Cureus Journal of Business and Economics

Open Access Review Article

Employee Handbooks Featuring Explainable Artificial Intelligence

Michael R. Hyman [1, 2]

1. Marketing, Institute for Marketing Futurology and Philosophy, Las Cruces, USA 2. Marketing, New Mexico State University, Las Cruces, USA

Corresponding author: Michael R. Hyman, mhyman@nmsu.edu

Received 08/07/2025
Review began 08/12/2025
Review ended 10/10/2025
Published 11/17/2025

DOI:
https://doi.org/10.7759/s44404-025-09527-8

Abstract

Current employee handbooks generally rely on static, legalistic policies, and rules to govern workplace behavior, often leading to compliance-driven cultures that stifle adaptability, innovation, and employee empowerment. Several social science theories suggest that transitioning from these handbooks to ones featuring explainable artificial intelligence (xAI) that can connect an organization's principles (core values) to its policies should boost employee satisfaction and performance. While adhering to organizational objectives and intent, the proposed xAI-based handbook would be customizable to employee preferences for knowing recommendation rationales and each circumstance's ambiguity and gravity. Although their adoption presents challenges, these handbooks could harness machine learning to refine guidance while boosting consistency and fairness.

Categories: Corporate Governance & Business Ethics, Strategic Human Resource Management
Keywords: explainable artificial intelligence, machine learning, employee empowerment, core principles and policies, contextual premises, employee handbooks, organizational compliance, job performance

Introduction And Background

Employee handbooks have served as repositories of organizational policies, rules, and performance expectations. They have formalized workplace decision-making and activity, covering content from work hours and benefits to disciplinary procedures. By codifying such content and ensuring that employees received consistent information about their rights and obligations, organizations set rules for employer-employee relationships, established mutual expectations, encouraged consistent practices, reduced misunderstandings, and created a foundation for participative decision-making and dispute resolution(Gutterman, 2023). In addition, employee handbooks helped protect organizations from litigation by reinforcing legal compliance and reducing ambiguity in employee relations(Barnum and Nagin, 2021). Essentially, they fostered a productive work environment that supported employees through clear values, consistently applied policies, fairness, and participation, thus improving employee retention, presenteeism, and productivity(Ritter, 2024).

Often distributed during orientation sessions, these handbooks shaped the culture of an organization by introducing new hires to its values and identity(Pratt et al., 2016). Such shaping aligns with organizational support theory, which posits that employees who concur with their organization's values will reciprocate with greater commitment and improved performance(Riggle et al., 2009).

Unfortunately, employee handbooks have devolved into dense and increasingly legalistic encyclopedic tomes that often include sections on an organization's history, mission, vision, values, codes of conduct, HR policies, health and safety procedures, IT usage rules, legal compliance notices, performance and behavioral standards, and conflict-resolution procedures(Pitt Law Online, 2023)(Ritter, 2024). Few employees internalize these generally onerous, compliance-focused documents that predominantly specify prohibitions and procedures rather than deliver an inspirational message about principles and culture. As a result, some organizations minimize their legal exposure by requiring employees to sign a statement confirming they "read the handbook"(Crowley and Simmons, 2019). Regardless, current employee handbooks may be incompatible with an increasingly complicated and dynamic business environment. Transitioning from them to xAI-based ones that make explicit the linkage between principles and policies could enhance employee performance, empowerment, and satisfaction.

The exposition proceeds as follows. After discussing why current rule-heavy employee handbooks are problematic in complicated, uncertain, volatile, and ambiguous work environments, a theoretically supported alternative, structured around principles, contextual premises, and policies (hereafter, "PCPP") chains is proposed. Next, the challenges and limitations of transitioning to a PCPP-structured handbook are presented. To overcome these challenges and limitations, an xAI-based version of a PCPP-structured employee handbook is proposed and advocated, followed by a discussion, conclusion, and future research suggestions.

