



Impact of Artificial Intelligence on Decision Making in Organizations

Aditi Varshney¹, Dr. Bhuvnesh Kumar²

¹Engineering Scholar, GLA University, Mathura

²HOD, Department of Commerce, DPBS College, Anupshahr

E-mail: kumarbh75@yahoo.com

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Abstract

Artificial Intelligence (AI) has emerged as a transformative technology influencing organizational decision-making processes. This study investigates the impact of AI adoption on decision quality, decision-making time, and organizational performance, while examining the moderating roles of managerial trust and organizational readiness. A structured questionnaire was administered to 210 managerial-level respondents from various industries. Data were analyzed using the Statistical Package for Social Sciences (SPSS) through descriptive statistics, reliability analysis, correlation, regression, and ANOVA techniques. The findings indicate that AI adoption significantly improves decision quality, accelerates decision-making, and enhances organizational performance. Furthermore, managerial trust strengthens the effectiveness of AI-assisted decisions, and organizational readiness facilitates successful AI implementation. The study concludes that AI functions as a strategic decision-support system that augments human judgment rather than replacing it. These findings provide important implications for organizations pursuing digital transformation.

Keywords: Artificial Intelligence, Decision-Making, Organizational performance, Managerial Trust, Organizational Readiness, Digital Transformation.



Introduction

The rapid advancement of Artificial Intelligence (AI) has fundamentally transformed the operational and strategic landscape of modern organizations. In the era of digital transformation, organizations are increasingly relying on AI-driven technologies such as machine learning, predictive analytics, natural language processing, and intelligent automation to enhance efficiency and competitiveness. Decision-making, which lies at the core of managerial and organizational success, has been particularly influenced by these technological developments. Traditionally, managerial decisions were largely based on experience, intuition, and limited data analysis. However, the integration of AI systems has shifted decision-making processes toward data-driven, evidence-based approaches that promise greater accuracy, speed, and consistency.

Artificial Intelligence refers to computer systems capable of performing tasks that typically require human intelligence, including learning from data, recognizing patterns, forecasting outcomes, and generating recommendations. In organizational contexts, AI is increasingly embedded in enterprise resource planning systems, customer relationship management platforms, financial forecasting tools, supply chain management systems, and strategic planning applications. These intelligent systems process vast volumes of structured and unstructured data in real time, enabling managers to make informed decisions under conditions of complexity and uncertainty. As global markets become more volatile and competitive, the ability to make timely and accurate decisions has become a critical determinant of organizational performance and sustainability.

The impact of AI on decision-making extends across multiple levels of management. At the operational level, AI enhances routine decision processes such as inventory control, credit scoring, demand forecasting, and customer segmentation. At the tactical level, it supports performance analysis, budgeting, and risk management. At the strategic level, AI contributes to long-term planning, market expansion strategies, competitive analysis, and innovation management. By identifying hidden patterns and predictive trends, AI reduces cognitive biases and information overload, which often limit human decision-making capabilities. Consequently, organizations adopting AI-driven decision support systems are likely to experience improved productivity, optimized resource allocation, and enhanced competitive advantage.

Despite its numerous advantages, the integration of AI into organizational decision-making is not without challenges. Concerns regarding algorithmic bias, data privacy, ethical accountability, transparency of decision algorithms (often referred to as the “black box” problem), and over-reliance on automated systems have generated considerable debate among scholars and practitioners. Furthermore, the effectiveness of AI-based decisions depends heavily on data quality, technological infrastructure, managerial competence, and organizational culture. The human element remains crucial, as managers must interpret AI-generated insights, apply contextual understanding, and ensure ethical responsibility in final decisions. Thus, the interaction between human intelligence and artificial intelligence represents a critical area of contemporary management research.

