify the degree of impact on a given team or role. Will people in certain jobs be replaced? Will they need new skills? How critical will it be for a worker's success and competitive positioning that they use generative AI effectively?

Consider what your planned applications of AI mean for existing professions and industries.

You could:

- **Stay within their boundaries** — Many emerging use cases for generative AI are far from transformative. For example, a recruiter could use embedded generative AI functionality in a talent sourcing tool to automatically apply search criteria based on natural language input, without having to manually apply filters. This change simply makes an existing work pattern easier and faster.
- **Go beyond their boundaries** — Generative AI, alongside other AI techniques, can change how people access products and services. For example, AI can help create webpages, videos, apps or other content quickly, without requiring any technical knowledge. This capability allows for a fully personalized customer experience.
- **Create new boundaries** — Autonomous business, in which AI manages or carries out the majority of operations, has already started to emerge. Machine customers, augmented managers and autonomous operations are central features of these new business models. We anticipate the labor ratio to substantially change, with enterprises needing fewer people to generate the same amount of revenue.

Consider a Matrix of AI Futures

Combining these demand and technology factors creates a range of situations (see Figure 1). Within each organization, and even within each team, multiple cases are likely to apply. For each situation, specific investments in talent development and workforce planning will help executives lead their teams through an AI-driven wave of transformation.

We expect generative AI to have two broad effects on the workforce, each with significant implications for executive leaders.

» Figure 1: Talent Impact Matrix for Generative AI and AI More Broadly

Low AI Impact  High AI Impact

		How AI Is Applied in Industries and Professions		
		Within the Boundaries:	Pushing Boundaries:	Breaking Boundaries:
Business Context and Demand Volumes	Increasing/High: Scale up and grow to meet demand.	Scale Up: Productivity goes up with AI and humans accomplishing more work with less effort. Still hiring to meet targets.	New Impact Level: High performance expectations in many newly configured roles, transformed through AI and human partnership.	Symbiosis: Machine economy with few employees compared to impact, reach and revenue. Top design teams required.
	Stable/Core: Scale through efficiency and productivity gains.	Shift and Not Replace: Work shifts. Many are not replaced, and most complex work remains. Roles must be reconfigured, often toward assisted multiskilled generalist roles.	Run Smarter: Increased performance expectations per worker in terms of reach or impact. Only those who can work effectively with AI remain competitive.	Synergy: New pockets may emerge for machine customers and autonomous operations. Innovative redesigned teams required.
	Decreasing/Low: Scale down or maintain low niche-style activity.	Last Ones Standing: Hard to attract talent and likely losing talent. Automation is an opportunity to maintain service despite talent shortage.	Niche Innovations: Hard to attract and find talent in hyperspecialized markets. May open up some new markets that can now be served profitably.	Experiments: Rare, but micro niche investments. Few employees.

Source: Gartner

^a Demand can be for internal or external services, at the organization, business unit or department level. It drives activity volumes and portfolio prioritization.

Generative AI Within the Current Boundaries

Using generative AI in this way will result in the shifting of roles over time. Fewer people will be needed to complete the same amount of work. Mass layoffs driven solely by generative AI adoption are unlikely, especially considering that labor markets remain historically tight. However, people who leave jobs affected by the technology are less likely to be replaced. Employees hired into these roles will be expected to accomplish higher work volumes more quickly. It will also become increasingly challenging to find talent willing to take on jobs that automation will likely displace.

Executive leaders implementing generative AI in this context should anticipate headcount reductions over time. They will need to redesign jobs displaced or disrupted by AI into smaller numbers of multiskilled generalist roles that encompass a wider range of capabilities and offer a more compelling employee value proposition.

Generative AI Beyond the Current Boundaries

Second, using generative AI to push the boundaries of professions and industries, or even break them, will set off a race for performance. Expectations will be higher in newly configured roles, and organizations won't be able to compete without using AI. The question will be not which tasks go to AI and which to humans, but how people can use AI creatively to reach new heights. New, highly specialized jobs will emerge where generative AI and related technologies are used creatively and strategically to transform what teams do and what their clients expect. This requires a rich blend of business and technological acumen that few possess.

For example, organizations will need executive-level business architects who wield both types of expertise in an entrepreneurial way. When it's too hard to find the right fit for these roles, build on experience with cross-disciplinary fusion teams that design and deliver digital products and services. Whether this specialized role is filled by a person with this rare mix of talents or by a fusion team, it will be critical for enterprises that make the leap to create new boundaries in a machine economy.

¹ BT to Cut 55,000 Jobs With Up to a Fifth Replaced by AI, BBC News.

² IBM CEO Among the First Major Executives to Say They'll Replace Jobs With AI, Axios.

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