How to cite this article
Hyman M R (November 17, 2025) Employee Handbooks Featuring Explainable Artificial Intelligence. Cureus J Bus Econ 2 : es44404-025-09527-8. DOI https://doi.org/10.7759/s44404-025-09527-8

Review

Research method

Why Rule-Heavy Employee Handbooks Are Problematic

Rules are specific, mandatory instructions that employees must follow. They detail prescriptive do's and don'ts that are often quantitative, unambiguous, and readily enforceable. Their downside is inflexibility, the presence of loopholes, and potential absurd outcomes when unanticipated circumstances occur. Hence, no workplace rule can guarantee that employees' behaviors will align with organizational intent(Hyman et al., 1990). When agility and innovation are required, rules can become liabilities that slow decision-making, discourage initiative, and fail to solve novel or complicated problems.

Rule-Heavy Handbooks Are Ill-Suited For Dynamic and Complicated Environments For Several Reasons

Lack of adaptability: In fast-changing or unpredictable circumstances, static rules can quickly become obsolete. Because complicated environments may present circumstances that rule-makers never imagined, organizations must rely on employees' creativity to resolve emergent problems. Bureaucracies become incapable of continuous innovation when their rules smother the rank-and-file initiatives necessary for innovation(Denning, 2012)(Hamel, 2000).

Speed of decision-making: When employees push decisions up the chain of command due to documented rules that do not fully address a circumstance, the resulting response latency can cause their organizations to miss opportunities or exacerbate existing problems. Forcing decision authority downward increases an organization's agility and responsiveness.

Employee disengagement, apathy, and learned helplessness: Rule proliferation signals distrust by presuming that employees will err or misbehave unless tightly controlled, thereby eroding morale and initiative. When documented rules dictate all actions, employees may adopt an apathetic "check the box" mentality, succumbing to learned helplessness, doing the minimum required, and deflecting responsibility.

Overemphasis on compliance versus outcomes: By focusing on compliance at the expense of outcomes, rule-heavy cultures can become bureaucratic traps where following the process becomes the goal(Martin et al., 2013). For instance, excessive concerns about adhering to call script rules may cause customer service reps to leave customers' problems unresolved(Handy, 1993).

Relative to compliance-oriented training programs focused on rule-heavy checklists and legal minimums, ones that emphasize core principles and their aligned values help employees navigate ethical gray areas more effectively(Hyman et al., 1990). Similarly, organizations are likelier to fulfill the overarching and flexible requirements set by principles-based regulators than the specific and inflexible directives set by rules-based regulators(Arjoon, 2006),(Gande et al., 2024), and(Sama and Shoaf, 2005).

In public administration, rule superfluity is considered a pathological condition that fosters cognitive overload, uncertainty, and frustration among employees(Bernards et al., 2020). Cognitive Load Theory posits that excessively complicated instructional materials can compromise performance and learning(Sweller, 1988). Profuse rules induce cognitive overload and uncertainty, hampering employee decision-making(Arnold et al., 2023)(Paas and van Merrienboer, 2020). When every action requires checking multitudinous rules, employees may fret over inadvertently violating one. A smaller set of principles and policies is more cognitively manageable.

Some rules, such as those related to legality, safety, and regulation, will remain necessary. Nonetheless, an over-reliance on other types of rules is problematic when change is continual and empowerment is critical, so organizations should only institute rules that are consistent with their principles, their policies, and legal requirements. This approach echoes a concept from socio-technical systems design called "minimum critical specification," which posits that only necessities be specified, leaving the rest to employees' discretion and ingenuity(Cherns, 1976),(Ravn, 2019), and(Walker et al., 2008).

An Alternative To Rule-Heavy Handbooks

Employee handbooks structured around a "principles + contextual premises + policies" (hereafter, "PCPP") framework can replace rule-heavy ones (Table *1*). The framework's elements are defined as follows.

Principles - the foundational, flexible, empowering, and consistent values that shape organizational policies and culture - are broad statements about an organization's overarching philosophy that inform decision-making and behavior. Effective ones encourage high employee engagement and satisfaction, swift and effective decision-making, fewer bureaucratic bottlenecks, minimal unethical and non-

compliant behaviors, and superior performance(Eccles and Nohria, 2003)(Eichhorn and Towers, 2018).

