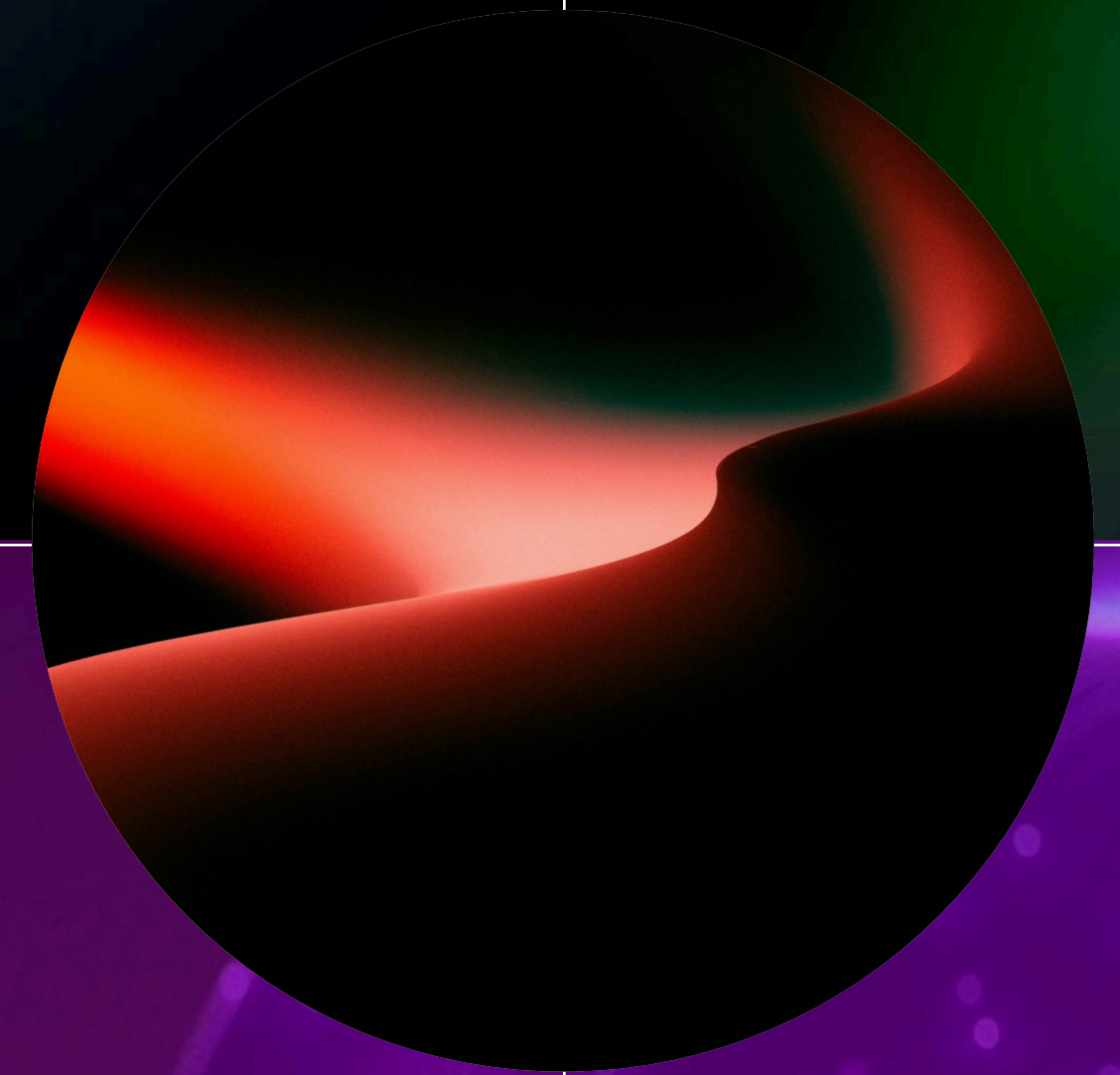




The case for conditions

Why your AI investment will only perform as well as your people investment allows.



Your AI investment will only perform as well as your people investment allows.

Across industries and company sizes, 88% of organizations now use AI in at least one business function, according to McKinsey's 2025 Global Survey on the State of AI.¹ Many have scaled it across multiple functions simultaneously.

Yet in a separate study of nearly 6,000 executives across the US, UK, Germany, and Australia, more than 80% of firms reported no impact from AI on either productivity or employment over the last three years.²

Adoption is widespread. Results, so far, are not.

So what does produce results? Recent research from BetterUp Labs shows the conditions in an organization determine whether AI adoption produces performance or just activity.

Three findings anchor the argument:

- 1 **Conditions, not character, predict how people use AI.** The biggest predictors of AI output quality are environmental: how leadership communicates about AI, how much trust exists, and how much psychological fuel people have.
- 2 **Managers with identical AI adoption scores can produce opposite performance results.** Outcomes are determined by how they invest in people alongside technology. Moreover, current AI dashboards can't distinguish between those types of managers.
- 3 **Organizations don't always choose the automation path in a boardroom.** Although decisions are made at the top, thousands of daily manager choices about time, relationships, and what gets routed to a tool versus a person can put an organization unintentionally on the automation path over the augmentation path.

1. McKinsey. "Global Survey on the State of AI." 2025.

2. Yotzov et al. NBER Working Paper 34836. "Firm Data on AI." 2026.

Scaling AI adoption doesn't necessarily lead to business outcomes.

Organizations are now deploying AI across marketing, software engineering, operations, knowledge management, and customer service, often simultaneously. According to the same McKinsey survey, among the largest companies, nearly half have moved past pilots into active scaling across multiple functions at once.

But scaling hasn't closed the gap. Only about 6%³ of organizations report meaningful financial impact at the enterprise level. Many can point to local efficiency gains in individual teams or use cases, but those gains aren't compounding into bottom-line results.

McKinsey's data suggests that the organizations seeing returns look different in specific ways. Their senior leaders are three times more likely to visibly own AI initiatives. They set growth and innovation as objectives alongside efficiency, rather than treating AI primarily as a cost play.



Most organizations are measuring AI adoption. Almost none are measuring the conditions around it.

A separate 2025 Gartner survey of HR leaders revealed that 88% of HR leaders say their organizations have not realized significant business value from AI tools.⁴ Only 8% believe their managers have the skills to use AI effectively. And just 7% of organizations provide any guidance to employees on what to do with the time AI saves.

There's also a disconnect between what HR leaders hope happens with AI-saved time and what managers actually do with it. Among HR leaders, 55% want employees to reinvest that time in projects outside their core role. Only 28% of managers say they'd prioritize the same.

These misalignments are examples of a broader pattern: organizations adopted AI without building agreement on what it's for, how managers should use it, or what people should do differently as a result.

The BetterUp Labs research in this report explores why adoption isn't producing value and which specific organizational conditions lead to actual returns.

The first place that gap shows up is in how your people feel about their own relevance.