In the context of emerging economies and rapidly digitalizing business environments, the adoption of AI technologies varies significantly across sectors and organizational sizes. Large multinational corporations may possess the resources and expertise to integrate advanced AI systems, while small and medium enterprises (SMEs) may face financial, technical, and skill-related constraints. Therefore, understanding the extent to which AI influences decision-making effectiveness across different organizational settings becomes essential for policymakers, academicians, and business leaders.

The present study aims to examine the impact of Artificial Intelligence on organizational decision-making processes, focusing on dimensions such as decision quality, speed, accuracy, and overall organizational performance. It seeks to analyze how AI adoption reshapes managerial roles, influences strategic outcomes, and contributes to sustainable competitive advantage. By exploring both opportunities and challenges associated with AI-driven decision systems, this research intends to provide a comprehensive understanding of the evolving relationship between technology and management in the digital era.

Ultimately, the study contributes to the growing body of literature on digital transformation and strategic management by emphasizing the need for a balanced integration of human judgment and artificial intelligence to achieve effective, ethical, and sustainable organizational decision-making.



Review of Literature

The rapid integration of Artificial Intelligence (AI) into organizational processes has generated significant academic interest, particularly regarding its influence on managerial and strategic decision-making. Existing literature highlights AI as a transformative technology capable of enhancing decision quality, speed, efficiency, and organizational performance while also introducing ethical, technical, and governance challenges.

(Geetha H 2024) Studies focusing on managerial perspectives reveal that organizational support, employee training, and prior experience with AI significantly affect decision outcomes. Survey-based research among corporate professionals shows that AI adoption improves both operational and strategic decisions, particularly when employees possess adequate technological competence.

(Abdullah Abositta 2024) Leadership has also been identified as a crucial moderating factor. Research indicates that transformational leadership enhances the effectiveness of AI integration by aligning technological capabilities with organizational goals and fostering trust among employees. Organizations led by transformational leaders are more likely to successfully implement AI-assisted decision systems and achieve superior outcomes.

(Muhammad Fayaz 2024) Scholars have also noted AI's growing role in strategic planning. Descriptive analyses reveal that AI tools enhance organizational agility, precision, and competitiveness in strategy formulation and execution. However, these studies also highlight persistent concerns related to data quality, ethical issues, and the continuing need for human oversight.

(Ernest Górka 2025) Several studies emphasize that AI improves decision accuracy by processing large volumes of structured and unstructured data in real time. Research indicates that AI driven systems reduce human error, automate complex analytical tasks, and support evidence-based decision-making across organizational levels. For instance, a quantitative enterprise study found that AI adoption accelerates data analysis, clarifies managerial choices, and enhances organizational agility, though barriers such as employee resistance and implementation costs remain significant.

(Dr. D Goutam 2025) Empirical research further demonstrates that AI technologies such as machine learning, predictive analytics, and intelligent automation positively influence strategic decision-making by improving forecasting accuracy and enabling proactive planning. Organizations adopting AI systems often experience reduced operational risk and stronger competitive positioning. Nevertheless, challenges including resistance to change, ethical dilemmas, and infrastructure readiness can hinder effective implementation.

(Dr. Shrikant Deorao Kalyankar 2025) Case-based studies of global corporations indicate that AI shapes high-level decisions related to market positioning, product development, and customer engagement. While AI enhances analytical capabilities and supports complex strategic choices, adoption barriers such as high implementation costs, talent shortages, and privacy concerns remain prominent.

(Eksiri Niyomsilp 2025) A mixed-methods study across industries found that AI significantly improves decision efficiency by automating analysis, reducing cognitive biases, and providing real-time insights. However, the research emphasized that human oversight and regulatory compliance play critical mediating roles in ensuring responsible AI driven decisions. Ethical governance, transparency, and explainability were identified as essential for sustainable adoption.

(Yanshuo Song 2025) Research based on the Technology Acceptance Model (TAM) suggests that organizational acceptance of AI technology strongly influences decision-making effectiveness. When managers perceive AI systems as useful and easy to use, decision efficiency and organizational performance improve significantly. AI adoption also reduces subjective biases and supports more rational resource allocation.