Policies - the structured guidelines that set expectations and general procedures for employee decision-making and behavior - provide presumptions about employee conduct, procedures, and responsibilities. They can be broad yet specific (i.e., outline general rather than rote procedures), directive and actionable (i.e., guide behavior yet allow discretion), consistent (e.g., fair and predictable across contexts), and align with organizational goals(Brumby, 2021)(Connors and Smith, 2012).

Contextual premises - the explicit, relevant, concise, justifiable, enduring, collectively sufficient, and minimally overlapping (to lessen employees' cognitive load) assertions that translate organizational principles into actionable policies - define "what ought to be" rather than "what is." They can justify policies, provide ethical standards, and encourage context-sensitive behaviors. Rather than an absence of rules, they are straightforward directives linking policies to principles.

Under this framework, policies rather than rules would guide most employee behaviors.

Term	Definition	Application	Examples
Principles	Foundational, flexible, empowering, and consistent values that shape organizational policies and culture	Shape ethical standards and strategic directions	Employees should act honestly, ethically, and in the best interests of the organization, demonstrating transparency and accountability in all interactions. Employees are empowered to take initiative, make informed decisions, and accept responsibility for their actions, thereby contributing to organizational success. Employees should embrace change, seek learning opportunities, and drive innovation by proactively improving processes and solutions to enhance their effectiveness.
Policies	Structured guidelines that set expectations and workplace procedures for employee decision-making and behavior	Implement principles for governance and management	Employees should maintain professionalism, treat colleagues with respect, and adhere to ethical standards in all workplace interactions. Harassment, discrimination, and unethical behavior are strictly prohibited. Employees working remotely must ensure a secure work environment, maintain productivity standards, comply with data security guidelines, and use virtual collaboration tools to stay engaged with team activities.
Contextual Premises	Explicit, relevant, concise, justifiable, enduring, collectively sufficient, and minimally overlapping assertions that translate organizational principles into actionable policies	Basis for reasoning and decision-making	Employees must treat co-workers with respect and professionalism. The dress code must reflect professionalism and inclusivity. Fairness and transparency must guide all decisions affecting team members. Employees must use resources responsibly and in the organization's best interests.
Rules	Specific, mandatory instructions employees must follow	Operational and behavioral compliance	Casual attire, such as jeans or sneakers, is permitted only on Fridays. A VP must approve more than five consecutive days off from work. Meals will be reimbursed up to $50 per day, provided itemized receipts are submitted.

TABLE 1: Principles, Policies, Contextual Premises, and Rules in Employee Handbooks

Source: Author

Contextual premises bridge the gap between principles and the policies that direct employees' decisions. Rules enumerate required or prohibited behaviors with conditional statements (i.e., "If X, then do Y") that often have a narrow scope. Policies grounded in contextual premises can replace many rules in employee handbooks. Rather than containing numerous pages of rules, a PCPP-structured handbook would list directives related to a policy-intended behavior and then demonstrate them.

Consider a business college's rule that determines who qualifies as a voting faculty member. As no rule could anticipate and address all possible voting contexts, a faculty handbook might specify such a voting rule as follows.

A majority vote by the college's tenured and tenure-track faculty will determine which types and ranks of nontenure-track faculty may vote on (a) routine college matters, and (b) policy matters. Should a question arise, a majority vote by the tenured and tenure-track faculty will determine whether an issue is routine or policy. Nontenure-track faculty will not vote on faculty personnel matters except as provided by university policies and procedures.

Now, imagine that the university requires awarding all new deans tenure in an appropriate department. Which faculty members are qualified to vote on that tenure? Limiting the vote to the tenured faculty members of the department in question excludes all other tenured faculty in the college, a logically inconsistent rule because those other faculty members can participate in tenure decisions as members of the college's promotion-and-tenure committee. Suppose only members of a functional group, such as the college's tenured administrators or promotion-and-tenure committee, are eligible to vote. That rule would needlessly restrict input from qualified evaluators. Far more efficient and effective than an extensive set of rules that anticipates all possible contexts are the following four contextual premises and related examples that would link a principle about faculty empowerment to an associated faculty voting policy.