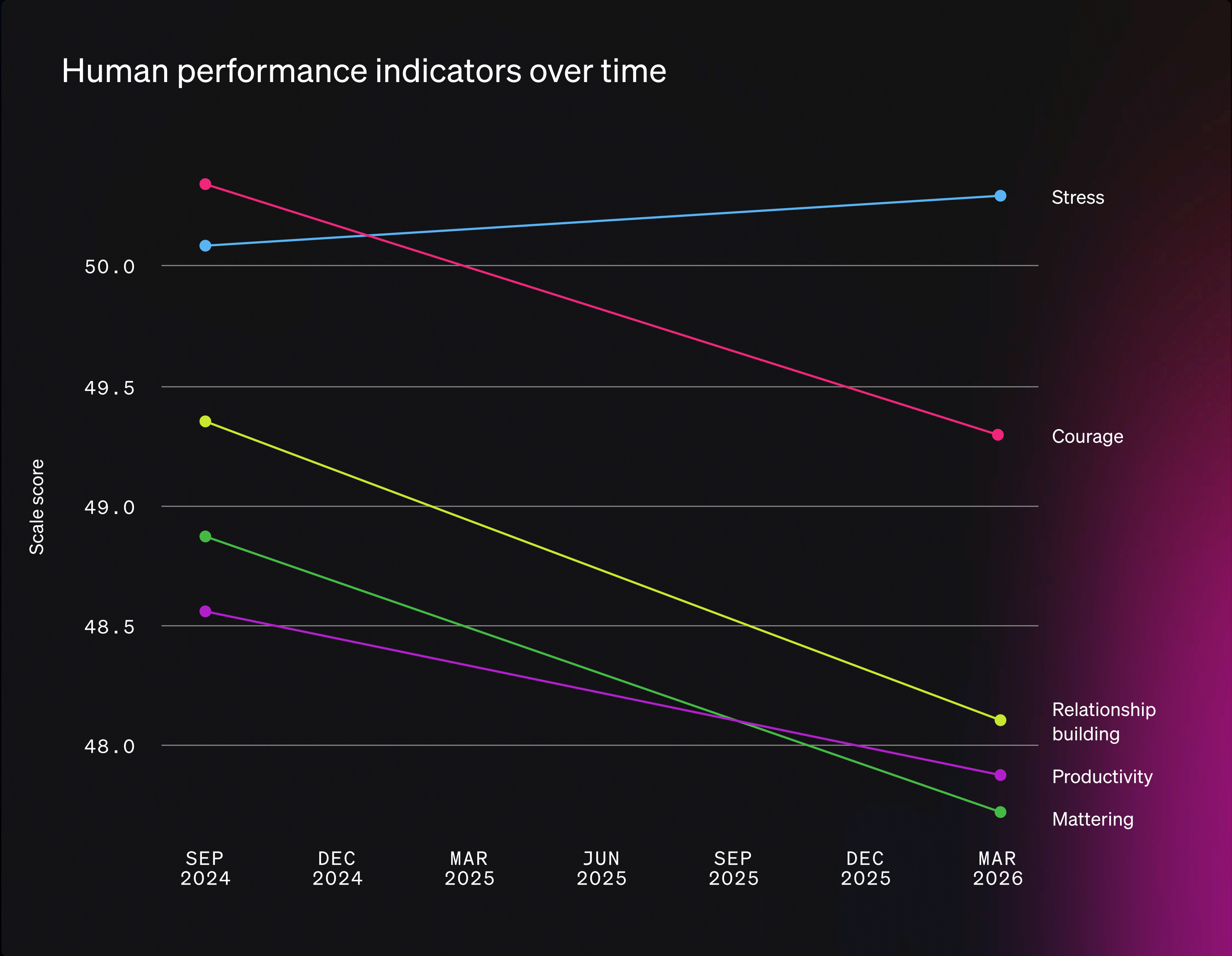
Your workforce's sense of mattering is declining.

Mattering, the feeling that what you contribute actually counts, is declining faster than productivity, courageous conversations, stress, and relationship development.⁵ In fact, it's among the fastest-falling metrics that we track.

That fear of irrelevance underlies every AI conversation in your organization right now.

It is the most consequential force for your people for a good reason, because as organizations race to adopt AI, the question of which contributions are uniquely human, and how to amplify them, remains largely unanswered.

In that uncertainty, people draw their own conclusions about whether they still matter.



5. BetterUp member data 2024–2026. n = +92200 workers.

Why should I keep investing in people?

Since 2023, companies have attributed about 100,000 job cuts to AI.⁶

Whether all of those cuts are genuinely AI-driven is debatable, but what's not is that "AI" has become the acceptable justification for reducing headcount.

CEOs are asking HR leaders why they should keep investing in people when AI can do so much of the work.

And that framing is exactly what's eroding mattering across your workforce.

You are being asked to provide the business case that answers this question while your existing employees sit at their desks and wonder if their contributions still matter.



When mattering drops, it takes something else with it.

Mattering is the core of psychological fuel, the resource that powers how people perform under pressure. When fuel is depleted, people lose adaptive capacity: the ability to adjust to changing conditions and develop new means of thriving.

This is a critical capacity since today's environment is ever-changing, with organizations restructuring, pivoting strategically, reducing headcounts, and pushing AI adoption simultaneously.

These conditions put a premium on people who can experiment, exercise judgment, and adjust in real time — in other words, people with a high adaptive capacity.

When that capacity is depleted, it shows up in the work they produce.⁷



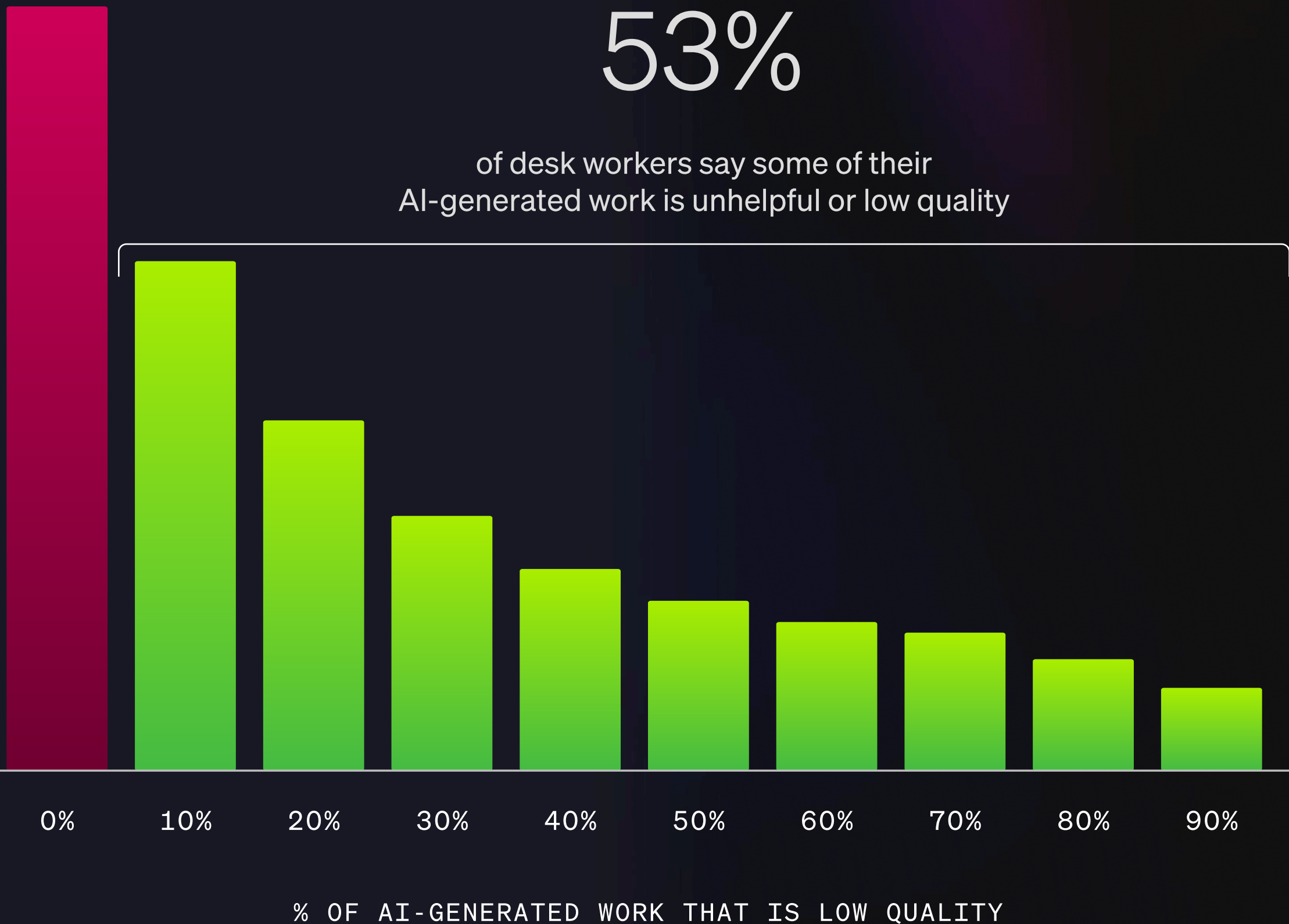
53% of desk workers say they've sent workslop.⁸