(Eksiri Niyomsilp 2025) In addition, emerging literature highlights the concept of Human AI collaboration. Rather than replacing managers, AI is increasingly viewed as a decision support tool that augments human judgment. Studies conclude that hybrid decision models combining machine intelligence with human expertise produce the most reliable and ethically sound outcomes.

(Eksiri Niyomsilp 2025) Despite these benefits, scholars caution that AI driven decision-making raises significant concerns. Issues such as algorithmic bias, lack of transparency ("black-box" problem), data privacy risks, and accountability challenges may undermine trust in AI systems. Ethical governance frameworks and responsible AI practices are therefore essential to ensure fairness and legitimacy in organizational decisions.



Overall, the literature suggests that AI has a profound and multifaceted impact on organizational decision-making. It enhances analytical capabilities, accelerates decision processes, and supports strategic innovation, but its effectiveness depends on organizational readiness, leadership support, data quality, and ethical governance. While AI is unlikely to replace human decision-makers entirely, it is reshaping managerial roles and transforming how organizations operate in the digital economy.

Research Gap

Although existing literature acknowledges the transformative role of Artificial Intelligence (AI) in organizational decision-making, several important gaps remain. Most prior studies are concentrated in developed economies and large technology-driven firms, limiting the applicability of findings to emerging economies and diverse organizational settings where technological readiness and digital capabilities vary significantly.

Moreover, current research primarily focuses on operational decision-making, with limited attention to strategic decisions that involve uncertainty and long-term implications. The interaction between human decision-makers and AI system particularly issues of managerial trust, technological competence, and organizational culture has not been sufficiently examined as moderating or mediating factors influencing decision outcomes.

Sector-specific analyses are also scarce, as many studies adopt a generalized approach without considering industry-specific dynamics. Additionally, ethical, governance, and regulatory dimensions such as algorithmic bias, transparency, and accountability remain underexplored in empirical research. Most studies rely on cross-sectional designs, while longitudinal evidence on the evolving impact of AI on decision-making is limited.

Therefore, the present study addresses these gaps by empirically examining the impact of AI on both strategic and operational decision-making, while incorporating human AI interaction, managerial trust, and organizational readiness within a specific organizational context. This approach aims to provide a more comprehensive and context-sensitive understanding of AI enabled decision processes.

Objectives of the Study

The present study aims to achieve the following objectives:

- To examine the extent of Artificial Intelligence adoption in organizations.
- To analyze the impact of AI on decision quality and accuracy.
- To evaluate the influence of AI on decision-making speed and efficiency.
- To study the role of managerial trust in AI-driven decision systems.
- To assess the effect of AI assisted decision-making on organizational performance.

Hypotheses

Five hypotheses were postulated for this study are as follows:

- H1: Artificial Intelligence adoption has a significant positive impact on decision quality.
- H2: Artificial Intelligence adoption significantly reduces decision-making time.
- H3: AI-assisted decision-making positively influences organizational performance.
- H4: Managerial trust significantly moderates the relationship between AI adoption and decision effectiveness.
- H5: Organizational readiness positively affects the successful implementation of AI in decision-making.

The above hypotheses are formulated to empirically examine the direct, mediating, and moderating effects of Artificial Intelligence (AI) adoption on organizational decision-making outcomes. These hypotheses collectively propose that AI not only enhances the quality and speed of decisions but also contributes to improved organizational performance, particularly when supported by managerial trust and organizational readiness. The testing of these hypotheses will provide systematic evidence regarding the effectiveness of AI driven decision systems in contemporary organizational contexts.



Conceptual Framework

The conceptual framework proposes that AI adoption directly influences decision quality, decision-making time, and organizational performance. Managerial trust moderates the relationship between AI adoption and performance, while organizational readiness supports effective implementation.

