

ESSENTIAL

How Distributed Teams,
Generative AI, and Global Shifts
Are Creating a New
Human-Powered Leadership

Christie Smith, PhD
Kelly Monahan, PhD

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Praise for *Essential*

“To transform an organization, you must first transform its leaders. Essential shows the way forward for revolutionizing the way we work, through Smith and Monahan’s innovative approach to human-powered leadership.”

—**Angela Ahrendts DBE**,
former Apple SVP and Burberry CEO.

“Essential provides a leadership roadmap that details how to harness the power of human intelligence in combination with AI to unleash true innovation and reach our fullest potential. This book provides a much-needed roadmap for unlocking and inspiring our workforces during this dynamic era.”

—**Hayden Brown**,
CEO, Upwork

“Essential offers a visionary roadmap for modern leadership, blending the latest in AI technology with a deeply human approach. Christie Smith and Kelly Monahan expertly guide leaders on how to create thriving, adaptable teams in an era of constant change.”

—**Dorie Clark**,
Wall Street Journal bestselling author

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

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Library of Congress Cataloging-in-Publication Data is Available:

ISBN: 9781394276585 (cloth)

ISBN: 9781394276592 (ePub)

ISBN: 9781394276608 (ePDF)

Cover Design: Wiley

Cover Image: © Ron Dale/Shutterstock

Author Photos: (Smith) photo by Olivia Steuer, (Monahan) photo by Kelly Monahan

*To all leaders – especially those
with the courage to embrace
our shared humanity.*

Contents

Introduction		1
Part I	The Business Imperative for Human-Powered Leadership	9
Chapter 1	The Economics of Human-Powered Leadership	11
Chapter 2	Skills Scarcity in the Digital Age	25
Chapter 3	Investing in Human Intelligence	47
Part II	What Humans Require	57
Chapter 4	Purpose	59
Chapter 5	Agency	75
Chapter 6	Well-being	93
Chapter 7	Connection	107

Part III	What Leaders Must Do	117
Chapter 8	Soft Skills Are Power Skills	119
Chapter 9	The Essentials of Leadership	137
	<i>Endnotes</i>	163
	<i>Acknowledgments</i>	179
	<i>About the Authors</i>	181
	<i>Index</i>	183

Introduction

As we write this book, we live in a world we'd describe as tense, uncertain, and increasingly polarized. It's at moments like these that we usually turn to leadership to guide us through the unknown and allay our fears. And yet today, trust in the institutions that have historically safeguarded our well-being and provided opportunity is at an all-time low. In place of hope, connection, and civility, what we see around us are overwhelming levels of disillusionment, disengagement, and division. Leadership is failing.

Our decades-long careers have been spent researching and consulting Fortune 500 companies and their C-suites on how to build thriving teams with a philosophy that when people do well, so does business. This approach to our work is in no small measure derived from our educational backgrounds in industrial psychology, organizational leadership, and clinical social work. Above all, we feel a responsibility and a drive to serve humanity – to improve the way we live by revolutionizing the way we work.

As a Baby Boomer and Millennial team, we have experienced the workforce differently, and yet share a strong conviction that the way we work, and thus lead, must change. As mentors and trusted colleagues, we bear witness to the level of confusion, burnout, anxiety, and frustration people experience in their jobs and this environment every day, even in our

youngest generation. We too are disappointed and angry – with leaders unwilling to relinquish power to invest in their only sure path to progress: people. It is from this position that we set forth to write this book, to inspire a new kind of leadership to meet the requirements and challenges of our evolving world.

Of course, the need for a new leadership paradigm born out of external crises is a historical pattern. When the Black Death wiped out as much as 60% of the world's population in the fourteenth century, medieval thinking about the human condition as one of necessary suffering transformed. The bleak, faceless feudal system gave way to capitalism, and politically the dominance of the Church was ultimately challenged by increasingly powerful states. A new philosophy, known as humanism, evolved to form the cornerstone of the Renaissance, perhaps the most revolutionary advance in Western civilization. Humanism introduced the idea that people were individuals, championed self-determination, and created an environment that supported rather than suppressed individual expression.

