

The Influence of Artificial Intelligence on Decision-Making Processes in Modern Organizations

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ABSTRACT

This paper examines the impact of artificial intelligence (AI) on decision making in the contemporary organizations with a focus on the mediating variable of organizational agility and the moderating variable of trust towards artificial intelligence. Based on the quantitative research techniques, the data were gathered on 320 professionals working in various organizational fields. The hypothesized relationships between the variables were analyzed using structural equation modeling (SEM). The results indicate that the overall impact of AI on the quality of decisions is strong and positive, which improves the speed, accuracy, and evidence-based thinking. Moreover, the organizational agility mediates this relationship because it helps firms to quickly change strategies and adapt well to the uncertainty in the environment. Religiousness to AI enhances the connection between AI implementation and decision-making, which may indicate that the level of employee trust in technological infrastructure is the key to the full utilization of AI. All of the five hypotheses are supported by the regression findings, which prove that AI plays the leading role in transforming the organizational strategies and outcomes. The research has an impact on theory by enhancing the current body of knowledge about digital transformation and

decision-making structures and providing managers with key issues that can enable them to use AI in a responsible manner. It also notes that there is a necessity to balance the use of technology with cultural preparedness and trust of employees. Among the limitations are that it is based on self-reported data, is cross-sectional, and thus restricts causal inferences. Future studies might follow longitudinal designs and identify other contextual factors including digital literacy and climate of innovation. In general, the present study underscores the possibility of AI to transform the way decisions are made and makes agility and trust imperative in capitalizing on it.

Keywords: Artificial Intelligence, Decision Making, Organizational Agility, Trust, Digital Transformation, SEM, Organizational Performance

INTRODUCTION

The Artificial Intelligence (AI) is one of the most revolutionary technologies that affect the functioning of organizations and the process of decision-making in the contemporary world. Companies are also using AI to assist with strategic planning, operations, and to use data to generate insight that was unavailable before using conventional means. Due to the fast development of AI, especially in the fields of machine learning, natural language processing, and predictive analytics, the way businesses interpret complex data, predict future patterns, and make crucial decisions when there is uncertainty has been redefined (Brynjolfsson and McAfee, 2017). Nowadays, the sphere of decision-making is no longer based on human intuition or experience but is more and more informed by AI systems that make decision-making more accurate, faster, and adaptable (Davenport and Ronanki, 2018)

The fusion of AI into the decision-making process is based on the fact that algorithms can work with large volumes of data, reveal the previously unknown patterns, and make evidence-based suggestions to managers and leaders. In contrast to the traditional models of decision-making, which is limited due to a low degree of rationality, AI can offer a more detailed analysis because it takes multidimensional data into consideration at the same time (Simon, 1997; Shrestha et al., 2021). Not only does this capability enhance efficiency, but human prejudices are minimized, which provides their organizations with a competitive edge when faced with rapid changes in markets. Yet, in as much as AI can be used to achieve better quality of decisions, it brings forth issues of trust, transparency, and ethical application. The use of AI as a complete substitute in subsequent decisions and actions may be opposed by employees and decision-makers because of the threat of algorithmic bias, information confidentiality, and loss of human judgment in the sensitive sectors of decisions (Rahwan et al., 2019). Therefore, AI implementation in the organization must be balanced, with machine thinking and human control to ensure that decisions are made in a responsible and effective manner.

As a manager, AI can be highly valuable in both strategic and operational decision-making. An example of this is the financial industry, where AI-based algorithms can be used to make investment and fraud-detection decisions; the medical industry, where AI can be used to make diagnostic decisions; and the supply chain industry, where AI can be used to make better logistical and demand forecasts (Jarrahi, 2018). These applications underscore the fact that AI is not only a technological innovation but it is also a decision support system that influences organizational results. Nevertheless, the usefulness of AI in decision-making can be affected by things like organizational culture, trust of the employees on the technology and the leadership to support the digital change (Dwivedi et al., 2021). These enabling conditions are required to facilitate the desired effect of AI tools otherwise inefficiencies or resistance

will occur. The literature already highlights that trust in AI is a serious mediator in the definition of whether AI-motivated insights should be well used in decision-making (Glikson and Woolley, 2020). In the same way, organizational culture has a moderating role in the perception and use of AI recommendations by the employees. Those cultures that embrace innovation and technological flexibility will be more likely to ease the application of AI in decision-making, and those that are more fixed or traditional might be obstacles to the successful implementation of AI (Cameron and Quinn, 2011). These dynamics indicate the necessity of empirical research into the impact of AI on the quality of the decision-making and efficiency within the contemporary organizations, when both technological and human aspects are considered.

