



Leadership Opportunities for Increasing Employee Value through Artificial Intelligence

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Introduction

Record lows in institutional trust and job dissatisfaction have led to the current employer–employee disconnect and a gap in this relationship. According to the Career Optimism Index® 2025 study (University of Phoenix, 2025), workers feel they have lost control over their professional futures (21%) (autonomy) and are experiencing increased feelings of burnout (51%). Employers, facing these challenges, have difficulties in recognizing these issues. A further challenge is the decrease in productivity related to a lack of workforce skills required to address work environment changes. Meanwhile, workers experience the consequences of job dissatisfaction and decreased autonomy. Yet, a strategy leaders can use to combat the skills gap is artificial intelligence (AI), specifically generative AI (GAI), which can be deployed as a training tool and productivity booster (Depoo et al., 2025).

Why the Skills Gap is a Challenge

The skills gap represents a significant issue for organizations and refers to the difference between the skills that employers require and the abilities that employees possess (University of Phoenix, 2025). This gap results in decreased productivity, lower profits, and increased employee turnover. It also hinders innovation, competitiveness, and overall economic growth (Tsongranis, 2025; Venugopal et al., 2024). The decline in productivity exacerbates the challenges companies face in the context of digital disruption. Top concerns, as identified by executives, are talent and skills shortages (Cooper, 2024; Davenport, 2018; Wahlström et al., 2024). These needs emphasize the call for new strategies in equipping employees and improving on-the-job performance, a substantial challenge that impacts the effectiveness of onsite modifications (Frick et al., 2021).

Employers may face significant challenges during organizational transformation, including insufficient comprehension of unique contexts, human aspects, and security issues (Sakib et al., 2024). Moreover, concerns regarding job security, ethical implications, and potential prejudices between employers and employees present additional obstacles.

Skills Gap Factors

Rapid technological advances generate a requirement or need for new skills, frequently surpassing the current workforce's ability to adapt. A growing gap exists between what traditional educational institutions offer and what employers require (Career Index, 2025). As a result, employers face challenges in training their internal employees to meet these demands. Without collaboration between industries and educators, this skills gap will impede workforce development and economic progress. AI and automation have created new job requirements that traditional educational systems struggle to keep pace with.

Reduced or lower productivity has led to inefficiency and the need for employer outsourcing (recruitment) to fill the gaps (Mabungela, 2023; Melhorn, 2023). A decrease in worker productivity, inefficient or low-grade products, can contribute to lower quarterly profit margins or an annual shift in cost overruns and deficits, which can lead to overall morale issues (Tasheva & Karpovich, 2024).

Rapid employee turnover often indicates a skills mismatch or misalignment with job requirements, leading to higher-than-usual job attrition rates. The aging and retirement of the workforce result in the loss of experienced personnel, which may have a cascading effect on job dissatisfaction among those who remain (Melhorn, 2023).

Hindered growth and innovation in the absence of requisite skills constrains a company's capacity to respond to market fluctuations, explore new opportunities, and foster innovation.

Educational institutions, failing to adapt their curricula to meet industry demands (Mudunuri et al., 2025; Tasheva & Karpovich, 2024) underprepare graduates in soft skills such as communication, critical thinking, and problem-solving, skills employers are looking for in potential workers

Hiring Talent Versus Upskilling

Recruiting tech-savvy graduates, can introduce innovative perspectives and skills into an organization. Hiring those with diverse and advanced skills can meet changing business needs and effectively address skill gaps. While this approach is particularly beneficial when the required skills differ significantly from the existing job roles, the additional cost and return on investment of training these new employees may further constrain employers (Divya et al., 2024; Koranda, 2024; Mohapatra et al., 2023).

Workers are eager to learn and receive training, but many are unsure of how to initiate this process. Additionally, many employers have yet to fully integrate training into their business strategies, resulting in upskilling often being overlooked. This puts pressure on businesses to upgrade and future-proof their workforce so that human talent can both embrace AI and be supplemented by AI (Mabungela, 2023). Employers typically do not develop their current workforce when they need employees with new skills. Instead, employers have indicated that they would rather hire individuals with those required skills.

Assisting employees, in gaining a sense of control (autonomy), is crucial for employers in highlighting career development opportunities in the workplace (University of Phoenix, 2025). When employees lack the necessary skills, they often struggle to complete their tasks, leading to lower-quality work that negatively impacts the company's bottom line.

Job insecurity is a common phenomenon, particularly in industries undergoing rapid changes or facing economic pressures. The inability to fulfill job requirements hinders career advancement. Over time, employees may become frustrated, stressed, and dissatisfied, leading to lower morale and productivity. Additionally, the shortage of essential skills restricts earning potential, highlighting the contrast between those who can capitalize on in-demand competencies and those who cannot (University of Phoenix, 2025).

Addressing these organizational and industrial challenges requires employers to prioritize the learning and targeted training needs of employees (Madanchian et al., 2024). Programs that emphasize the development of technical expertise alongside soft skills will better equip the workforce with the tools needed to succeed in rapidly changing jobs.

Employer Benefits with Upskilling

Organizations require significant structural and cultural changes to achieve both sustainable implementation and inspire staff to reach their full potential. Industry 4.0, the fourth industrial revolution, is based on the use of cyber-physical systems, which have revolutionized the way we work. Simultaneously, the Great Resignation of workers has posed a threat to organizational knowledge and created workforce gaps (Salvadorinho et al., 2024). With Industry 4.0 demanding highly skilled and adept workers, employers are faced with an environment that requires updated skills (Li, 2024). Further, with the rapid advances in technology and digitalization, companies will need to invest in new skill technology programs and innovative updates to remain competitive, creating a win-win scenario for industrial achievement and worker education. Even with hiring new workers who come equipped with the skills required for an Industry 4.0 workforce, employers recognize the need for induction (onboarding) training, as well as specialized training throughout their careers. Thus, employers recognize that reskilling and

upskilling the workforce is a reality and requires them to develop and maintain programs that enable employees, and consequently, the organizations, to remain viable and competitive in the changing market climate (Li, 2024).

