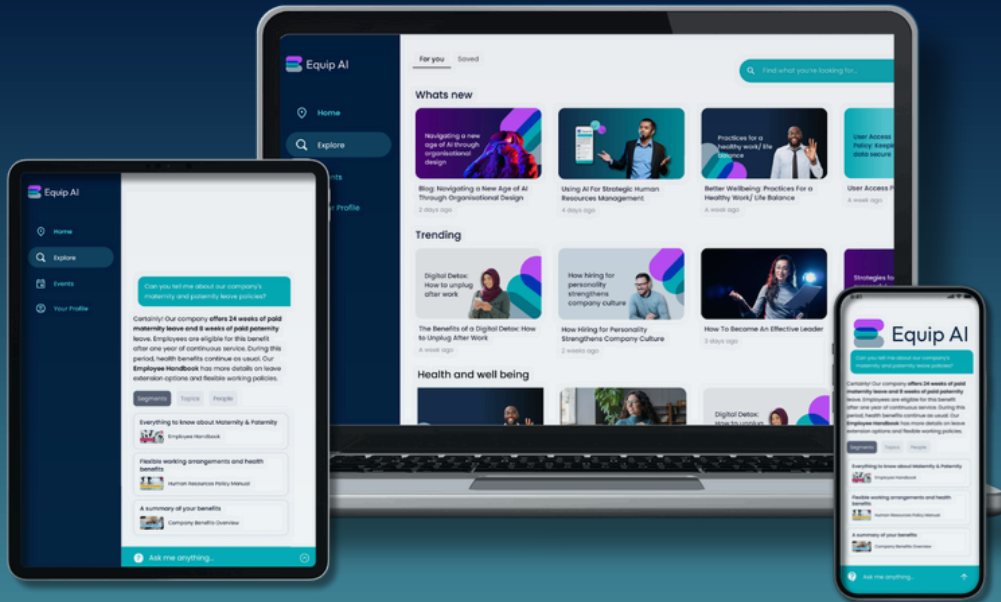




A BUYERS GUIDE TO AI

Building vs Buying 2024



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Introduction

It's clear that integrating Artificial Intelligence (AI) into operations is no longer a question of "If" but "When".

A recent McKinsey Global Institute report estimates that **up to 800 million jobs** could be automated by 2030, freeing up human workers for higher-value tasks.

73% of business leaders reported that AI has increased their organisation's overall efficiency.

Knowing you want to explore AI as a solution is great but where do you start?

This white paper is part of a series of guides written for HR professionals in the UK, on whether to build or buy AI capabilities. This choice is fundamental for enhancing efficiency, decision-making, and overall strategic positioning within the HR sector.

AI is potentially the best answer we've ever had to wishes like:

- I wish navigating through multiple HR systems was a thing of the past.
- I wish I could provide a more consistent and simple service experience for employees.
- I wish I could reduce reliance on my HR teams for routine inquiries.
- I wish access to HR and L&D resources and information could be made easier for employees.

AI in HR encompasses applications ranging from recruitment and onboarding to employee engagement and retention strategies. The decision between creating an in-house solution or purchasing an off-the-shelf product requires a keen understanding of the associated costs, benefits, organisational needs, and long-term strategic goals.



Build: In-House Development Operational Expenditure (Opex)

Developing AI tools in-house involves significant operational expenditure, including resource allocation for internal teams or third-party agencies, technical consultancy, and integration costs.

Advantages:

- Customisation: Tailoring AI tools to meet specific organisational needs.
- Control: Complete oversight over development, data, and security.
- Flexibility: The ability to adapt (or rebuild the tool entirely if the need arises) as the organisation evolves

Challenges:

- Very High Initial Costs: Significant upfront investment.
- Long Development Cycle: Long delays in deploying benefits as a result of resource limitations in team as well as associated teams (IT, Change Management etc).
- Maintenance and Upkeep: Continuous investment in support and development as well as understanding where this headcount sits (i.e. who pays for it)



Buy: Off-the-Shelf Solutions CapitalExpenditure (Capex)

Purchasing a ready-made AI solution involves capital expenditure but offers a turnkey approach to integration, including vendor support for maintenance and updates.

Advantages of Buying:

- Speed to Market: Quicker deployment.
- Reduced Initial Costs: Lower upfront investment.
- Professional Maintenance: Ensured effectiveness and security.
- Customisation: The ability to deploy to any platform to meet the users in their environments

Challenges:

- Dependence on Vendors: Risks related to vendor stability and product continuity.
- Data Security and Privacy: Concerns due to reliance on external vendors.