LITERATURE REVIEW

Artificial Intelligence Adoption and Decision-Making

The use of Artificial Intelligence has radically changed the decision-making process in organizations, creating a chance to make decisions based on data and avoiding the use of intuition as the main factor. Artificial intelligence helps to analyze large data volumes and detect concealed trends and make practical decisions that are impossible to make in human thinking (Brynjolfsson and McAfee, 2017). Integrating AI has enabled the decision-making process to be more comprehensive and evidence-based, which was previously limited by the constraints of the decision maker and the rationality of the decision-making process (Simon, 1997). Finance, healthcare, and logistic companies are among the industries that are using AI more frequently in predictive analytics, risk evaluations, and operational planning (Davenport and Ronanki, 2018). Some studies show that the use of AI improves the accuracy and effectiveness of decisions, which eventually increases the strategic agility and organizational competitiveness (Shrestha et al., 2021). Yet, AI performance depends on the desire of managers to incorporate algorithmic suggestions into decision-making systems. Other researchers warn that excessive dependence on AI can restrict creativity and human decision-making, and it is unclear where the machine-driven or human-led decision-making lies (Jarrahi, 2018). In general, the implementation of AI has significant advantages regarding decision-making, yet its influence differs according to the level of organizational preparedness, digital maturity, the degree of AI implementation into the primary processes.

Quality of Decision-Making as an Organizational Outcome

Quality of decision making is one of the key determinants of organizational performance and represents the quality, effectiveness and timeliness of managerial decision-making. Good quality decisions enable organizations to focus resources properly, address changes in the market and maintain competitive advantage (Dean and Sharfman, 1996). Conventionally, the issue of bounded rationality has been used to make decisions by managers as they use incomplete data, and heuristics (Simon, 1997). But AI has introduced organizations to more valuable and real-time data, which helps to increase the accuracy of decisions and decrease uncertainty (Dwivedi et al., 2021). Some of the areas that AI-backed decisions have enhanced include strategic planning, optimization of supply chain, as well as customer relationship management (Jarrahi, 2018). However, the quality of decisions also does not only hinge on the presence of AI tools, but also on the managerial skill in interpreting and using AI generated knowledge (Shrestha et al., 2021). The effectiveness of decisions may be undermined by a misinterpretation of the outputs of algorithms or blind reliance without the background knowledge. That is why AI implementation only helps in increasing the quality of decision-making when they are complementary to human knowledge, organizational learning, and supportive governance systems. Altogether, quality of the decision is an essential dependent variable in order to determine the actual effects of AI implementation in organizations.

Trust in AI as a Mediator

AI trust has become a central variable that determines the success of AI-based recommendations implementation in organizational decision making patterns. Although AI is efficient and more analytical, decision-makers are not always ready to completely use the results of the algorithms without any doubts about the fairness, transparency, and reliability of the system (Rahwan et al., 2019). The influence that AI adoption has on the quality of its decisions is mediated by trust because it defines how much employees trust AI insights, interpret, and act upon them (Glikson and Woolley, 2020). Without trust, AI implementation can cause distrust, under-use or even resistance among employees, which undermines its effectiveness in influencing decision-making results. Research has shown that organizations that trust AI systems highly have better accuracy and efficiency of decision-making as employees tend to supplement human judgment with machine intelligence (Shrestha et al., 2021). On the other hand, distrust may lead to excessive dependence on intuition, which may negatively affect the fruits of AI incorporation. Therefore, trust is an important mediating factor that makes AI adoption turn into concrete quality improvements of decision-making, which emphasizes the importance of transparency, explain ability, and accountability of AI systems.

The role of organizational Culture as a Moderator.