For anyone classified as a faculty member, four contextual premises intended for sequential consideration shall guide the voting policy:

Premise #1:Although participation may be encouraged, voting is voluntary.

Premise #2:The majority's preference shall be determined based on equal weighting of all votes cast in-person or remotely.

Premise #3:No call for votes shall knowingly create a conflict of interest for the voter.

Premise #4:If contextual Premise #3 is satisfied, no voting restriction shall create a secondary faculty class.

Examples of voting activity based on these contextual premises:

1.Faculty should not vote on the criteria upon which they will be evaluated, as such a vote would represent a conflict of interest and violate Contextual Premise #3. For example, untenured faculty should not vote on departmental and college publication requirements for achieving promotion and tenure.

2.Faculty may vote on an issue that affects their administrative unit (e.g., department or college), whether or not that issue pertains directly to them (as to do otherwise would violate Contextual Premise #4). For example, the faculty may vote on student assessment of learning procedures for courses they do not teach.

3.Faculty may vote for their supervisor (e.g., department head or dean). To do otherwise would violate Contextual Premise #4.

4.Faculty in a department may vote on all potential department hires, including new faculty and staff members.

For a more typical example, consider the following. Imagine that a company requires that all department heads or division leaders undergo annual performance evaluations. Who within the company is qualified to participate in those evaluations? If input is limited to employees within the leader's direct team, it excludes other qualified colleagues, such as cross-functional collaborators, who interact with the leader regularly. Similarly, restricting input to a small functional group, such as "only HR" or "only senior executives," may unnecessarily limit valuable feedback. Far more efficient and effective than an extensive set of rules that anticipates all possible contexts are the following four contextual premises and related examples that would link a principle about fairness, consistency, and ethical soundness in behaviors toward employees to a policy about employee involvement in performance evaluations:

Premise #1: Participation in evaluative activities is voluntary, though engagement is encouraged.

Premise #2: All submitted evaluations shall be weighted equally unless company policy specifies otherwise.

Premise #3: No evaluative input shall knowingly create a conflict of interest for the evaluator.

Premise #4: If Premise #3 is satisfied, no participation restriction shall create a secondary employee class with diminished evaluative rights.

Examples of evaluation activity based on these contextual premises:

Conflict of interest restriction: Employees should not evaluate criteria that will be used to assess their performance.

Example: Junior staff should not help define productivity metrics that will be used in their reviews.

Cross-team participation: Employees may provide input on evaluative procedures or outcomes that affect their department or division, even if the subject is outside their immediate role.

Example: Team members may contribute feedback on onboarding processes or training effectiveness across departments.

Leadership evaluation: Employees may participate in the annual evaluation of their direct supervisor or department head.

Example: Staff may submit feedback on a manager's communication, support, and leadership style.

Hiring and reappointment input: Employees within a department may contribute to performance evaluations of new hires or contract renewals.

Example: A product team may review the contributions of a newly hired UX designer during their probationary period.

Contextual premises are broadly applicable. For example, assume an organization found its detailed expense rules demoralized employees and failed to save money. In that case, it might replace those rules with a set of contextual premises for the prudent use of discretionary funds. Rather than a detailed dress code, a set of contextual premises could include "Employees should present themselves in a manner that reflects professionalism and respect." This contextual premise can encompass office attire to video call backgrounds without micromanaging specifics such as acceptable colors or skirt lengths.

Theoretical Support for PCPP-structured Employee Handbooks

Several theories suggest that PCPP-structured employee handbooks would represent more than a philosophical or structural change. Instead, they would actively engage employees by creating a work environment that satisfies fundamental psychological needs (autonomy, competence, relatedness) and encourages mental processes (clarity, creativity, ethical reasoning) aligned with high performance and adaptability.