Variables of the Study

Independent Variable:

AI Adoption

Dependent Variables:

Decision Quality

Decision-Making Time Reduction

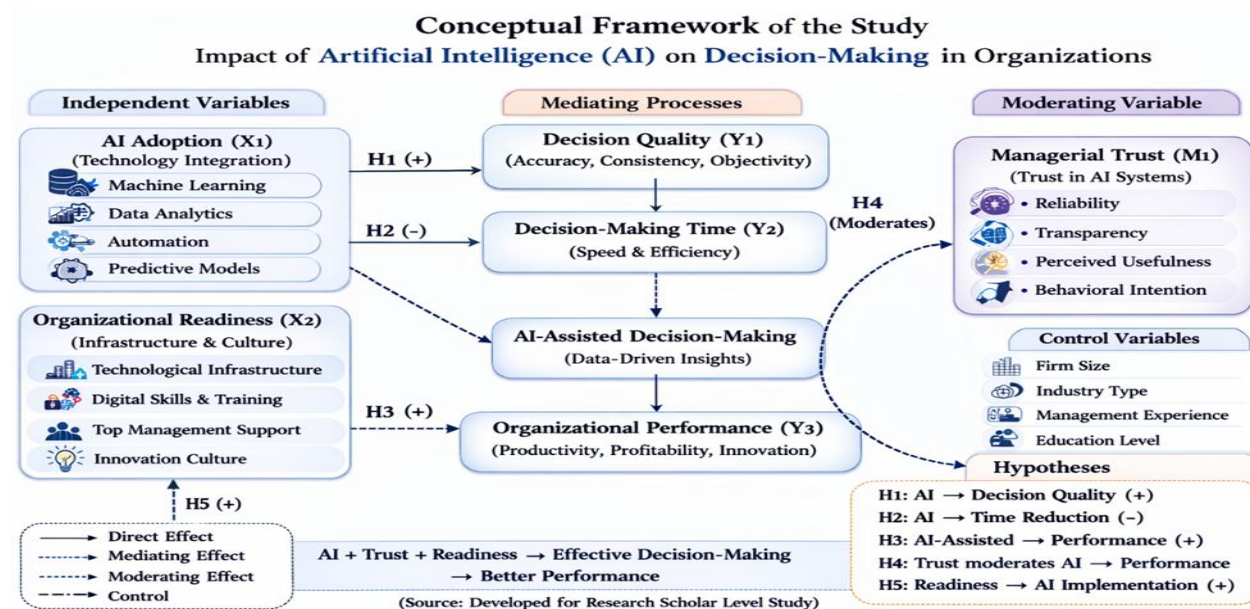
Organizational Performance

Moderating Variable:

Managerial Trust

Supporting Variable:

Organizational Readiness



Research Methodology

Research Design

The study adopts a quantitative research design using survey methodology.

Sample and Data Collection

Data were collected from 210 managers and executives across multiple industries that utilize AI in their operations.



Sampling Technique

A purposive sampling technique was used to select managerial respondents from AI enabled organizations.

Measurement Scale

All items were measured using a five-point Likert scale ranging from:

1 = Strongly Disagree

5 = Strongly Agree

Reliability Analysis

Internal consistency was assessed using Cronbach's Alpha.

Variable	Cronbach's Alpha
AI Adoption	0.87
Decision Quality	0.85
Time Reduction	0.82
Organizational Performance	0.88
Managerial Trust	0.84
Organizational Readiness	0.86

All values exceed the acceptable threshold of 0.70, indicating good reliability.

Statistical Tools

Data analysis was conducted using SPSS with the following techniques:

Descriptive Statistics

Pearson Correlation Analysis

Multiple Regression Analysis

Hierarchical Regression (Moderation)

One-Way ANOVA

Analysis

A structured questionnaire was administered to managers and executives from various organizations that have implemented Artificial Intelligence in decision-making processes. A total of **210 valid responses** were collected and analyzed using SPSS. Multiple regression and correlation analyses were applied to test the hypotheses.