The Role of AI in HR

Conversational AI is becoming a significant component of HR, enhancing operational efficiency, employee engagement, and strategic HR management. A whitepaper by Soprano Design highlights the importance of Conversational AI in navigating HR's digital transformation, emphasising its role in creating efficient, engaging, and agile solutions.

Deloitte Insights projects a compound annual growth rate (CAGR) of 22% from 2020 to 2025 for Conversational AI, indicating its growing adoption and potential within enterprises. Open Dialog AI notes that HR departments utilising Conversational AI can reduce administrative costs by 30%, with AI Virtual Assistants offering impartial support around the clock, thereby improving the employee experience—a crucial factor for 78% of HR leaders.

Equip AI highlights the benefits of implementing Conversational AI in HR practices, including a minimum of 12% increase in HR access and efficiency, alignment with the 75% of leaders reporting enhanced collaboration, and productivity boosts of up to 15%.

Whilst AI is an amazing solution to many HR and operational challenges, the decision to build or buy an AI tool in the HR sector is complex and requires a thorough understanding of the organisation's needs, strategic goals, and a detailed cost-benefit analysis. Building in-house might offer the best long-term value for organisations with specific requirements and resources. Conversely, purchasing an off-the-shelf solution could provide speed, efficiency, and a lower initial investment for those seeking immediate benefits.

Ultimately, this decision is not merely financial but strategic, shaping the future of HR within the organisation. By carefully considering the outlined factors, HR professionals in the UK can make an informed decision that aligns with their strategic objectives, ensuring success in the digital age.

When deciding to build or buy an AI tool for HR, several factors should be considered, including strategic alignment, cost-benefit analysis, compliance with UK and EU regulations, scalability, flexibility, and the availability of in-house talent (recruitment, development or resource availability) versus vendor expertise and in all cases we would suggest an opportunity to get a feel for the solution ahead of deeper investment; call it a POC, Pilot or test and learn, hands on testing is a must!



Build or Buy: Next Steps

So what's next?

Taking this next step will require careful consideration of various technical aspects. We have made this simple for you by outlining the top 3:

1. The Critical Role of Accuracy

Accuracy stands at the forefront of AI technology considerations. As AI continues to evolve and expand into various sectors, concerns around the accuracy of responses has led to a more discerning approach emerging among buyers.

The key lies in “prompt engineering” – a technique that significantly influences the output of Large Language Models (LLMs) by testing various methods of prompting. This approach, ranging from simple API call augmentations to sophisticated technology platforms, is crucial for enhancing accuracy.

Advanced Capabilities for Enhanced Accuracy:

- **Retrieval-Augmented Generation (RAG):** A cutting-edge system combining search engine capabilities with content generation, RAG can improve data retrieval accuracy by 25% over basic LLMs, as discovered by Stanford University.
- **Chain of Thought:** This method employs a logical reasoning process to break down complex issues into manageable components, leading to a deeper and more accurate understanding of problems.
- **Knowledge Graphs:** These graphs create a structured representation of data, connecting entities and concepts to provide precise information based on intricate data connections.

Preventing Inaccuracies:

Ensuring AI's reliability involves implementing validation pipelines and fail-safes to catch inaccuracies before they reach end-users. Drawing from diverse data sources and establishing feedback loops for continuous improvement are also vital strategies.



2. Security & Data Management

For AI in HR to be effective, it must handle a vast array of sensitive enterprise data securely. Choosing third-party AI vendors, therefore, requires a thorough understanding of their selection process, data collection practices, and the measures in place to secure data and prevent leakage.

Ensuring Data Security:

Look for vendors that offer continuous monitoring, differential privacy, data isolation, and adhere to a Zero Trust security model. Strong encryption practices, GDPR compliance, robust authentication methods, detailed audit trails, data residency options, and granular access controls are essential for protecting sensitive data.

3. Bias Mitigation

Bias mitigation has emerged as a critical concern in the application of AI in the workplace. Proactive measures to identify and mitigate bias in AI development and implementation are essential to fostering more equitable and inclusive processes.

When building an AI model in-house or selecting a vendor, consider how often tests are conducted to root out biased responses and protect the integrity and objectivity of your AI. There must also be capabilities in place to manage and visualise the data in your systems which may be fuelling bias.

Personalisation and Trust

In order for AI technology to deliver personalised responses it must integrate with data sources like active directories. Building trust with end-users requires providing source material for AI responses, incorporating human oversight, and ensuring high personalisation levels.

Training AI for Your Business

AI should evolve with your business. Vendors should offer feedback loops, knowledge graphs for continuous learning, data visualisation tools for accuracy, and simulation capabilities to ensure relevancy and precision in responses.