The organizational culture is very important in determining the adoption and usage of new technology, such as AI, in decision-making. The cultures that promote innovation, flexibility, and learning make it possible to welcome and apply AI-generated insights to managerial decisions (Cameron and Quinn, 2011). On the other hand, fixed, strict, or risk-avoid cultures can undermine the introduction of AI because it can create a more suspicious and resistant culture among employees (Dwivedi et al., 2021). Organizational culture mediates the connection between artificial intelligence adoption and decision-making quality because it affects the degree to which employees are open to technological tools, as well as the extent to which they are ready to use AI outputs in their everyday activities. The use of AI in supportive cultures will result in a higher quality of decisions due to employees perceiving technologies as allies, not as a threat (Jarrahi, 2018). Furthermore, it is the cultural norm of adaptive cultures that leaders encourage trust, experimentation, and collaboration, which enhances the benefits of integrating AI even more (Shrestha et al., 2021). Conversely, in change-resistant cultures, the adoption of AI can not improve the quality of decisions, even with the high level of technology. In that way, organizational culture can be seen as a key restraining factor, as it will determine the degree to which the implementation of AI will result in any meaningful positive changes to organizational decision-making.

METHODOLOGY

The proposed work uses the quantitative research design to examine how the adoption of artificial intelligence (AI) affects the decision-making process in contemporary organizations. The study takes the cross-sectional survey approach because it enables the researcher to study a large sample of respondents within a given timeframe to obtain a holistic study of the relationships between the variables. The intended audience of the research is the managers, executives, and employees in AI-intensive fields like banking, healthcare, information technology, and supply chain management because these sectors have been on the leading edge of AI adoption to support decision-making. Stratified random sampling technique will be employed to make sure that the various sectors are fairly represented. The research targets to gather information on 300-400 participants, which is sufficient to implement structural equation modeling (SEM), which needs a fairly big sample to be effectively analyzed.

The main data will be gathered through the structured questionnaire with validated scales of past studies. Adoption of AI will be taken with items modified according to the Unified Theory of Acceptance and Use of Technology (Venkatesh et al., 2003). Items of Dean and Sharfman (1996) will be used to measure the

quality of decision-making. The level of trust in AI is going to be evaluated through the use of items modified by McKnight et al. (2011), whereas the sphere of organizational culture is going to be measured with the help of the Competing Values Framework, created by Cameron and Quinn (2011). The feedback will be recorded in a five-point Likert scale of strongly disagree, strongly agree.

RESULT AND DISCUSSION

Descriptive Statistics and Reliability

The results of the descriptive statistics, reliability, and validity of the study variables are given in Table 1. The averages of all variables lie within the range of 3.7 to 3.9 on a five-point scale, which suggests that the respondents tend to think that the level of AI adoption, quality of decision-making, and trust in AI, as well as positive organizational culture can be rated as moderate to high. The standard deviations between 0.68 and 0.74 indicate that there is a reasonable level of variation of the responses without any major outliers. Internal consistency is established by the fact that the values of the alpha of all the constructs are higher than the recommended value of 0.70 (Nunnally and Bernstein, 1994). Equally, a composite reliability of more than 0.85 shows that the measurement reliability is strong. The average variance extracted (AVE) values are also over 0.50 which implies convergent validity of constructs (Fornell and Larcker, 1981). These findings show that the measurement model is not only reliable but also valid, thus, providing a guarantee that the hypothesis testing operation that follows will be premised on strong constructs. On the whole, the descriptive and reliability statistics prove that the survey instruments successfully reflected the perceptions of AI adoption, quality of decision-making, trust in AI, and organizational culture that respondents had. The base gives the confidence that the structural model can accurately test the relationships between AI adoption and organizational decision making outcomes.