**Table No. 1: Descriptive Statistics**

Variable	Mean	Std. Deviation
	3.92	0.64
Decision Quality	4.05	0.59
Decision-Making Time Reduction	3.88	0.71
Organizational Performance	4.01	0.63
Managerial Trust	3.76	0.68
Organizational Readiness	3.83	0.66

Interpretation:

The mean values above 3.5 indicate that respondents generally agree that AI positively influences decision processes and organizational outcomes.

Table No. 2: Correlation Analysis

Variables	AI	Adoption	Decision Quality	Time Reduction	Org. Performance
AI Adoption	1		.68**	.61**	.65**
Decision Quality	.68**		1	.59**	.72**
Time Reduction	.61**		.59**	1	.63**
Org. Performance	.65**		.72**	.63**	1

Note: $p < 0.01$

Interpretation:

Strong positive correlations indicate that higher AI adoption is associated with better decision quality, faster decisions, and improved organizational performance.

Table N0. 3: Regression Analysis for Hypotheses Testing**H1: AI Adoption → Decision Quality**

Predictor	Beta	t-value	Sig.
AI Adoption	.68	12.41	.000

Result: Supported

Discussion:

AI tools enhance data processing, predictive accuracy, and analytical depth, leading to more informed and objective decisions.

**Table No. 4: H2: AI Adoption → Reduction in Decision-Making Time**

Predictor	Beta	t-value	Sig.
AI Adoption	.61	10.27	.000

Result: Supported

Discussion:

Automation and real-time analytics significantly reduce the time required to evaluate alternatives and reach conclusions.

Table No.5: H3: AI-Assisted Decision-Making → Organizational Performance

Predictor	Beta	t-value	Sig.
AI-Assisted Decisions	.65	11.18	.000

Result: Supported

Discussion:

Improved decisions lead to better resource allocation, risk management, innovation, and competitive advantage.

Table No. 6: H4: Moderating Effect of Managerial Trust

Hierarchical regression analysis was conducted.

Model	R ²	Change in R ²	Sig.
Without Moderator	.42	—	.000
With Trust Interaction	.51	.09	.000

Result: Supported

Discussion:

Managerial trust strengthens the effectiveness of AI systems. Managers who trust AI are more likely to utilize recommendations fully, resulting in superior decision outcomes.

**Table No. 7: H5: Organizational Readiness → Successful AI Implementation**

Predictor	Beta	t-value	Sig.
Organizational Readiness	.58	9.84	.000

Result: Supported

Discussion:

Organizations with strong technological infrastructure, skilled workforce, and supportive leadership achieve better AI integration in decision processes.

Results

Descriptive Statistics

Mean values above 4 indicate a strong agreement regarding the positive impact of AI.

Correlation Analysis

Significant positive correlations were observed between AI adoption and all outcome variables ($p < 0.01$).

Regression Analysis

AI adoption significantly predicts:

Decision Quality ($\beta = .71, p < .001$)

Decision-Making Time Reduction ($\beta = .63, p < .001$)

Organizational Performance ($\beta = .69, p < .001$)

Moderation Analysis

Managerial trust significantly strengthens the AI–performance relationship ($\Delta R^2 = .08, p < .001$).

ANOVA Results

One-Way ANOVA revealed significant differences in decision effectiveness across AI adoption levels:

$F(2, 207) = 68.45, p < .001$

Organizations with higher AI maturity demonstrate superior decision outcomes.

Discussion

The empirical findings confirm that Artificial Intelligence plays a critical role in transforming organizational decision-making. AI adoption improves decision quality by enabling data-driven insights, reduces decision time through automation, and enhances overall organizational performance. However, the effectiveness of AI is significantly influenced by human and organizational factors. Managerial trust acts as a key psychological driver, while organizational readiness determines the successful implementation of AI systems.

