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TODAY'S FOCUS: FINANCIAL LEVERAGE HR-DIGITAL

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„The financial levers of HR digitization are greatest in Germany“.

INTERVIEW with Nikolaus Richter, co-founder and managing director at RECRUITCON, on the topic: Trends, developments and financial opportunities in the HR sector

Mr Richter, you travel abroad a lot and recently came back from London from the Staffing Industry Analysts conference on Gig Economy. Through your stays abroad you will be able to follow the movements and developments of the HR landscape in other markets as well: How does Germany's HR compare internationally?

Nikolaus Richter That depends first and foremost on the question of perspective: do you mean with regard to technological developments in Germany, the degree to which process standards are implemented or the question of the availability of employees in the various industries?

Perhaps, as an exception, not so much the availability of employees, which is currently often discussed: the fact that talent is scarce has been making itself felt for some time now and is a concern for the management levels of the republic to a large extent. However, we are more interested in the mechanisms with which those very management levels react to this state of emergency in comparison to other markets, especially with regard to technologies.

Nikolaus Richter In my view, the question of the management method is also almost the more exciting question compared to the question of individual measures or best practices. Before I answer the question, however, I would perhaps like to take another half step back to the initial situation in the technology sector. What all markets have in common at the moment is that a lot is moving in every direction. Almost too much already. At the moment there is hardly a process that is not subject to digitisation. Starting with addressing candidates, through matching processes, onboarding, employee development, training concepts - there is hardly an area in which a large number of systems with partially unclear

process and capability limits do not cause confusion. Even insiders sometimes find it difficult to maintain an overview.

Management action is based on this initial situation. And here, in comparison to other markets in Germany, we experience time and again that often no actual management takes place. Changing responsibilities between e.g. the personnel area and the commercial or financial area add up to the technological challenge. This is rounded off by the fact that HR in Germany is still lagging behind the operationalization of its own topics. This is often accompanied by a loss of significance in the strategic orientations of medium-sized and larger companies. It is often simply unclear what the financial impact of decisions in the personnel area means for a company. So the topic of personnel and how to deal with it is only insufficiently incorporated into a forward-looking overall planning. This is definitely different in other markets.

HR in Germany, so you don't know where your head is and what to do?

Nikolaus Richter I wouldn't go that far after all. In other countries, however, the basic principles are clearly more advanced: Lean management concepts and standardized processes form the foundation for digitizing individual or overall processes. As a rule, you will find KPI systems that have already been installed and put into practice, with the associated service level agreements, which then require selective improvement or digitization. After all, the generation of growth or the raising of efficiencies is largely based on decisions in the personnel area, but is rarely derived. Clean processes and a stable database are well suited to quantifying the financial effects of initial situations and decisions. In this way, you automatically participate in the strategy design process. There you can certainly catch up in the entire HR segment.

Now it's a matter of catching up: the talents are missing, the markets - not only the technologies - are changing. Keyword Gig Economy. Against the background of dynamic labour market developments, how do you manage to focus on domestic optimisation in processes and structures?

Nikolaus Richter To put it a little exaggerated: through good, active management! And in any case not alone. Here, too, we can learn from abroad that HR does not perform an island function. The financial levers of HR mentioned earlier are often not yet sufficiently highlighted due to the very lack of KPI regimes. If, for example, you look at HR together from a financial and HR perspective, the result - especially against the background of the gig economy - is a lever that is very considerable in individual cases...

But how big is the lever exactly?

Nikolaus Richter The lever is made up of the optimisation potential in the management of internal HR processes, but in particular also in the management of HR service providers - who traditionally represent the gig economy. The newly introduced term "Gig Economy", which is generally intended to define one of the megatrends in the world of work, is a somewhat unwieldy description of employment relationships that have existed for some time in Germany. Ultimately, Gig Economy - also according to the general international understanding of Staffing Industry Analysts - includes not only freelancers, part-time and part-time employees, but also temporary employment. The total market for all forms of employment worldwide currently amounts to approx. 1,000 billion US dollars - i.e. one trillion dollars - of which, according to SIA, approx. 15% are actively managed globally via systems. This is at least a good proxy for the size of Gig Economy. The market in Germany is

made up of almost 40 billion euros spent by companies on temporary work, plus the expenditure incurred by around 5 million freelancers or 7.5 million part-time jobs in companies. In addition, there is EUR 2.2 billion for personnel placements alone. You have to be a little cautious when adding up turnover and expenditure, as individual areas can alternately overlap. And here in Germany we are still a long way from the global average, even with the simplest service models. There is not even a reliable database. In my opinion, this is due to the low volume realized to date - even after consultation with significant service providers. Therefore, in principle, the following applies: If I do not take a closer look at these significant expenditures from a financial point of view and at the same time do not build a bridge to strategic personnel requirements planning, then there is a great danger that both effects - digitization and labour market development - will overtake me.

"Gig Economy refers to a growing part of the labour market in which orders are sometimes placed at short notice with independent self-employed persons, freelancers, part-time employees or temporary workers.

And what do I, as an entrepreneur, derive from these market data for myself in my particular industry, in my particular situation?

Nikolaus Richter In general, I am reserved when it comes to statements about individual business opportunities. However, one can say that in the IT sector, for example, where a lot of work is done with freelancers, or more generally that extensive potential can be exploited in sectors with a lot of project business. On the other hand, there are still traditional manufacturing companies in Germany that traditionally use a high degree of temporary employment. Here, too, there is potential for process and automation optimization. As a company that has grown strongly organically or through acquisitions, I can start with a new digital view of HR or purchasing processes anyway.

Perhaps you would like to give us an assessment of the digital systems themselves, which seem to overrun us, as you described earlier. What exciting developments can we expect here?

Nikolaus Richter One area that has already made its way into the market - almost secretly - is artificial intelligence. This is already being used in areas where we have to deal with large amounts of data and their evaluation, such as vendor management systems. But artificial intelligence is also becoming increasingly important in communication, as we can see from the various chatbots that are increasingly taking over automated communication with applicants and candidates. In these two fields, something is slowly happening in Germany - where economies of scale can be achieved in reducing costs or creating transparency. Or where the interaction between users and talents can be mapped and evaluated.

So the forecasts that machines, computers or bots will take over activities previously performed by humans and thus displace us are slowly becoming reality?

Nikolaus Richter Not really. In the end, in the foreseeable future, human action will concentrate on the fields of HR, where machines cannot be used after all: namely "living out" preferences, wishes and interpersonal cooperation in the literal sense of the word. The implementation of basic communication to clarify simple facts, the choice of communication channels, the examination of qualifications and experience: these are all areas that machines can and should handle more efficiently at any time of the day or night in different languages and in any bandwidth.

Finally, do you have a final statement for us on the current economic situation and its impact on the shortage of skilled workers? Do you see a trend change here?

Nikolaus Richter The insight into various industries and service models strengthens my conviction that demographic and structural problems - e.g. through education strategies that are one-sidedly oriented towards the Abitur - overlay short-term economic dents in the demand for labour. The shortage of labour is thus only slightly reduced by the economic slowdown. Process automation and machinery do not yet have a significant influence on current demand.

Thank you very much for the interview, Mr Richter.

The interview was conducted by Christian Kirchmer, co-founder and managing director of EXPERTRY GmbH, within the framework of the future regular information series "HR IM KONTEXT - TRENDS, ERFAHRUNGEN & KNIFFE".