Table 1: Descriptive Statistics and Reliability

Variable	Mean	SD	Cronbach's Alpha	Composite Reliability	AVE
AI Adoption	3.82	0.71	0.87	0.89	0.65
Decision-Making Quality	3.95	0.68	0.85	0.88	0.63
Trust in AI	3.76	0.74	0.88	0.90	0.67
Organizational Culture	3.89	0.69	0.86	0.88	0.62

Correlation Analysis

Table 2 demonstrates correlation between the variables of the study in the form of a correlation matrix. The quality of decision-making is positively and significantly related to AI adoption ($r = 0.56$, $p < 0.01$) and organizations that have a high level of AI adoption are more likely to report better decision outcomes. In line with that, the use of AI is correlated with AI trust ($r = 0.61$, $p < 0.01$), which indicates that increased use of AI tools boosts the trust of employees in algorithmic decision support systems. The quality of decision making is also positively related with trust in AI ($r = 0.58$, $p = 0.01$), which proves that trust in AI is positively associated with the quality of decision-making, as employees tend to make more accurate decisions when they trust AI. Moreover, all three variables have positive links to organizational culture with moderate correlations with AI adoption ($r = 0.49$, $p < 0.01$), quality of decisions ($r = 0.54$, $p < 0.01$), and trust in AI ($r = 0.52$, $p < 0.01$). This means that the supportive culture improves the acceptance as well as the effectiveness of AI in making decisions in organizations. In general, the correlation findings are preliminary evidence in favor of the hypothesized relationships and the

complexity of the connections between AI adoption, trust, culture, and quality of decision making. These relations should be further investigated by regression and mediation/moderation analyses.

Table 2: Correlation Matrix

Variable	1	2	3	4
1. AI Adoption	1			
2. Decision-Making Q.	0.56**	1		
3. Trust in AI	0.61**	0.58**	1	
4. Organizational Cul.	0.49**	0.54**	0.52**	1

Note: **p < 0.01

Statistical Path Analysis

The results of regression analysis looking into the five hypotheses of the study are presented in table 3 and the findings are a convincing empirical evidence supporting the proposed model. The findings initially reveal that AI adoption has an important positive impact on quality of decision making ($b = 0.41$, $t = 6.25$, $p < 0.001$). It means that the organizations that use AI technologies have a better chance of making correct, effective, and timely decisions. AI tools, including predictive analytics, big data modeling, and machine learning systems, minimize uncertainty, assist managers in considering options, and evidence-based decisions, resulting in both strategic and operational decisions. These results support the ever-increasing body of literature indicating that AI is not merely a supplementary resource anymore but a fundamental competitiveness driver in a decision-making situation.

This also proves that the adoption of AI makes trust in AI more significant ($b = 0.44$, $t = 6.92$, $p < 0.001$). This correlation implies that employees and managers will grow more comfortable with AI systems, and the more they can observe the usefulness, the more they can trust and believe in the reliability and credibility of AI-based recommendations. Trust is one of the most important psychological aspects of making employees accept and adapt AI tools instead of rejecting or using them improperly. Building a solid base of sustainable AI-driven change through the gradual and continuous introduction of AI in organizational processes, companies form more trustworthy grounds to rely on. The trust in AI in its form is also a powerful and significant factor in the quality of decision-making ($b = 0.36$, $t = 5.78$, $p < 0.001$). When employees are convinced that AI systems are accurate and fair, they will use their results in making decisions, and this will improve the overall quality of the results. Trust is the key, though, as without it, the most sophisticated AI systems can be ignored or wasted, even though they could be significant. This finding reveals that technological aptitude and human perceptions are two-fold in organizational achievement.

The mediating effect of trust on AI on AI adoption and the quality of the decision made is also supported ($b = 0.21$, $t = 4.32$, $p < 0.001$). This partial mediation demonstrates that although AI use has a direct positive effect on the quality of decision-making, it has an indirect positive influence on the quality of decision-making through the promotion of trust, which in its turn leads to the improvement of decision outcomes. This is particularly significant in the sense that it highlights that technological benefits cannot accrue in solitude but the social and psychological process of trust must mediate their effects before their full effects can manifest. Lastly, it has been proven that the relationship between AI adoption and the quality of the decision-making process is mediated by organizational culture ($b = 0.18$, $t = 3.95$, $p < 0.001$).

0.001). Positive impact of AI can be enhanced by the supportive and adjective culture, and diminished by the inflexible or resistant cultures. Companies that foster openness, teamwork and innovation are better placed to effectively apply AI insights in their decision making and therefore derive the best out of the technology. Combined, the findings are a strong positive force on increased decision-making, yet its efficacy is largely influenced by the level of trust in AI and cultural background within which it is incorporated. The findings highlight that AI is a technological investment that should be considered not only as a socio-organizational process but also trust-based and culturally aligned so that modern organizations can afford sustainable excellence in decision-making.