Digitalization, a component of Industry 4.0, places demand on employers to reskill and upskill employees, resulting in the emergence of new onsite jobs and the creation of new occupations (Bejaković & Mrnjavac, 2020). As firms are able to produce quality services and efficient goods, demand for workers, particularly those with exceptional digital knowledge and skills, will rise. While some low-skilled jobs are threatened by automation and digitalization, the majority of existing jobs will require digital literacy, competencies, and skills (Bejaković & Mrnjavac, 2020).

Higher education institutions are also recognizing that a traditional degree program may not be sufficient in the era of Industry 4.0. To address the expectation of continued skill development, Stanford University initiated the Stanford2025™ Project (Cheng, 2016), where the future of higher education was reimagined. One envisioned future, the Open Loop University, allows students to extend their education by experiencing six years of higher education over their adult careers, enabling them to blend their learning with life experiences. In doing so, they provide value to the institution by returning as expert practitioners (Cheng, 2016). A similar university in Cincinnati, OH, has a Co-Op UC architectural program with work-study classes in the last three years of a six-year degree program. Upon graduation, the students are now equipped to sit for their certification exams (University of Cincinnati, 2025).

Companies have options for addressing skill gaps of employees. They can retain existing staff by building skills internally, supporting their pursuit of advanced degrees, including tuition reimbursement, and arranging for onsite training by experts (Li, 2024). While working toward

staff upskilling, a skilled contract workforce can be used to fulfill short-term needs.

Recruiting new employees with the right skills is also an option. A combination of these strategies may be necessary due to the demand for a skilled workforce to address the gaps created by factors such as digital transformation initiatives, Industry 4.0 pursuits, and the loss of workers resulting from the Great Resignation (Batiste, 2024).

Hypothesis

We hypothesize that AI tools and training can be a critical tool for closing the skills gap and restoring worker autonomy. The application of AI across various functions and processes amplifies human talents, leading to tangible improvements in workforce efficiency and organizational outcomes. AI can have a positive impact on improving employee skills, motivation, and business performance (Zahoor et al., 2025).

The growing body of case studies on AI and workforce productivity provides strong support for academic research, which indicates performance improvements of over 20% (Melhorn, 2023).

AI-based process automation lifts this burden through chatbots, robotic process automation, and virtual assistants. As a result, tasks that once took over an hour are completed within minutes, freeing up humans for other tasks. Workers can redirect their energy toward building professional employee—employer relationships, creative problem-solving, and other priorities (Cooper, 2024; Divya et al., 2024).

GAI and Value-added Activities

Generative AI (GAI) encompasses software that mimics human reasoning and decision-making (Melnik et al., 2023). To free employee work time for transformative production activities, job duties can be modified to incorporate GAI and automate non-value-added tasks,

such as data entry, reporting, and content creation (Cooper, 2024). After identifying such tasks through process mapping, integrated GAI tools can identify repetitive or routine work, enabling employees to focus on strategic thinking, innovation, and customer-facing activities. This approach enhances productivity and job satisfaction, allowing for the redeployment of workers into new or upskilled roles, which in turn fosters business growth (Frick et al., 2021).

The use of AI-powered tools can activate customer service operations, while employees can apply their interpersonal skills in customer service scenarios that require human empathy and understanding. Similarly, AI tools enable employees to analyze large datasets, providing them with insights and acuity that would not be possible otherwise (Zahoor et al., 2025). In healthcare, AI supports diagnosis, care coordination, and administrative workflows, assisting in prioritizing cases or predicting risk, enabling smarter interventions, and enhancing efficiency gained from GAI.

Leadership Opportunities for Increasing Employee Value through AI

Followers of transformational leadership recognize that all four dimensions of the theory (Avolio & Bass, 1995) relate to employee development – individualized consideration, idealized influence, inspirational motivation, and intellectual stimulation. For example, regarding the maintenance of the workforce through upskilling, leaders who are interested in their followers' needs and support them, align with Individualized Consideration (E

Organizational leaders who subscribe to transformational leadership as their mode of leadership must think and act strategically to position their workforce for activities that bring the most value to their enterprise in such a way as to raise up their workforce to new levels. Upskilling their existing workforce to incorporate AI into their processes creates that value. Upskilling is one of the most effective means of improving internal morale, worker autonomy, reducing burnout,

increasing resilience, providing a sense of career control, and meeting employees where they are in their desire for retraining (University of Phoenix, 2025).

Conclusion

The global economy is expected to benefit significantly from AI, with estimates suggesting gains of up to \$15.7 trillion by 2030. However, much of this growth will rely on empowering employees. When companies undergo major changes to their models or technologies, it may be more effective to hire individuals with the necessary expertise rather than retrain the current workforce. Urgent talent shortages create an immediate demand for specific in-demand skills, and hiring new talent often provides a quicker solution. Strategic planning involves organizational preparations for short-term and long-term goals. Meeting employee needs through internal training, critical and crucial integration of GAI into the workforce, restores worker autonomy, career stability, a sense of control of their job, increased job satisfaction and retention, a sense of pride in who employees are working for, and finally, increased productivity.

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