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The Generative Artificial Intelligence (AI) wave is here and the Human Resources (HR) function at many CAHRS companies is at the center of it. This new technology has the potential to transform work and the workplace, creating both opportunities and challenges. This working group explored how HR can harness AI to drive strategic value and help organizations navigate these changes.

KEY TAKEAWAYS

AI Research, Terminology, and Frameworks

Scott Seidenberger, a Future of Work Fellow at Cornell's ILR School with a PhD in data science, was introduced to bridge academic research and industry practice.

- **Standardizing Terminology:** A key goal is to unify taxonomies and create a common language for discussing AI. It's crucial to differentiate between an AI **Model** (raw neural network), **System** (packaged model with UI), and **Agent** (autonomous system working toward a goal). Managing an AI agent requires skills similar to managing a good human intern: clear scope, onboarding, supervision, and offboarding.
- **Generative AI's Impact:** GenAI is a significant transformation beyond classic machine learning, which was mainly statistical augmentation. As "language crunchers," new models excel in the language-heavy HR field.
- **AI-Enabled vs. AI-Native Workflows:** A distinction was made between adding AI to an existing workflow (**AI-Enabled**, where humans remain producers) and reengineering a workflow around AI (**AI-Native**, where humans often become reviewers). A key test: An AI-enabled workflow can continue if the AI fails (though slower), while an AI-native workflow halts.
- **The "Jagged Frontier" of AI:** AI models excel at some tasks (knowledge recall, reasoning) but are weak in others (social/emotional intelligence, long-horizon planning). This is explained by the "verifiability problem": AI performs best on tasks where correctness is easily and cheaply verified (e.g., coding). AI-native workflows should focus on highly verifiable tasks.
- **The "Friction Funnel" for AI Adoption:** A working hypothesis called the "friction funnel" was introduced to analyze AI adoption stages: **Buy-in** (believing in AI's value), **Understanding Tools** (knowing what's available), **Understanding Boundaries** (clarifying rules), **Escalation** (channels for help), and **Expectations** (setting performance metrics). The goal is to identify friction points to target Learning & Development (L&D) efforts. Scott is recruiting companies for a cross-company benchmark study.

AI Governance and Policies

- **Establishing Boundaries:** Organizations are involving Information Technology (IT), legal, and data protection teams to define AI usage policies. A common policy prohibits using confidential or sensitive information in external AI tools. Companies are providing internal, enterprise versions of tools like ChatGPT and Copilot, but often with restricted access (e.g., managers and above). Policing the use of personal AI tools for work remains a significant challenge.
- **Company-Wide Governance Structures:** One company established an HR AI governance council headed by the Chief Information Officer (CIO), with a mandatory "AI assessment" for any new use case to ensure compliance with a "responsible AI" policy. Another uses a similar council with the Chief Human Resources Officer (CHRO), CIO, and Chief Legal Officer. A key challenge is that these models struggle to govern the rapid, democratized creation of AI agents by employees. One solution is to require formal access requests and a productionalization process for any agent shared beyond a local team.

- **Frameworks and Communication:** To combat misunderstandings, one organization developed simplified HR-specific guidelines and an AI registry for logging use cases. Despite an "HR AI Fest," employees still misunderstood policies (e.g., using AI for coaching against guidelines), prompting a pilot of a specific coaching tool (Valence/Nadia). Another company uses a document classification system to control which documents can be used with AI.