Workslop is low-effort, low-quality AI-generated content that looks polished but lacks substance and often creates more work for others to fix.

When people don't know what their work is uniquely for, they're more likely to outsource the thinking and submit the output.

Our instinctive reaction is to think that the person who sent it was lazy. But that's the wrong conclusion.

Half of employees admit to sending workslop



8. Liebscher, A., Lee, A., Rapuano, K., Kellerman, G. & Niederhoffer, K. & Hancock, J. "Workslop: Examining the prevalence, antecedents and consequences of low-quality AI-generated content at work." Preprint 2026.

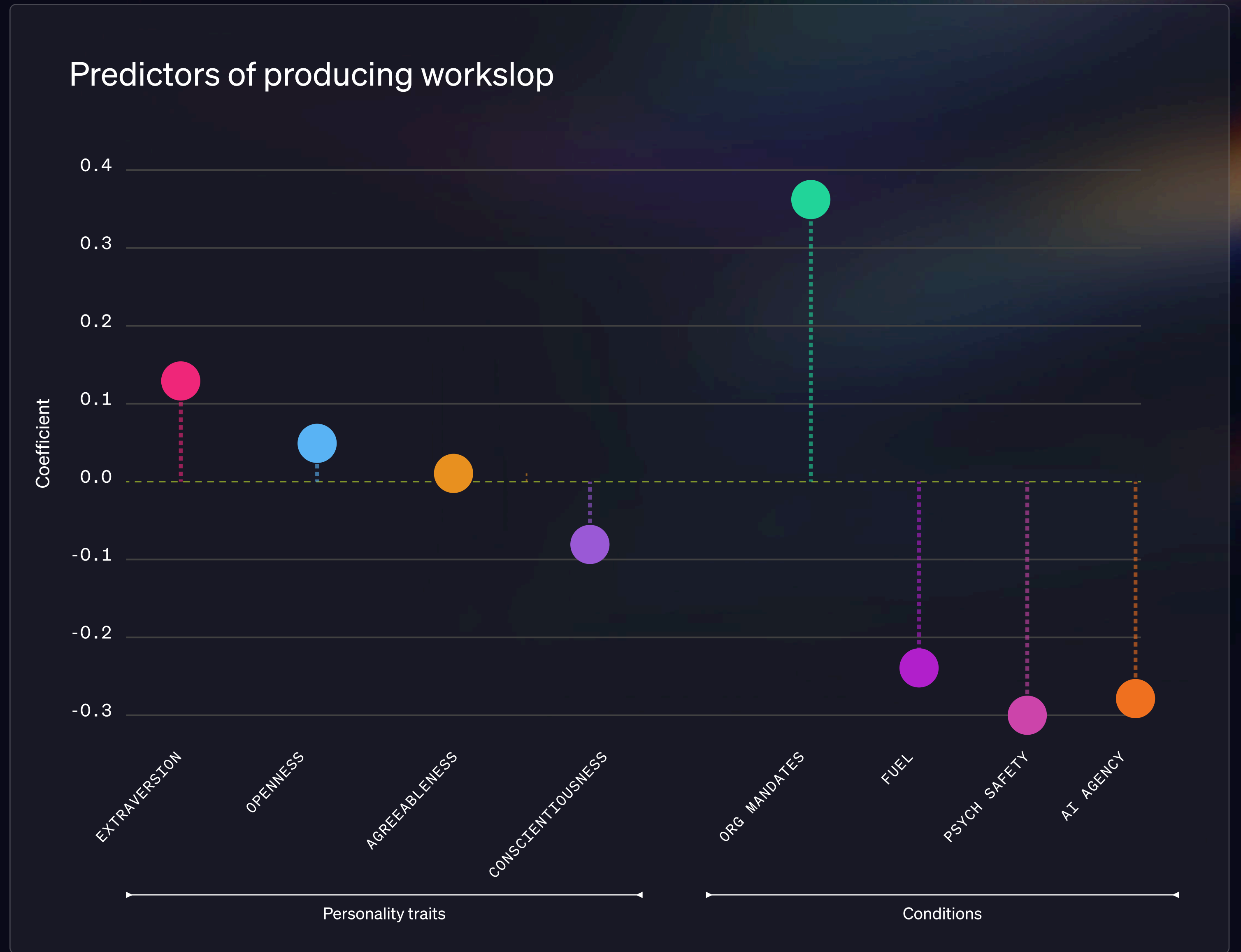
Conditions, not character, determine how people use AI.

Standard personality traits like conscientiousness and openness to experience barely move the needle.

The biggest predictors are environmental:⁹

- How leadership communicates about AI
- Whether it is mandated or encouraged
- How much trust exists in the environment
- How much psychological fuel people have

Workslop is a conditions problem — and conditions can be changed.