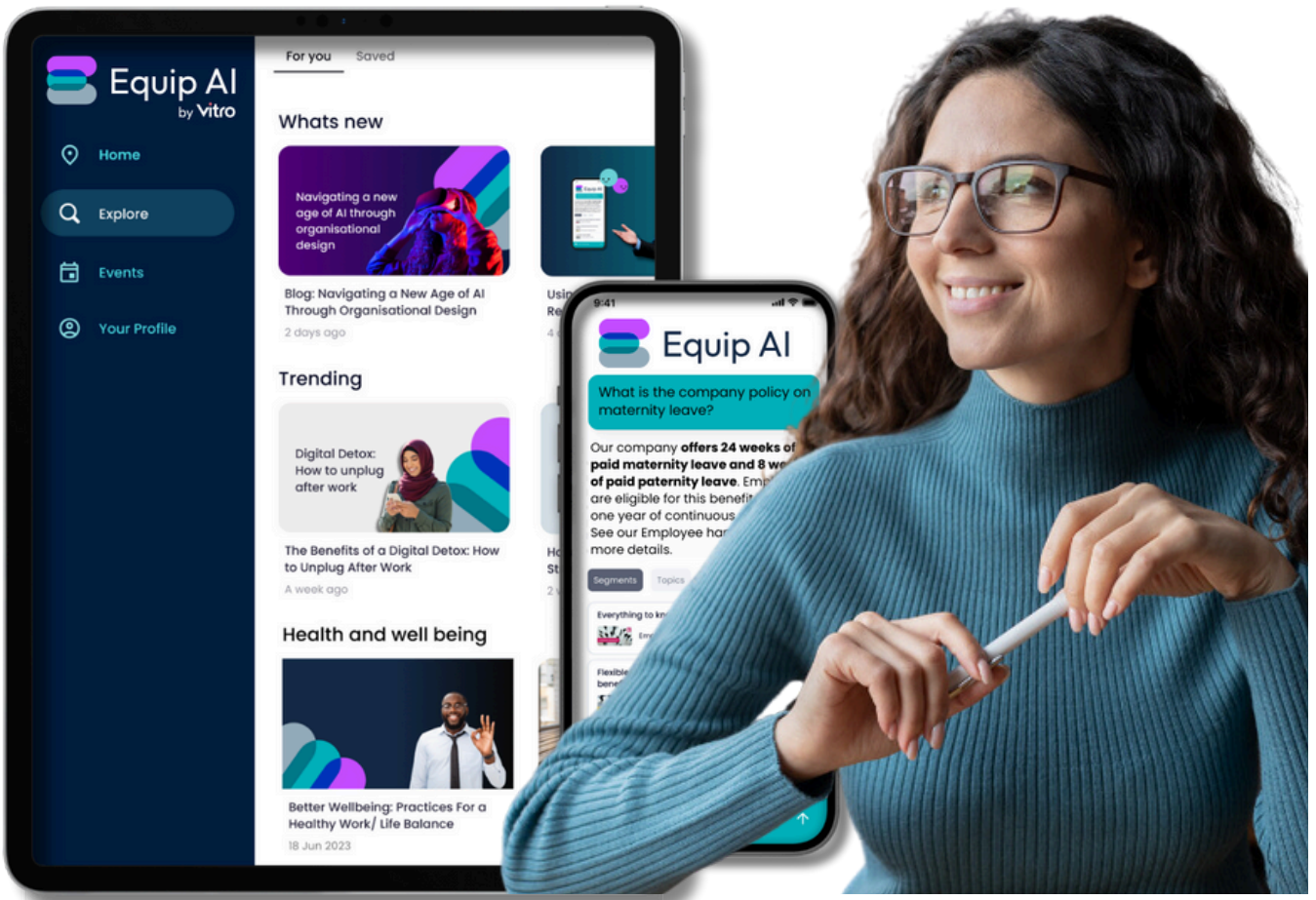


Conclusion

In summary, the decision to build or buy AI tools in the HR sector is multifaceted, requiring a thorough understanding of organisational needs, strategic goals, and a detailed cost-benefit analysis. Whether building in-house for long-term value and specific requirements or buying off-the-shelf solutions for immediate benefits, the choice is not solely financial but strategic, shaping the future of HR within the organisation.

By carefully considering the outlined factors, HR professionals in the UK can make an informed decision that aligns with their strategic objectives, ensuring success in the evolving digital landscape.

This strategic guide serves as a critical resource for navigating the complex decision-making process, offering insights into the transformative potential of AI in HR and the technical considerations that underpin its successful integration.





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