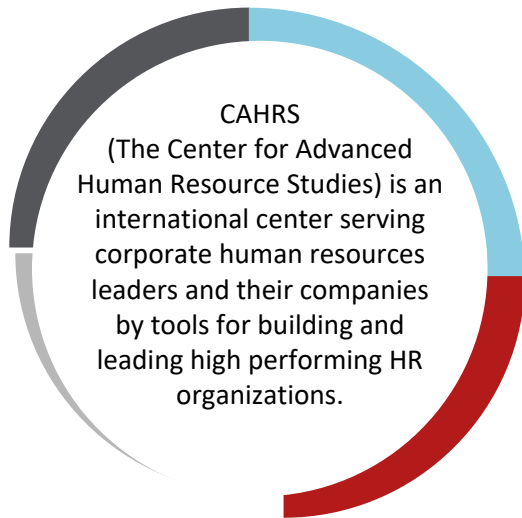
AI Use Cases and Implementation in HR

- **Strategy and Prioritization:** Participants expressed a desire for tangible, high-value use cases. A recommended approach is to work backward from business problems, conduct "blueprinting" to identify pain points, and perform "make vs. buy" analyses.
- **Recruitment and Hiring:**
 - **Screening:** Tools like "HigherScore" are used to rank candidates based on skills, speeding up the review of large applicant pools. However, validation remains a challenge, as candidates use AI to "game" their resumes, creating an "arms race."
 - **Interviews:** One participant found an AI interviewer "creepy," and a client trial resulted in poor candidate experience. AI is also used in proctored coding exercises (HackerRank) to detect cheating. One-way video interviews face legal hurdles around biometric data.
 - **Job Descriptions:** AI is being used to generate job descriptions, with both internal tools and vendor solutions (Workday) available.
- **Performance Management:**
 - AI is used to generate performance insights for managers, summarize employee accomplishments, and assist in writing reviews. Adoption for writing assistance is high (~70%), especially benefiting non-native English speakers. However, employees must own the final content.
 - A pilot program uses AI to review manager comments, flagging when sentiment doesn't match the rating to identify coaching needs.
- **Compensation and Calibration:** An AI-powered tool was built to surface outliers and biases in the annual compensation review process in real-time. It enables scenario planning for budget impacts and provides managers with talking points to explain compensation decisions. A "Compensation Insights" tool giving managers full comp history also saw high interest.
- **Employee Feedback and Coaching:**
 - **Survey Analysis:** AI is used to analyze open-ended comments from pulse surveys, saving Human Resources Business Partners (HRBPs) time, reducing bias, and flagging high-risk issues (e.g., harassment) for direct escalation to Employee Relations.
 - **Democratized Coaching:** Several organizations are using the Valence AI coaching tool (Nadia) to provide coaching to all salaried employees, not just supervisors. The tool uses a chat interface for role-playing and preparation for performance conversations, with guardrails to escalate serious issues. It has led to increased leadership engagement and employee satisfaction.
- **HR Service Delivery (Ask HR):** An internal chatbot was successful for some queries but struggled with others due to poor underlying documentation, highlighting the need to fix data and processes first. A proof of concept with ServiceNow's Now Assist was deemed too expensive and failed to provide answers with the required confidence level for HR topics.

- **Payroll:** An internally built AI tool detects payroll anomalies by learning from historical data.
- **Learning & Development (L&D):** AI applications are being used to tag content for compliance, generate Sharable Content Object Reference Model (SCORM) packages, and manage the learning intake process with a three-agent system that analyzes needs and finds existing content.
- **Skills-Based Organization:** One company uses Eightfold as a skills platform, which has enabled the redeployment of nearly 500 employees whose roles were eliminated, saving millions. This led to an initiative to predict skill obsolescence and proactively reskill the workforce.
- **Succession Planning:** AI use here is challenging due to data quality and privacy concerns.

Challenges and Future Focus

- **Legal, Risk, and Ethical Considerations:** A major hurdle is the "black box" nature of some AI and the ability to validate a selection process if legally challenged. Concerns around biometric data privacy have slowed the adoption of video and monitoring tools.
- **AI for the Frontline Workforce:** A key challenge is extending AI to non-wired manufacturing employees who rely on shared kiosks and have low mobile app adoption (e.g., Workday). Employees culturally prefer in-person HR support. Strategies discussed include building internal chatbots for HR staff to use (not for direct employee use) or forcing adoption by phasing out older support channels.
- **Cost and Return On Investment (ROI):** Calculating ROI for AI is difficult. While productivity gains can be measured in hours saved, this rarely translates directly to headcount reduction and is often framed as "freeing up capacity." The value is often intuitive (happier, more productive employees). A novel metric proposed was measuring "total labor cost" by adding AI token consumption costs to an employee's salary. However, concerns remain about vendor lock-in and rising costs.
- **Redesigning Work and HR's Role:** As AI automates tasks, organizations must deconstruct and redesign jobs. A provocative goal, like a 50% HR headcount reduction by 2030, was suggested to force fundamental change. There is a concern that if HR automates transactional tasks to free up HRBPs for strategic work, the entry-level talent pipeline for HR may be disrupted.
- **AI Orchestration:** A significant technical challenge is orchestration, or getting multiple, distinct AI agents (e.g., for HR, IT, Finance) to communicate seamlessly to create a "one front door" user experience. This technology is not yet considered mature.
- **Societal and Economic Consequences:** A disconnect exists between employee expectations of benefiting from AI-driven time savings and company plans to redeploy capacity or reduce headcount. This could lead to workforce dissatisfaction, increased unionization, and government responses like a "robot tax."
- **Future Discussion Topics:** The group proposed future topics including upskilling, leadership expectations, deployment strategies, governance, and live tool demonstrations.



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