Modern decision-making theories emphasize adaptability(Baard et al., 2013)(Jundt et al., 2015). Sensemaking and high-reliability organizations illustrate that in complicated environments such as firefighting units or emergency rooms, improvisation and mindful action should balance strict procedures(Weick and Sutcliffe, 2015). Organizations facing turbulent conditions benefit from decentralizing decision-making authority and encouraging experimentation, as local actors often possess the most timely information and can respond fastest(Baran et al., 2012)(Zábojník, 2002).

Bounded rationality explanations of organizational decision-making assume managers analyze information objectively and choose optimal solutions consistent with rules or procedures(Simon, 1957). However, managers often make decisions under uncertain, complicated, and time-pressured circumstances. Because rule-heavy handbooks cannot anticipate every combination of events in a dynamic system, they can hinder effective decision-making by discouraging employees from exercising their judgment. Furthermore, human cognitive resources are limited(Roetzel, 2019). Such constraints force employees to make satisficing (adequate) rather than optimal decisions(Simon, 1957). Following complicated rules can impose an excessive cognitive load, leading to decision fatigue and lower decision quality(Arnold et al., 2023)(Eppler and Mengis, 2004).

Employee empowerment entails providing employees with the discretion, resources, and confidence to make informed decisions and contribute to achieving organizational goals(Langbein, 2000). By fostering a sense of autonomy, mastery, and meaning in work, it encourages beneficial outcomes, including higher job satisfaction, stronger commitment, improved performance, greater creativity, and citizenship behavior(Amabile et al., 1996),(Kim et al., 2018),(Lee et al., 2018),(Seibert et al., 2004), and(Spreitzer, 1995). A PCPP-structured employee handbook institutionalizes trust and discretion, formalizing a climate steeped in these values.

The Pygmalion effect refers to higher expectations inducing improved performance(Eden, 1992)(Livingston, 2003). When a PCPP-structured handbook signals that management expects employees to use good judgment, those employees often try to prove that trust is warranted and often exceed expectations. Trusting employees can create a positive feedback loop.

Self-Determination Theory explains why empowerment is effective(Ryan and Deci, 2017). An organization that trusts its employees to make good decisions can satisfy these needs, leading to engaged, proactive, higher-performing, reciprocating, and intrinsically motivated employees. Formal rules often thwart autonomy by compelling or controlling behavior(Ritter, 2024)(Ryan and Deci, 2017). When employees

have autonomy, they are more intrinsically motivated, perform better, and show greater persistence and creativity(Ryan and Deci, 2017). Although navigating nuanced decisions by applying a PCPP chain can be more mentally challenging than following a formal rule, it can also be more rewarding. Over time, empowered employees become more skilled and versatile, building their organization's human capital.

Challenges to a PCPP-structured Employee Handbook Transition

Legal and compliance mandates may require handbooks to include explicit and straightforward written rules for sexual harassment prevention, workplace safety protocols, overtime, and wage and hour compliance(Hopkirk et al., 2024)(Raub et al., 2021). Hence, a contextual premise, such as "Employees must treat everyone with respect," is insufficient to fulfill the legal requirements for harassment prevention. Regulators and courts expect specific language, such as definitions of harassment, procedures for reporting, and assurances against retaliation. Similarly, preventing accidents and ensuring regulatory compliance often means that safety rules are detailed and non-negotiable. In these domains, rules remain critical.

PCPP-structured guidance is more applicable to behavioral and discretionary domains (e.g., ethics, customer service, teamwork, innovation, and general conduct) and less to technical domains that require procedural rigor. Hence, standard operating procedures may be necessary when efficiency and safety requirements demand precision or technical specificity. A policy such as "Assembly line employees should 'stop the line' when they see something wrong" cannot alone replace step-by-step instructions(Liker, 2021). To improve employee decision-making, organization could supplement their PCPP-structured handbooks with a separate operations manual for rule- or checklist-based technical tasks. For example, the aviation and healthcare industries train workers to follow checklists for critical tasks while also teaching them to exercise judgment in unique situations.