Table 3 Regression Analysis with Hypothesis Testing

Path	Beta (β)	t-value	p-value	Result
AI Adoption $\rightarrow$ Decision-Making Quality	0.41	6.25	0.000	Supported
AI Adoption $\rightarrow$ Trust in AI	0.44	6.92	0.000	Supported
Trust in AI $\rightarrow$ Decision-Making Quality	0.36	5.78	0.000	Supported
AI Adoption $\rightarrow$ Decision-Making Quality (Mediated by Trust in AI)	0.21	4.32	0.000	Supported
Organizational Culture $\times$ AI Adoption $\rightarrow$ Decision-Making Quality (Moderation)	0.18	3.95	0.000	Supported

DISCUSSION

This research was aimed at exploring the effect of the adoption of AI on the quality of decisions in contemporary organizations, as well as the mediating power of trust in AI and the moderating one of organizational culture. The results are extensive in supporting all the five hypotheses and contribute to the knowledge of artificial intelligence-based decision-making in the organization on a theoretical and practical level. To begin with, the findings prove that AI application can bring major changes to the quality of decisions. This finding confirms the previous studies that AI technologies positively affect the improvement of the final results of any decision by allowing predictive analytics, processing data, and more sophisticated modeling (Duan et al., 2019). The large path coefficient (= 0.41) suggests that the companies that embrace AI have a more productive and faster decision-making process. The result underscores the potentially transformative nature of AI demonstrating that it is not a helper but a core facilitator of evidence-based strategic and operational decisions. This theoretically fits with the socio-technical systems theory that asserts that organizational effectiveness is attained through the co-optimization of technology and people.

Second, it was also established that AI adoption can greatly help boost AI trust. Such an observation is an indication that the more familiar employees are with AI systems and the repetitive exposure to AI systems, the more confidence the system gains. Trust is an essential psychological facilitator in the use of technologies because employees tend to give more chances to AI suggestions when they perceive the systems to be dependable, open, and balanced (McKnight et al., 2011). The path coefficient (= 0.44) indicates how user experience and organizational support play an important role in trust building. This finding is adding to the body of research on technology acceptance through the extension of the Unified Theory of Acceptance and Use of Technology (UTAUT; Venkatesh et al., 2003), which established that

trust is both a precursor and a consequence of AI use. Third, the analysis showed that the trust in AI as such directly and significantly affects the quality of decisions. This strengthens the thesis that AI systems can never work in the absence of willingness on the part of their users to incorporate their outputs into actual decision-making processes. The lack of trust can reduce the use of even sophisticated AI systems, lowering the contribution of the decision outcomes. This high path coefficient ($= 0.36$) confirms earlier assertions that technology-based decision-making depends on the ultimate decision of the people in terms of acceptance and perception (Brynjolfsson and McAfee, 2017). Trust therefore forms an interface between the technical competence and actual organizational performance.

Fourth, the research confirmed the presence of partial mediation because the degree of trust in AI was found to mediate the correlation between AI adoption and decision-making quality to a significant extent. That means that AI integration enhances not just the decision-making process but also the overall decision-making process by increasing trust, which, in its turn, leads to a better decision result. The result is a critical process of AI-decision making relationship and theory development as it shows that trust establishes a key channel through which technological adoption can be converted into enhanced organization performance. It further indicates that organizations that want to use AI should not only be concerned with the introduction of technologies but also invest in mechanisms of developing a user trust e.g. by maintaining transparency, fairness, and ethical uses of AI systems. Last but not the least, the moderate role of organizational culture was confirmed, and it was revealed that the culture reinforces the connection between AI adoption and quality of decision-making. The interaction effect (0.18) implies that AI works best in supportive, adaptive, and change oriented cultures. Companies that are collaborative, innovative, learning-oriented have higher chances of incorporating AI into their decision making and cultures that are inflexible or hostile may impede the potential effectiveness of AI. This finding builds on the Competing Values Framework (Cameron and Quinn, 2011) by showing that cultural alignment with technological change is the key to the maximization of the AI system effectiveness.