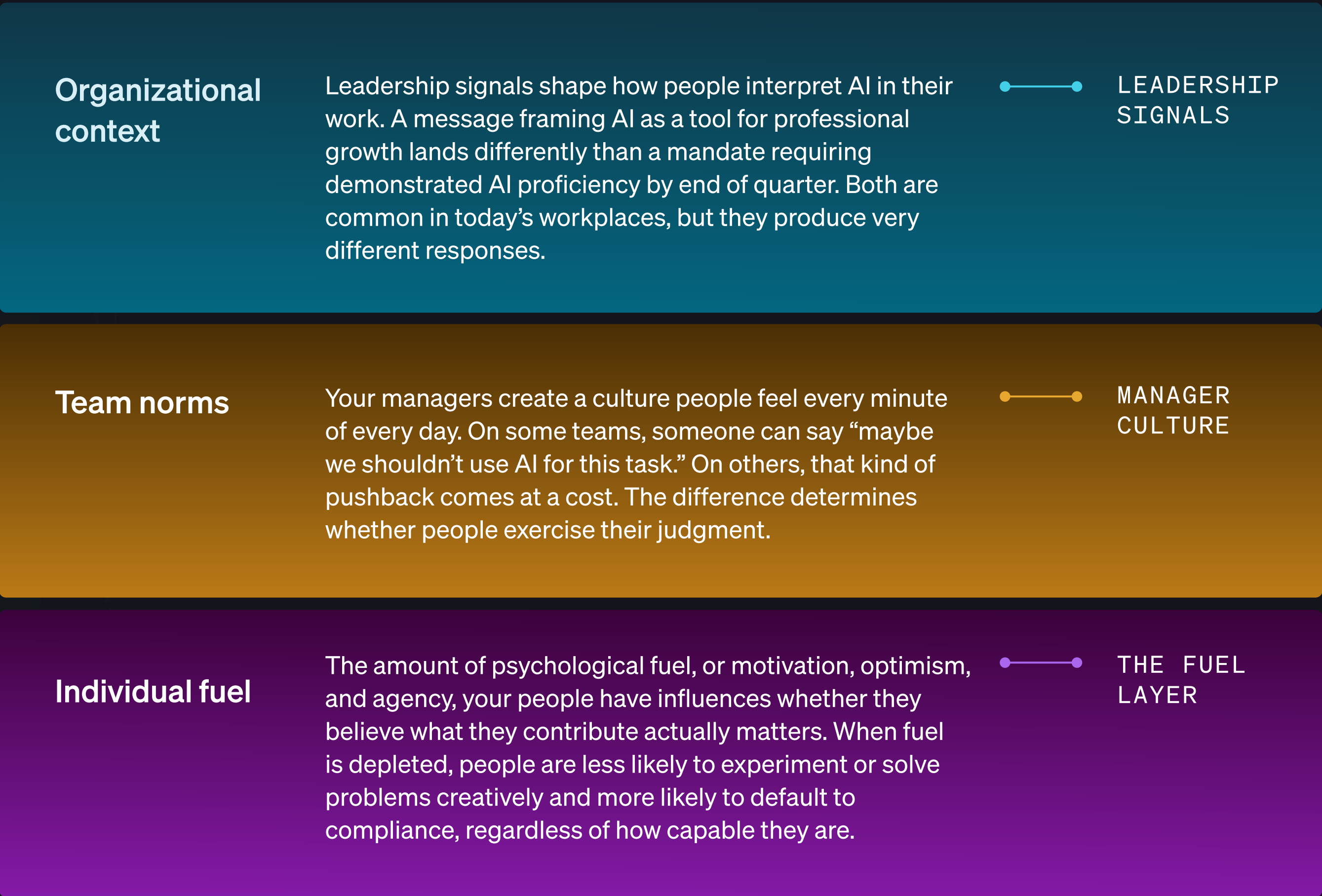
9. Liebscher, A., Lee, A., Rapuano, K., Kellerman, G. & Niederhoffer, K. & Hancock, J. "Workslop: Examining the prevalence, antecedents and consequences of low-quality AI-generated content at work." Preprint 2026.

The most important way to
change people is by changing
the conditions around them.

Conditions are the signals, norms, and psychological resources around a person.

They determine whether individual capabilities are expressed.

Conditions operate at three levels.¹⁰



10. Edmondson, A.C. and Lei, Z. "Psychological Safety: The History, Renaissance, and Future of an Interpersonal Construct." Annual Review of Organizational Psychology and Organizational Behavior. 2014.

Individual traits, even the ones you can screen for, depend on the environment.

Leaders' first instinct is to hire the right people. Find the most curious, AI-native leaders and let them do their best work.

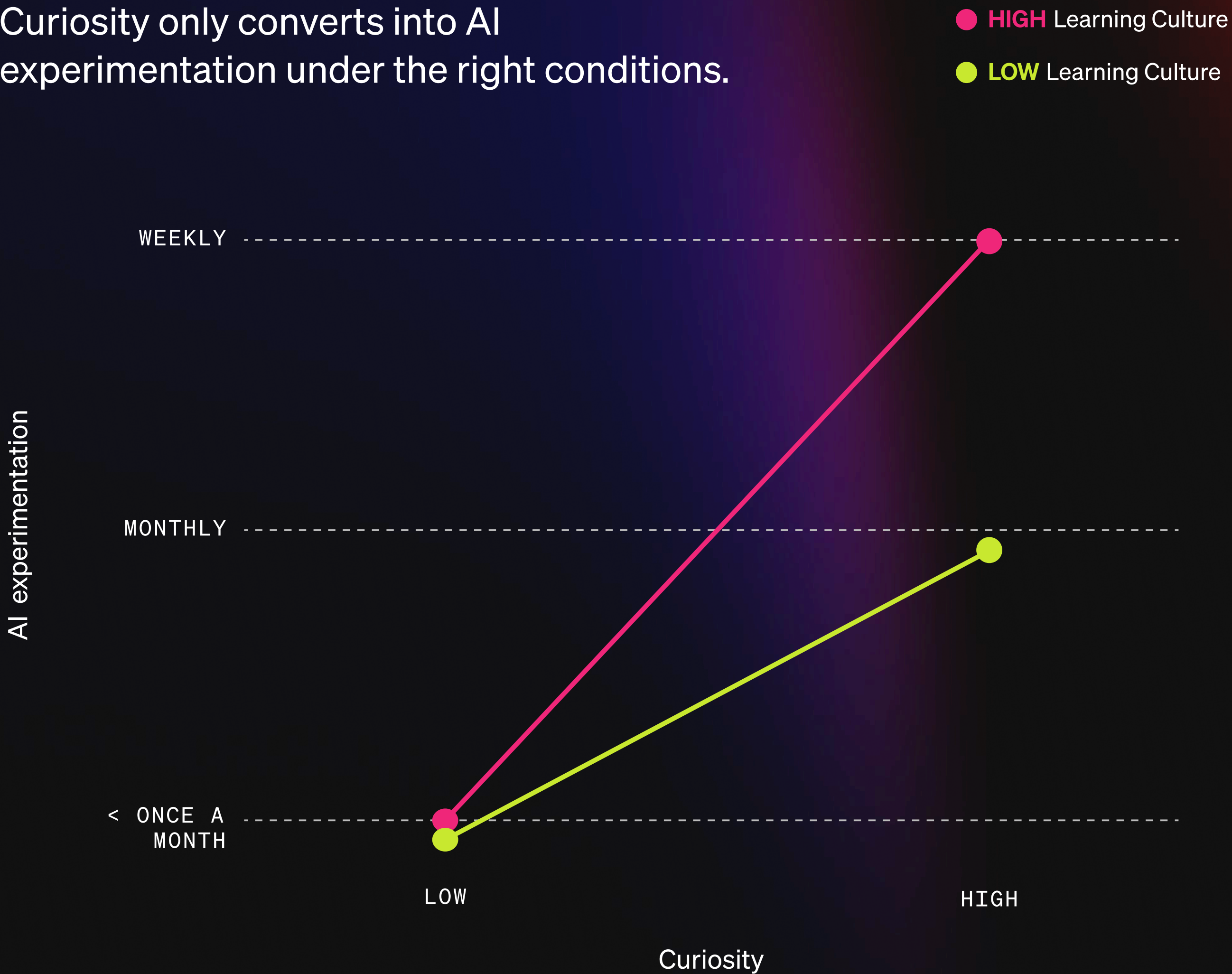
But conditions influence even the traits you have historically screened for.