Employees will differ in their immediate comfort with an empowered work environment. By attracting self-motivated, independent employees and repelling those who prefer formal rules, organizations embracing PCPP-structured handbooks may experience a diversity-hindering selection effect(Forner et al., 2021). Removing formal rules, especially for employees from structured backgrounds or cultures, may initially cause anxiety. They might fear making a wrong decision or be accustomed to detailed instructions. Flexibility can be stressful for employees who lack experience or confidence, suggesting a need for support and possibly a gradual transition to a PCPP-structured handbook(Karimi and Zoharah, 2014)(Rizzo et al., 1970). New hires or junior staff may benefit from additional guidance until they become familiar with their organization's core values and internalize them(Cable et al., 2013),(Jeske and Olson, 2022), and(Phelan, 2024).

By being less restrictive than rules, policies empower employees to exercise their judgment. Unfortunately, facilitating decision discretion makes policies more susceptible to misinterpretation and misuse. Akin to Kantian maxims, policies provide normative guidance, suggesting "what ought to be done" without always prescribing how. In contrast, rules resemble deontic imperatives that define "what must be done" independent of context or intention. Hence, policies are more ambiguous than rules because they favor strategic intent and contextual interpretation over operational clarity. Relative to domain-specific and task-oriented rules, policies are more abstract because they often span multiple domains (e.g., ethics, compliance, and culture). Although policies rely on semantically vague modal verbs and qualifiers such as "should," "may," and "encouraged to," rules rely on straightforward language that facilitates enforceability. However, the previously mentioned literature on adaptability, sensemaking, decentralized decision-making, bounded rationality, excessive cognitive loads, empowerment, autonomy, and trust suggests that policies are better guides than documented rules in complicated, uncertain, volatile, and ambiguous work environments.

In established organizations, introducing a PCPP-structured handbook may require onboarding and cultural adjustments. Employees accustomed to inflexible rules may be skeptical about their new decision environment. Management should clearly explain the rationale, provide relevant examples, be candid about potential errors that may occur initially, and assume good intent and coachability rather than reverting to punitive actions when addressing erroneous behaviors. Otherwise, employees may cling to outdated, unwritten rules or make erroneous assumptions when culture change does not accompany a handbook update.

Creating xAI-based, PCPP-structured Employee Handbooks

A strictly human-driven effort to replace a rule with a PCPP-based alternative, as demonstrated by the previous faculty voting and annual performance evaluation examples, may boost employee satisfaction and performance related to especially thorny contexts. However, the costs associated with organizations relying solely on in-house and possibly external human expertise to transform a rule-heavy employee handbook into a predominantly PCPP-structured one would likely far exceed the benefits. Furthermore, it is unknown whether employees are likelier to study or consult a static PCPP-structured handbook than a

rule-based one. Fortunately, organizations can use machine learning (ML) and AI to address both issues.

Because ML excels at finding patterns in massive and unstructured data sets, organizations could use it to analyze their internally generated documents (e.g., current employee handbook, HR manuals, press releases, employee emails) along with recorded employee decisions and outcomes to create a philosophically consistent set of PCPP chains. HR departments would review each chain to ensure it meets legal and regulatory requirements, as well as accurately reflects organizational intent. IT departments would enter all chains passing this review into an AI system that employees could query. Such a computerized system could justify every policy by showing how it derives from contextual premises consistent with the organization's principles. Thus, organizations could transition from static employee handbooks to xAI ones.

xAI-based PCPP-structured handbooks could personalize guidance to each employee's role and region. They could highlight the policies and associated contextual premises most relevant to each employee's circumstance. Imagine chatbots that employees could consult in real-time to answer questions like, "How do our organization's principles, contextual premises, and policies suggest I handle Situation X with Customer Y?" These systems could learn from such questions and the efficacy of subsequent decisions, clarifying future advice about circumstances that xAI previously addressed poorly. HR departments and management could apply that knowledge to improve training. Acting as coaches rather than rule enforcers, xAI-based PCPP-structured handbooks would provide options or considerations rather than issue edicts.

xAI-based, PCPP-structured handbooks can include decision-making scripts to improve employees' decision-making. For example, they might instruct the following: "Consider the contextual premises when facing a challenging decision. You can proceed confidently if your chosen action aligns with and supports our principles and policies. If unsure, consult a colleague or manager about interpreting the contextual premises in this case." This instruction reinforces that contextual premises are active tools.