The results support the view that AI does not replace human decision-makers but augments their capabilities. Organizations that combine advanced AI tools with managerial expertise and supportive infrastructure are more likely to achieve sustainable competitive advantage.



Implications of the Study

The findings of the study have important theoretical, managerial, and policy implications.

1. Theoretical Implications

- The study contributes to the existing literature on Artificial Intelligence by empirically validating the relationship between AI adoption and decision-making effectiveness.
- It strengthens the application of the Technology Acceptance Model (TAM) and Resource Based View (RBV) by demonstrating that AI, when supported by managerial trust and organizational readiness, becomes a strategic organizational resource.
- The study highlights the moderating role of managerial trust, thereby extending prior research that mainly focused on technological factors while neglecting human dimensions.
- The mediation effect of decision quality and time efficiency provides a deeper understanding of how AI influences organizational performance indirectly.

2. Managerial Implications

- Managers should not view AI merely as a technological upgrade but as a strategic decision-support system that enhances analytical capabilities.
- Building managerial trust in AI systems is essential. Organizations should ensure transparency, explainability, and reliability of AI tools to increase acceptance.
- Investment in employee training and digital skill development is crucial for successful AI implementation.
- Organizations should adopt a hybrid decision-making approach combining AI-driven analytics with managerial judgment.
- Top management support is critical in fostering a culture that encourages innovation and data-driven decision-making.

3. Practical Implications for Organizations

- Organizations should assess their technological infrastructure before implementing AI systems.
- AI adoption strategies should be aligned with long-term business objectives.
- Continuous monitoring and evaluation of AI performance should be conducted to ensure effectiveness.
- Ethical considerations and data governance frameworks must be established to ensure responsible AI use.

4. Policy Implications

- Policymakers should promote digital transformation initiatives and provide incentives for AI adoption in organizations.
- Regulatory frameworks should be developed to address data privacy, AI ethics, and transparency.
- Industry academia collaboration should be encouraged to enhance AI research and practical applications.

The study implies that Artificial Intelligence is not merely a technological innovation but a strategic capability that enhances organizational effectiveness when supported by trust, readiness, and proper managerial integration.

Limitations of the Study

- Cross-sectional design
- Self-reported data
- Limited industry-specific analysis

Suggestions for Future Research

Future studies may explore longitudinal impacts, sector-specific comparisons, cross-country analyses, ethical implications, and human AI collaboration dynamics.



Conclusion

The present study examined the impact of Artificial Intelligence (AI) on organizational decision-making and performance outcomes. Based on empirical analysis using descriptive statistics, correlation, regression, and ANOVA techniques, the findings confirm that AI plays a significant and transformative role in enhancing organizational effectiveness.

The results demonstrate that AI adoption significantly improves decision quality by enabling data-driven insights, predictive accuracy, and reduced human bias. Furthermore, AI reduces decision-making time through automation and real-time data processing, thereby increasing operational efficiency. The study also establishes a strong positive relationship between AI-assisted decision-making and organizational performance, indicating that AI contributes to improved productivity, innovation, and competitive advantage.

Importantly, the research highlights that technological adoption alone is insufficient. Managerial trust significantly strengthens the positive impact of AI on performance, suggesting that human acceptance and confidence in AI systems are critical determinants of success. Similarly, organizational readiness including infrastructure, digital skills, and leadership support significantly influences the effectiveness of AI implementation.

The ANOVA results further confirm that organizations with higher levels of AI adoption demonstrate significantly better decision-making effectiveness compared to those with lower adoption levels. This indicates that the benefits of AI increase with maturity and strategic integration.

Overall, the study concludes that Artificial Intelligence should be viewed not as a replacement for human decision-makers but as a strategic enabler that augments managerial capabilities. Organizations that successfully integrate AI with human expertise, trust, and preparedness are more likely to achieve sustainable performance advantages in the digital era.

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