For instance, BetterUp Labs research shows that high curiosity predicts more AI experimentation, but only in the right environment.

As expected, in a high-learning culture, curiosity converts into experimentation. But in a low-learning culture, the same curiosity doesn't go as far.

The curious person in a low-learning culture looks very similar to the incurious person. The environment flattened them. The curiosity was there, but the culture wouldn't let it thrive.

Curiosity only converts into AI experimentation under the right conditions.



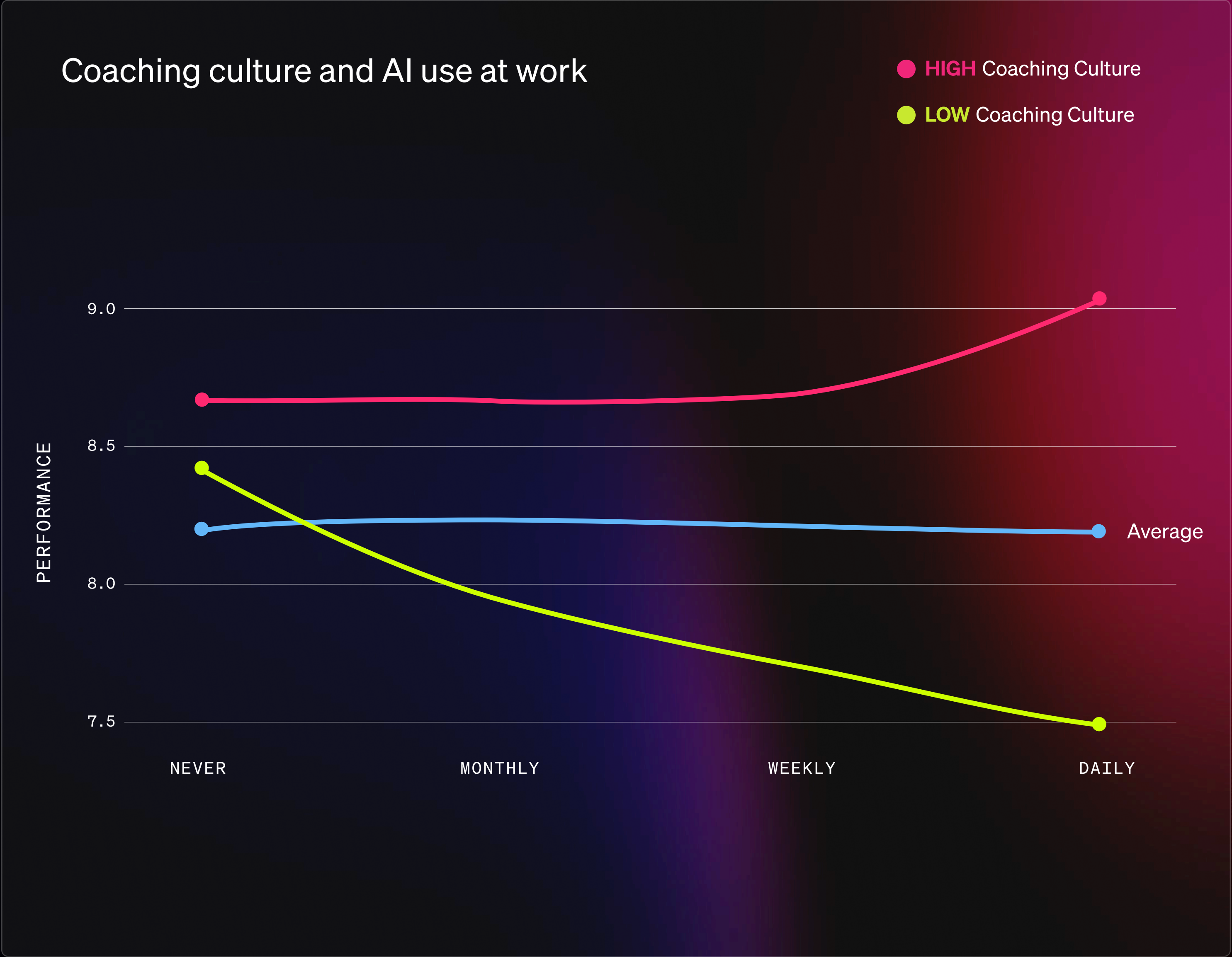
Across organizations as a whole, more AI usage doesn't produce better performance.¹¹

But when you split the data by organizational culture, major differences in performance emerge.

In a high coaching culture, one built on trust, feedback, and ongoing development, more AI usage produces significantly higher performance.

Without it, more AI usage produces nothing. In some cases it makes things worse.

That difference is invisible to every AI readiness metric in the market. Those metrics focus on the tool, not the environment around it.



11. BetterUp Labs' 2026 manager AI readiness survey (n = 696).

Your AI dashboard likely isn't reporting on these "invisible variables." This is an expensive miss.

Better conditions produce better financial outcomes: return on invested capital (ROIC), return on assets (ROA), free cash flow (FCF).

These are the numbers your CFO cares about, driven by a variable that isn't on any financial reporting tool in any boardroom.¹²

High coaching culture organizations:

↑ 231% Higher ROIC

↑ 145% Higher operating ROA

↑ 111% Higher FCF yield

When you measure managers on AI investment *and* people investment simultaneously, four archetypes appear.¹³

- Calibrators (high AI, high human)
- Automators (high AI, low human)
- Traditionalists (low AI, high human)
- Disengaged (low across the board)