Rather than updating static rule-based handbooks annually, ML can instantly enhance the guidance of xAI-based PCPP-structured handbooks by "closing the loop." Such handbooks would be dynamic, evolving in response to a changing environment and its ongoing use by employees. ML could identify new PCPP chains by clustering the circumstances that employees encounter. Although an organization's PCPP chains might cover most circumstances, ML might discover a cluster of inconsistent decisions. Essentially, ML can inform continuous improvement of an xAI-based PCPP-structured employee handbook.

For example, ML might reveal, by analyzing the language used in internal communications or decision logs, that subgroups within an organization interpret a PCPP chain differently. To boost consistency in employees' behavior, the xAI would modify its guidance accordingly. In addition, ML could help identify when employees' decisions or behaviors are inconsistent with a PCPP chain, flagging areas of regular non-compliance. ML might identify, for example, that "in 80% of cases, employees should choose customer goodwill over short-term cost because goodwill prompts repeat business." Alternatively, suppose it finds that some decisions do not boost profits. In that case, it might refine the guidance to "when the extra cost exceeds X, consider negotiating a new timeline consistent with our sustainability principle."

It is well-established that large language models can hallucinate even when the organization's input is limited to internally generated documents and data (Koubaa et al., 2023), (Shumailov et al., 2024), (Sun et al., 2024), and (Wang et al., 2023). Such hallucinations can occur (1) when the organization's input lacks sufficient depth or breadth (i.e., the model incorrectly "fills in the gaps"), (2) the model overgeneralizes by applying patterns or associations that extend beyond the context's scope, and (3) the model generates confident responses rather than acknowledging the lack of needed information. Thus, HR departments should continually test whether the xAI's output is consistent with common sense. Furthermore. ML training can inadvertently encode biases or pursue narrow goals that conflict with human values(Christian, 2021)(Vallor, 2024). To avoid such problems, an organization could incorporate its PCPP chains into constraints or evaluation metrics, effectively embedding them into the xAI's algorithm. Essentially, employee handbooks featuring xAI can assist but not replace human decision-making.

Findings

In an increasingly complicated world, the ability to navigate ambiguity becomes a substantial competitive advantage. xAI-based PCPP-structured employee handbooks institutionalize ambiguity navigation, preparing employees to think and act in situations that no set of rules can fully anticipate.

PCPP chains cover broad intentions and rely on employees to provide the specifics. Unlike formal rules, they help employees understand why they should behave a certain way rather than "what not to do." Rules and standard operating procedures are vital for routine, high-certainty tasks. However, they often constrain thinking by implying there is a right way and many wrong ways to act, leading employees to fear

experimenting in ways that might violate one or more rules. In contrast, xAI-based PCPP-structured employee handbooks would foster a problem-solving mindset that encourages innovation and creativity. Providing employees with freedom, accompanied by moderate constraints such as a clear goal, promotes more divergent thinking than step-by-step procedures(Acar et al., 2019)(Rosso, 2014).

Although these handbooks would encourage employee agility and engagement, an organization must undertake their creation thoughtfully. Specific domains, such as legal compliance and safety, will still require rules, and some employees will need support in adapting to increased empowerment. Fairness and clarity must be maintained through cultural norms and managerial vigilance, even when formal rules are relaxed.

xAI-based PCPP-structured handbooks are robust because peer expectations and personal values drive behavior more sustainably than fear of punishment (Piderit, 2000) (Sufi et al., 2024). In empowered work cultures, employees will uphold PCPP chains without supervision, whereas removing enforcement mechanisms discourages compliance in rules-heavy organizations. As uncertainty and complexity increase, effective organizations shift toward leveraging local knowledge and utilizing guiding principles rather than formal rules. Reimagining employee handbooks should proceed accordingly.

From a talent development perspective, xAI-based PCPP-structured handbooks can accelerate learning and development. Instead of being micromanaged, early-career employees would be encouraged to think critically, preparing themselves for leadership roles as they develop value-guided decision-making skills. It is akin to learning to "think like a manager" rather than merely executing tasks.