The Renaissance is just one example of how catastrophic disruptions can generate far-reaching social and economic change, often in surprising and even positive ways – at least in the long term. Most recently, of course, the daily reminders from natural and man-made disasters of our own mortality, along with inflation, political instability, environmental change, and widening disparities in the quality of life for minority communities, have similarly combined to awaken a new humanism enabled by new technologies that together seek another reinvention of society.

For businesses, a decade of disruption is transforming the nature of work. Leaders have been buffeted by relentless technological innovation, shifting demographics, and waves of economic shocks, including health crises, recession, inflation, global

political instability, and supply chain interruptions. Social and cultural values increasingly play a major role in the brand image of all organizations, in the eyes of both customers and employees. And new technologies, like generative AI, are creating a wealth of new opportunities, but also overwhelming employees and leaders alike.

The impacts of these far-reaching changes have forced a global reimagination of what great leadership looks like in an uncertain world. Many leaders today still yearn for the top-down “good old days,” when senior management was in control of their organizations and decision-making was relatively easy. But the solutions to today’s challenges aren’t found in the past. Regardless of now-constant economic shocks and waves of disruption, the long-term trajectory of uninterrupted business transformation requires a total reinvention of the very concept of leadership.

We’ve dedicated our careers to empowering and enabling companies to thrive through a human-powered approach to leadership. Our experience and research show that for businesses to thrive, so must their people. Over the last decade, we’ve witnessed:

- The growth rate of our labor force slow down
- A digital-everything world introduce new business and operating models
- The supply and demand of essential skills thrown off-balance, and in some cases, employees gaining the upper hand in where, when, and how much they work

COVID-19 and its aftermath accelerated these developments, but they did not begin with it, nor will they end with its resolution. Underlying the sudden shift to hybrid working

models, the Great Resignation, quiet quitting, and other artifacts of COVID-19 were already potent and demonstrable shifts in population dynamics, skilling, and attitudes about labor and business. Even before the economic shocks of the last few years, the transformation of labor markets, flattening organizational models, and worker portability were leading us to a new understanding of employment. The pandemic only served to speed up the inevitable. These forces will continue to generate unanticipated disruptions for businesses and the global economy long after our current crises abate.

As the World Economic Forum reported in January 2023, millions of workers continue to leave their jobs every month, with some industries losing nearly 10% of their employees in the last 12 months alone. In the US, the independent workforce, or “freelancer” economy, grew from 40 million to 50 million workers between 2020 and 2021. Women in particular are voting with their feet, resigning from leadership positions in tech and other key industries in disproportionate numbers, taking with them, according to data from the Federal Reserve, over \$1 trillion in economic value – more than half of what they have added since 1970.

Employees aren’t simply leaving for better pay or the chance to work from home. According to the Pew Research Center, “lack of opportunities for advancement” and “feeling disrespected at work” were among the top reasons Americans quit their jobs in 2021. The survey also finds that those who quit and who are now employed elsewhere are more likely than not to say their current job has better pay, more opportunities for advancement, and more work–life balance and flexibility. Put simply, workers now expect considerable autonomy when it comes to the conditions of their employment.

Beyond rapid turnover and a shift to self-employment, stakeholder discontent is also manifesting itself more in the form of

legal change. Even companies such as Amazon, Starbucks, Apple, and Google, long considered worker paradises, are facing growing unionization efforts. In Europe and in some US states, legislation requiring board representation that more closely reflects gender and racial demographics is forcing dramatic realignments. Salary transparency and disparity reporting is being mandated in much of the world.

Meanwhile, antitrust authorities worldwide have declared war on business consolidation, blocking mergers in every industry in hopes of reducing concentration and reigniting competition in the interests of consumers, employees, investors, and suppliers – embracing the core idea of “stakeholder value.” What we are experiencing is nothing short of a stakeholder uprising. Business leaders must adapt, and adapt quickly, to new ways of thinking, collaborating, and working in general. Adapt, or become irrelevant.

Demands on CEOs – and others in the C-suite, boards of directors, and rising business leaders – to face these challenges have increased dramatically. A new way of managing is desperately required, one that rejects much of the conventional and outdated wisdom of the last 50 years. Every leader, every business, and every industry must transform – and quickly – to reinvent themselves as flexible, human-driven enterprises if they are to flourish into the future.