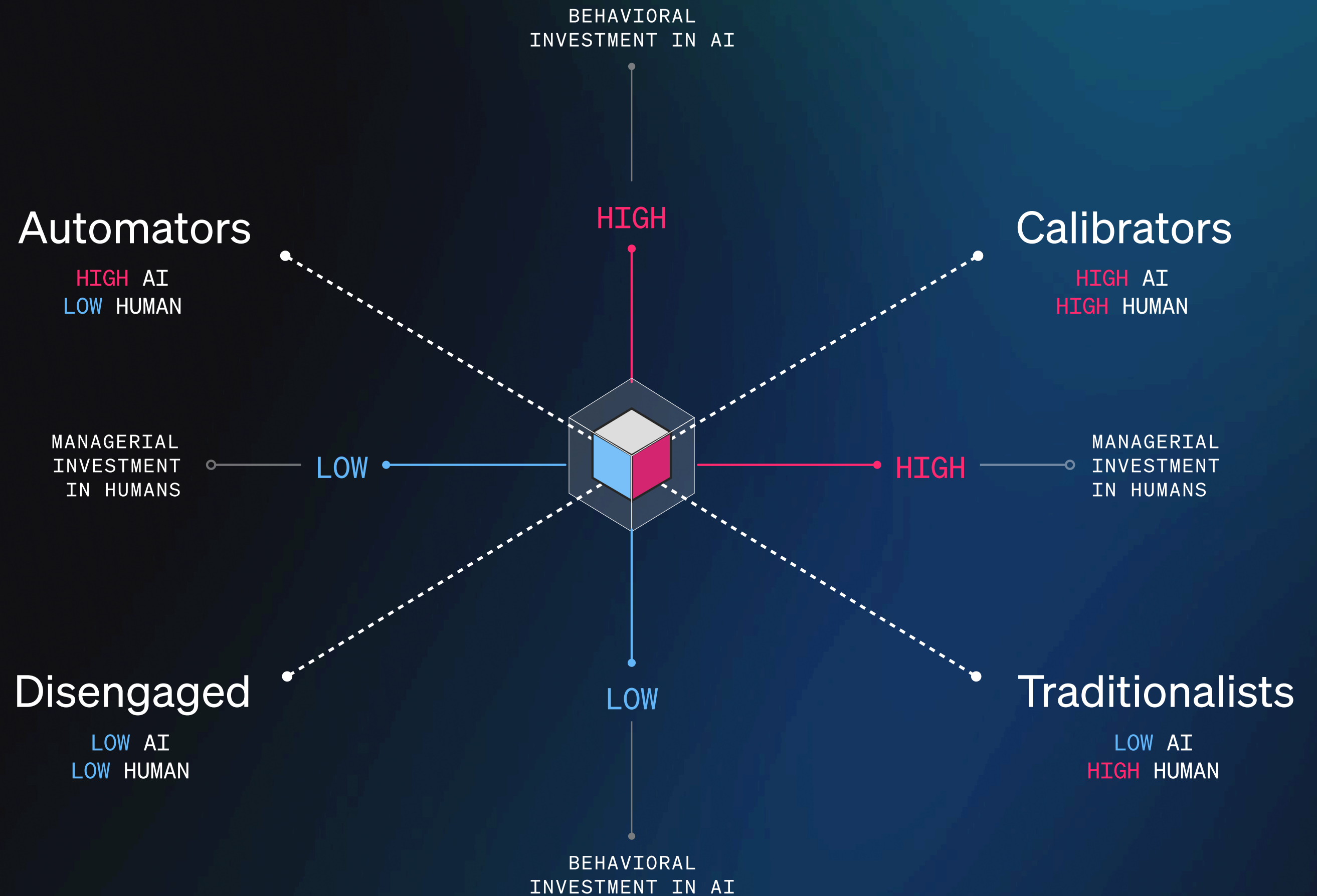
Calibrators and Automators look identical on most dashboards today.

They have the same AI adoption scores and yet they produce opposite results on every measure.

These are not personality types.

Calibrators come from organizations that built three things: clear strategy, a culture of trust and development, and AI maturity. They are outputs of the environment the organization built around them.

Four types of AI-ready managers



13. BetterUp Labs' 2026 manager AI readiness survey (n = 696).

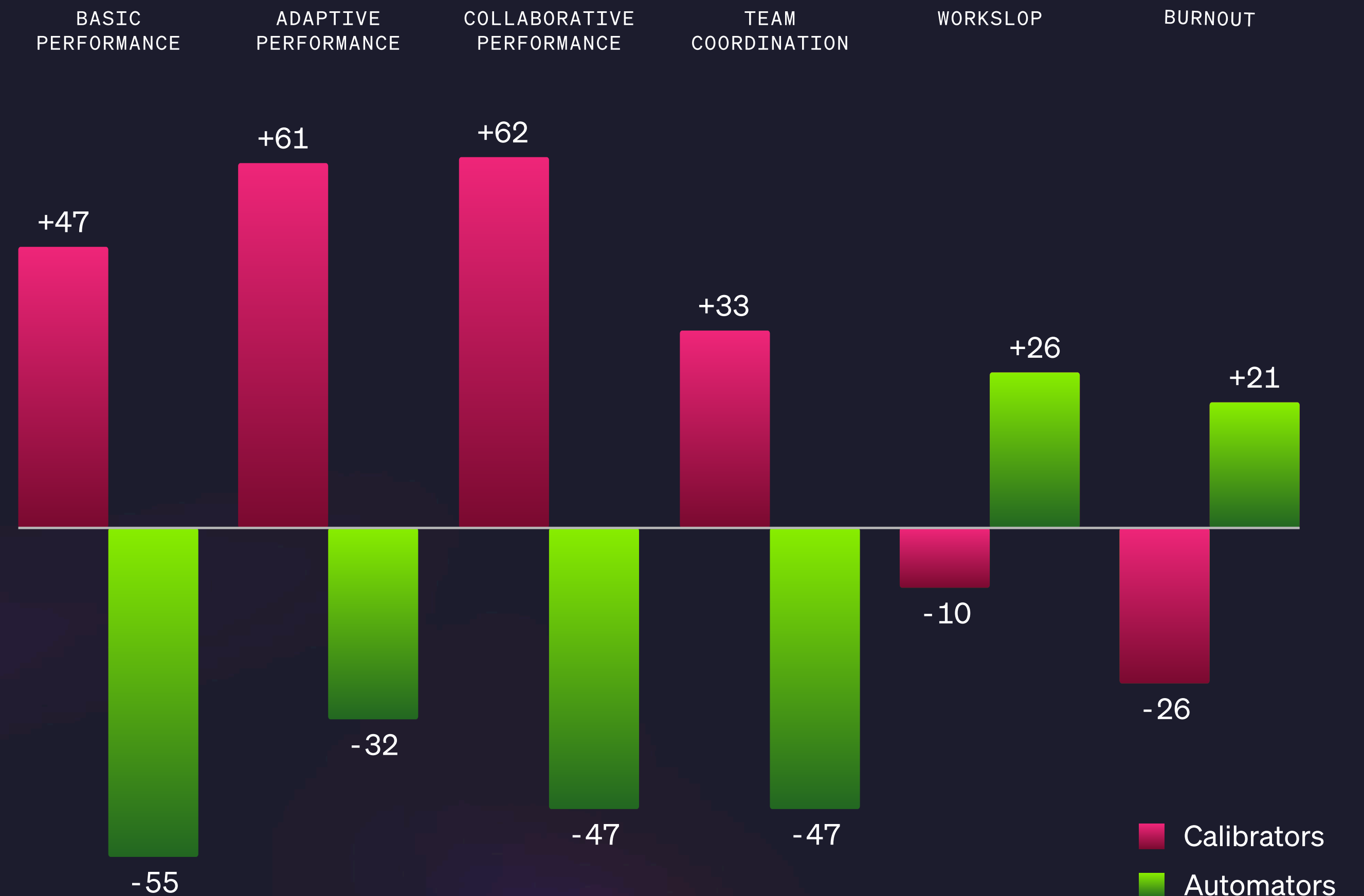
But your AI dashboard can't tell your best managers from your worst ones, because it doesn't measure the conditions.