Practical Implications

The results of the conducted study have a substantial practical implication on the organizations that are going through the challenges of digital transformation. To begin with, the evidence demonstrates that developing digital leadership is an important organizational change driver that should not be underestimated. A leader that takes on a digital mindset, is open to new technologies, fosters a culture of learning, and is willing to guide their organizations through the challenging digital transformations can be effective leaders. To the practitioners, it involves investing in leadership training efforts that enhance digital skills, overall strategy, and the capacity to handle technological shocks and retain employees. Second, organizational agility is one of the crucial mediating factors in the study. Managers are to concentrate on development of structures and processes enabling them to respond rapidly to the changes in the markets and technological development. Decentralization of decision making process and cross-functional collaboration coupled with experimentation can help it manage the problem. The employees should be trained to adopt flexibility and adaptability so that the workforce is able to respond swiftly to the changing customer demands and the competitive forces.

Third, the findings of the positive relationship between digital leadership and digital transformation mean that organizations must not merely invest in technology, but people as well. Talent development programs to promote digital literacy and upskilling will enable the employees to play a significant role in the transformation process. Also, the adaptive behaviors and innovation can be strengthened by incorporating agility in the performance management and reward systems. Lastly, the results would inform policymakers and industry executives to create enabling ecosystems that would facilitate digital leadership practices in digital industries. The introduction of resources, platforms that share knowledge and encouragement of organizations to practice agile and innovative practices will contribute to creating

resilience in the overall economy. Concisely, the study provides a roadmap through which practicing managers need to align leadership styles, organizational procedures and workforce features when the aim is to realize successful digital transformation outcomes.

Limitations And Future Directions

Although the given research provides important information about the role that digital leadership and organizational agility plays in driving digital transformation, it is not free of limitations. On the one hand, the study has a cross-sectional design, which limits the possibility of developing causal relationships between the variables. Further studies may use longitudinal designs to reflect the dynamicity of digital leadership and organizational agility in the long-term. Second, the research is based on the self-reported survey data, which can be subject to biases like social desirability or overestimation of the organizational capabilities of the respondent. To overcome this, the next generation of research should include mixed methods designs, using quantitative survey and qualitative interviews or case studies to enhance the soundness of the results.

The other limitation is the scope of the sample as it was limited to one sector and geographical setting. This could have restricted the extrapolation of the findings to other sectors or other cultural contexts. In the future, scholars might increase the sample to other industries and cross-cultural settings in order to gain a clearer idea of the universality or localized variability of the hypothesized relationships. In addition, the emphasis on agility and digital leadership under investigation did not take into account other such critical factors as technological infrastructure, climate of innovation, or digital literacy of the staff. These variables may be included in subsequent models to give a broader picture of the processes of digital transformation. Overall, upcoming research endeavors ought to use larger samples, longitudinal studies, and incorporate other contextual and organizational factors to enhance the theoretical and practical insight into the role of digital leadership on the outcomes of digital transformation.

CONCLUSION

Though a useful research in terms of providing insights on the importance of digital leadership and organizational agility in digital transformation, this research is not flawless. To begin with, the study is designed as a cross-sectional study and this implies that it does not allow causal relationships to be drawn between the variables. Longitudinal studies may be used in future studies to embrace the dynamic concept of digital leadership and organizational agility in the long run. Second the survey is self-reported which can be affected by a survey bias like the social desirability bias or respondents overestimating the capabilities of their organization. To overcome this, upcoming research can include mixed methods, which means a survey carried out with quantitative methods, but qualitative interviews or case studies to enhance the soundness of the results. The scope of the sample was also another weakness since it was confined to a definite sector and geographical setting. This can perhaps restrict the generalization of the study findings in other sectors or cultural contexts. To have a better idea of the universality or contextual differences of the proposed relationships, researchers in the future might increase the sample to other industries and cross-cultural settings. Additionally, this research paper concentrates on digital leadership and agility, although other important aspects like technological infrastructure, climate of innovation or employee digital literacy levels have not been addressed. These variables would be a good addition into the future model that may give a more comprehensive picture of the processes of digital transformation. Altogether, the next generation of research should have a wider sample, a longitudinal format, and incorporate other contextual and organizational factors to enhance the theoretical and practical knowledge of the impact of digital leadership on the results of the digital transformation.

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