We’re facing the most significant management crisis we’ve seen in decades of working one-on-one with senior executives. So far, business leaders have largely followed, rather than taken the lead, in operationalizing the new reality of work. Most are dangerously lagging, threatening the long-term sustainability of their organizations. And while our research shows that most executives understand the necessity of transformative change, few have taken even the first baby steps toward leading in an

increasingly stakeholder-driven economy – one in which employees, customers, suppliers, investors, and regulators compete to set the terms of business for organizations of all sizes.

In large part, that's because today's leaders simply don't know where to begin. A 2023 "Work Innovators" survey from the Upwork Research Institute finds that the majority of leaders (55%) are doubling down on their existing operating and talent strategies or seeking greater efficiencies within them. Yet only 23% are even considering trying something different by taking risks, innovating, and changing how they lead inside their organizations.¹ When directly asked what is stopping these leaders from operating differently, the majority responded with concerns resulting from managing distributed teams, uncertainty regarding the right talent and skills mix given the unexpected entrance of generative AI, and general anxiety surrounding the macroeconomic conditions we face today. Simply stated, many don't know where to start.

Their predicament is as understandable as it is perilous. We know from our daily engagement with CEOs across the Global 500 that many business leaders are themselves overwhelmed and exhausted, unable to pivot fast enough to stay ahead of the chaotic and shifting disruptions of the pandemic, emerging technologies, supply chain issues, inflation, and growing political tensions at home and abroad. CEOs, like their employees, have discovered the limits of their resilience. Many simply have given up.

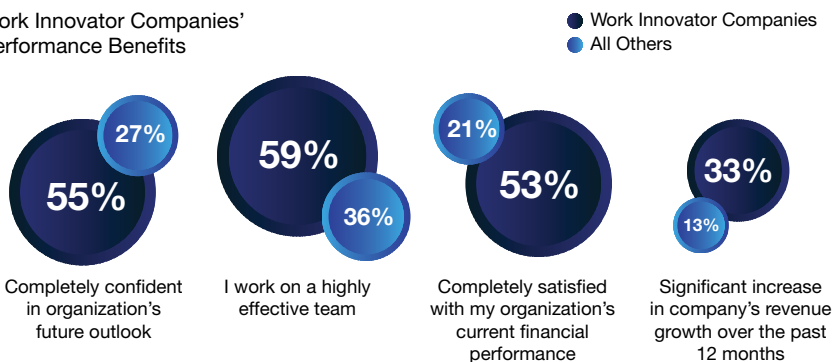
This is more than just a serious morale problem. It is an economic time bomb, accounting for \$8.8 trillion in lost productivity.² Yet CEOs tend to be more concerned with their company being continually productive than with setting policies and practices to help workers avoid burnout and exhaustion, apparently unaware of the cause-and-effect between the two.

As these and other data reveal, seeing workers as human beings first and factors of production second isn't simply an enlightened approach to management. It is an economic imperative. Stakeholders are no longer willing or required to put up with the refusal of leaders to share power, collaborate openly, or embrace the values of those who do the heavy lifting.

Some confuse a human-powered approach with being more humane – being nicer – a dangerous oversimplification of the real crisis they face. Worse, many willfully reject the idea that they need to do anything at all, clutching at the false hope that somehow the seismic shifts of the last few decades will simply go away.

And while the costs of implementing a human-powered approach to management may appear significant, especially at the beginning, they are far outweighed by the potential benefits. The Upwork Research Institute ran a study in 2023 to determine the impact having a human-centric workplace made on a company's bottom line (see Figure I.1). The implications for leaders today are astounding.

Work Innovator Companies' Performance Benefits



Source: Upwork Research Institute 2023

FIGURE I.1 Human-powered leadership practices pay off.

We wrote this book for the next generation of leaders and those now in power who recognize that something must change – and soon – if we are to make progress of any kind. Our intention is to understand and use history alongside the latest research to inform what’s needed from organizations now to drive business forward into the future. Together with our shared experience working with leaders and executives across industries, countries, and enterprises of all sizes and ages, we’re redefining what it means to be a leader in the twenty-first century, making the case that the only way forward, for the good of people and for business, is to radically transform the way we manage. Our hope is that you’ll walk away from *Essential* with a new understanding of the needs, motivations, and potential of your own workforce, inspired to change what you can for them to thrive.