They have opposite outcomes on every dimension.

- Calibrators adopt AI where it helps and protect human judgment where it matters. They win on performance, well-being, and team coordination.
- Automators default to the AI tool whether it fits or not. They produce the highest burnout of all four types, the most workslop, and the lowest baseline performance.

The manager you've been rewarding on your AI adoption dashboard may be the one doing the most damage.¹⁴

Calibrators vs. Automators



Calibrators do things differently.

The difference isn't how much AI they use.

What sets Calibrators apart is adaptive capacity. They have the ability to make sound decisions when the environment keeps changing.

Three behaviors mark them:

BEHAVIOR 1

They protect relationships.

When managers substitute AI for the human conversation (the mentor check-in, the career guidance, the personalized feedback), coordination drops, burnout jumps, and intent to leave rises by almost a third.¹⁵

↑ 33% Team coordination

↓ 26% Burnout

↑ 29% Intent to leave

15. BetterUp Labs' 2026 manager AI readiness survey (n = 696).

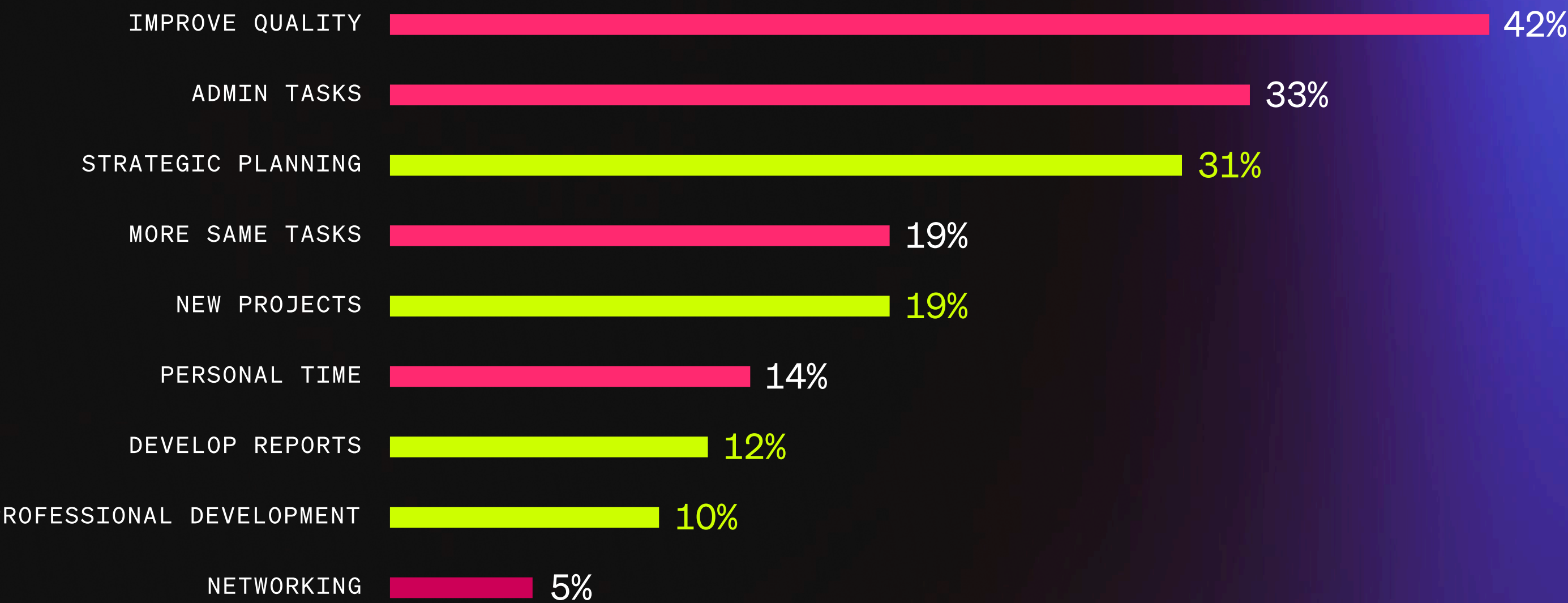
BEHAVIOR 2

They reinvest time savings into people, not tasks.

AI saves managers about six hours a week. Most of the time goes right back into tasks: 42% into improving existing work and 33% into admin tasks.

But the managers who put the time back into new projects, strategic planning, and developing their people and their own growth, increased their team’s AI performance by 65%.¹⁶

Where does AI-saved time go?



65%

increase in team AI performance among managers who reinvested in people and strategy

16. BetterUp Labs' 2026 manager AI readiness survey (n = 696).

BEHAVIOR 3

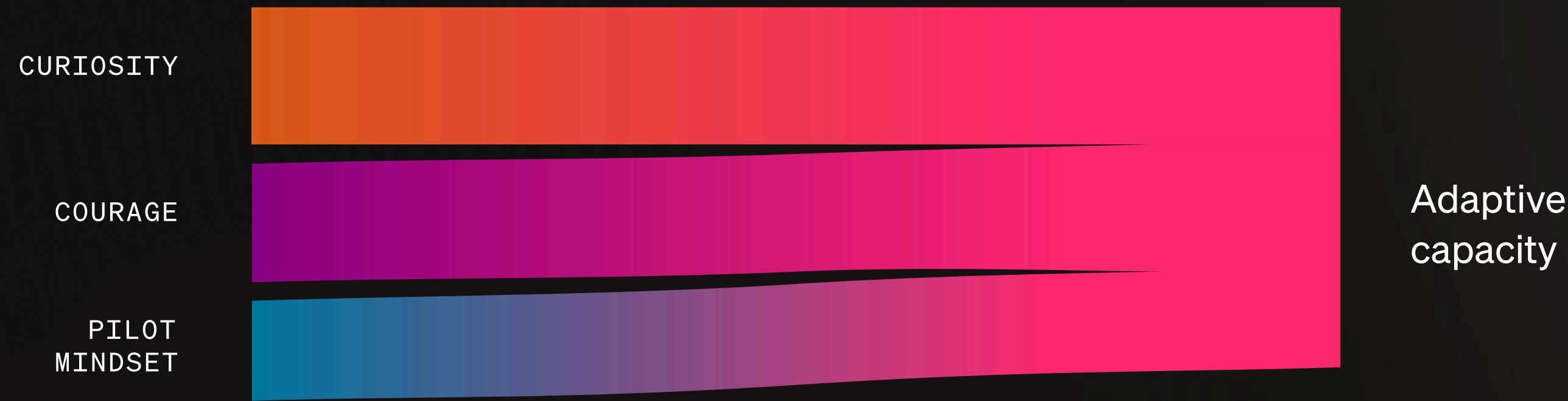
Calibrators are high in curiosity, courage, and pilot mindset.¹⁷

They can make the right decision in the right context. That’s crucial for building a workforce that can reshape itself as the environment around it changes.