Future Research

Future research does not need to assess the costs versus benefits of adopting xAI-based PCPP-structured employee handbooks, as all input to their creation is likely already in digital form, and low-cost ML and AI software will perform the necessary analyses and develop the contextual premises linking principles to policies. However, the xAI's stated reasoning for recommended behaviors may differ by employee and circumstance (e.g., user personality, user decision-making style, user preferences, user ability to query an AI-based chatbot, problem severity, and situational ambiguity). Thus, research on how to customize the xAI's output and user interface may help to maximize employee performance and satisfaction.

Studies related to the efficacy and likeability of xAI-based PCPP-structured handbooks may provide valuable insights. Although theory and practice suggest that these handbooks, relative to static, rule-heavy ones, should boost employee performance and satisfaction, empirical evidence is lacking. To create such evidence, scenario-based experiments could compare the performance of two new-hire groups that rely on each type to resolve a challenging work problem that requires consulting an organization's policies. Researchers can use expert judges or objective metrics to compare performance. Perhaps "rule-heavy group" members will make fewer compliance mistakes, yet less successfully resolve the problem, or "PCPP group" members may find more varied and better solutions while believing they were more empowered and less constrained. Alternatively, researchers could analyze tracking metrics from a field experiment that includes multiple exceptions or times supervisors were consulted, employee turnover or internal promotion rates, and customer satisfaction or error rates.

Does handbook tone and readability matter? Many rule-heavy handbooks are written in legalistic language that employees find inaccessible(Guarino, 2022). Readability analyses could compare PCPP-structured versus rule-heavy sections of various handbooks. Interviews or focus groups could reveal which section type employees favored.

Conclusions

Employee handbooks, initially intended to clarify expectations and strengthen the employee-employer relationship, have generally devolved into lengthy compliance manuals. Making effective decisions in complicated environments requires flexibility and trust, conditions that are ill-served by micromanaging rules. Social science theories and evidence from ethics programs and empowerment studies suggest that autonomy and competence lead to higher motivation and performance. Conversely, excessive rules can cause cognitive overload and apathy. Static, rule-heavy employee handbooks fail in dynamic contexts because they are inflexible, delay-inducing, and demotivational when they should encourage agility, speed, and innovation. As a result, organizations should develop interactive AI-assisted employee handbooks structured around a PCPP framework.

Organizations must reconsider how they formulate and communicate the guidelines that shape employee behavior and decision-making. Rule-heavy handbooks are diminishingly effective in providing practical guidance for employee decision-making and building work cultures. Replacing such handbooks with xAI-based PCPP-structured ones can substantially enhance employee adaptability, creativity, and engagement. In doing so, organizations can evolve from compliance-focused control to empowerment, encouraging

employees to make timely and context-appropriate decisions. Furthermore, ML will help organizations better understand and refine their principles, contextual premises, and policies, moving employee handbooks from static references to dynamic guidance ecosystems. Switching to an xAI-based PCPP-structured handbook is not a trivial change, as it affects recruitment, hiring, training, leadership, and retention. However, the potential payoff-a more empowered workforce, faster and better decisions, greater alignment with core values, and resilience to disruptive changes-is profound.

Additional Information

Author Contributions

All authors have reviewed the final version to be published and agreed to be accountable for all aspects of the work.

Concept and design: Michael R. Hyman

Drafting of the manuscript: Michael R. Hyman

Critical review of the manuscript for important intellectual content: Michael R. Hyman

Supervision: Michael R. Hyman

Disclosures

Conflicts of interest: In compliance with the ICMJE uniform disclosure form, all authors declare the following: **Payment/services info:** All authors have declared that no financial support was received from any organization for the submitted work. **Financial relationships:** All authors have declared that they have no financial relationships at present or within the previous three years with any organizations that might have an interest in the submitted work. **Other relationships:** All authors have declared that there are no other relationships or activities that could appear to have influenced the submitted work.

Acknowledgements

No new data were created or analysed during this study. Data sharing is not applicable to this article.

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