Adaptive capacity is built from three things:

Curiosity The capacity to play, tinker, and experiment before you know the answer.	Courage The capacity to make the harder call – raising concerns, challenging a direction, or advocating for a different approach.	Pilot mindset The capacity for optimism and agency that keeps people adjusting in real time rather than waiting for certainty.
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Contribution toward adaptive capacity



17. BetterUp Labs' 2026 manager AI readiness survey (n = 696).

Coaching is an effective intervention that helps build these capacities.¹⁸

Right now, your people need all three.

- Courage is what lets a manager act when they recognize that a direct report needs a real conversation.
- Curiosity is what lets someone experiment with a new tool instead of resisting it.
- Pilot mindset is what keeps people thinking for themselves instead of waiting to be told what to do.

↑ 44%

Courage

↑ 43%

Curiosity

↑ 26%

Pilot mindset

Roughly 75% of executives have at least a draft of an AI roadmap.

But a roadmap is a leadership artifact. Whether it becomes reality depends on what managers do with their time, whether they are Calibrators or Automators, how they manage their relationships, and their judgment every day.¹⁹

Manager decisions push your organization toward one of two paths.

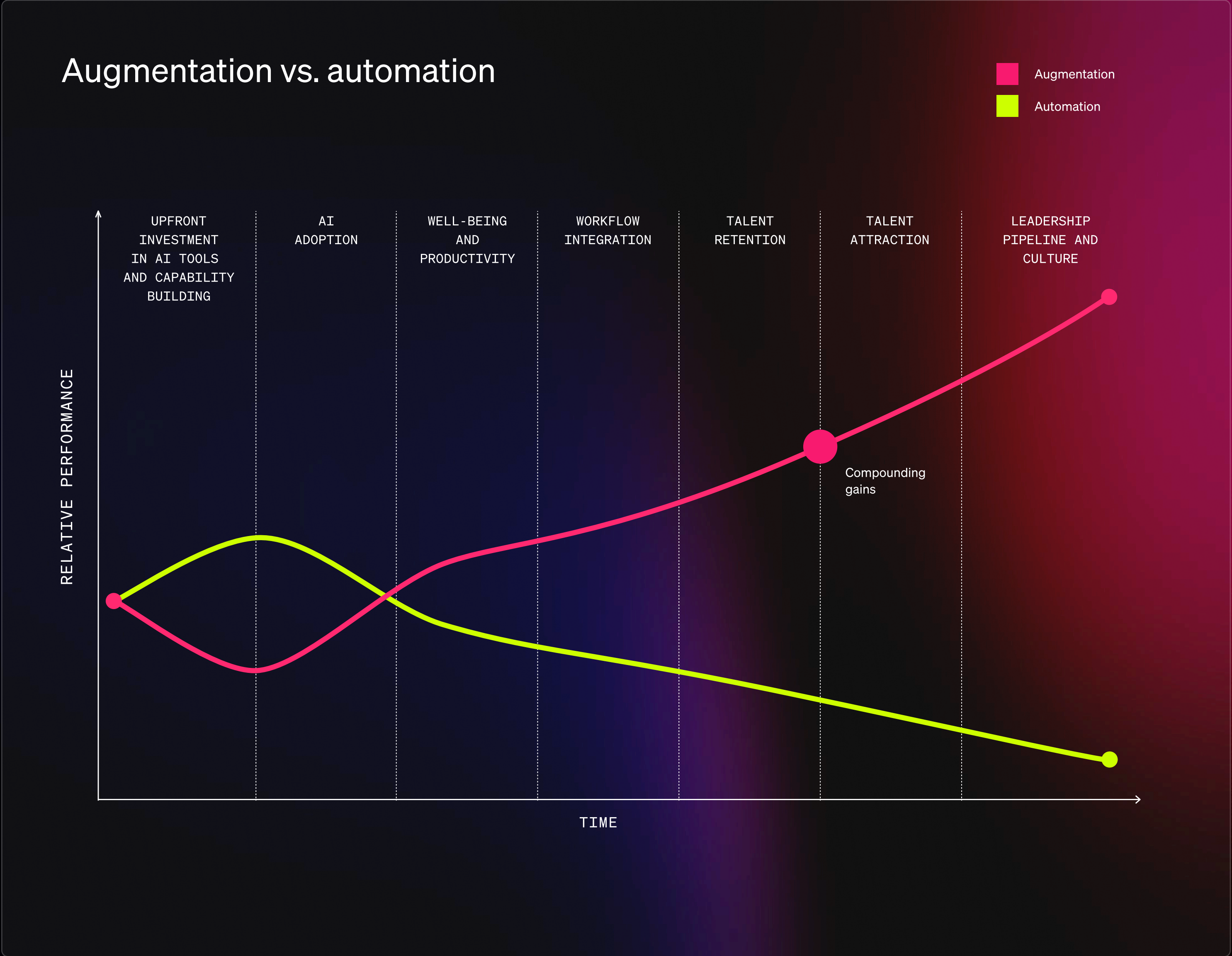
The path taken emerges from thousands of decisions your managers make about time, relationships, and what gets routed to a tool versus a person.

The effect compounds over time and puts your organization on the path toward automation or augmentation.

After the initial investment, both paths follow six predictable phases — from AI adoption through to the health of your leadership pipeline. At each phase, the same forces produce opposite outcomes depending on which path your organization is on.

The automation path looks like a winner early on. But it declines as trust erodes, workslop rises, and the leadership pipeline empties.

The augmentation path dips first then compounds through retention, productivity, and a bench that fills.²⁰



20. Harvard Business Review. De Neve, Hancock, and Niederhoffer. 2026.

One thing increases your odds of landing on the augmentation path by 46%: how much your people trust you and your fellow leaders.²¹

↑ 46%

Most companies don't choose the automation path.

Few leaders would say they're choosing automation over augmentation. Most believe they're doing both. But investing in AI efficiency while quietly reducing headcount sends an unambiguous signal to the people still in the building: you are next.

That inconsistency erodes trust because it reveals motivation. When employees watch the company invest in tools while cutting people, they don't hear "augmentation." They hear: we're keeping you until the tool is ready. What follows is predictable: trust drops, mattering drops, workslop rises, the best people leave first, and the leadership pipeline thins.

Every signal your organization sends is either telling your people "you matter" or "you don't."



The investment in people and the conditions around them is what determines whether AI creates value or destroys it.

Here are three places to start making a change:

1

Protect the conditions: BetterUp Labs found that at the same levels of AI usage, organizations with strong coaching cultures saw performance gains while those without them didn't. The difference wasn't how much people used AI. It was the conditions around them.

Treat your culture the way your CTO treats the tech stack: with budget, rigor, and the same urgency you bring to every other system that runs your business. When someone proposes a reorg, a mandate, or a new AI policy, ask first: what conditions does this create?

2

Change what you measure: Calibrators and Automators have identical AI adoption scores. Your current dashboard cannot tell them apart, but they produce opposite results on every important measure. Stop asking whether your people are using AI. Instead, analyze whether AI users are also investing in people and preserving the relationships that matter.

3

Build Calibrators, don't screen for them: The workslop research showed that the biggest predictors of who outsources their thinking were not personality traits. They were environmental. You cannot screen your way to a Calibrator. The organizations that produced them built three things: a clear strategy, a culture of trust and development, and AI maturity. Build the environment, and the managers follow.

Your AI results are
already being shaped
by conditions you may
not be measuring.

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