

IMPACT OF ARTIFICIAL INTELLIGENCE ON BUSINESS TRANSFORMATIONS

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Abstract: *Artificial Intelligence has emerged as a dynamic force reshaping business operation across diverse industries. It encompasses a broad spectrum of applications, from automation and data analytics to personalization and customer service. AI's growing significance in business value creation is undeniable. Organizations are increasingly relying on AI to gain a competitive edge and enhance their operations. However, despite substantial investments in time, effort, and resources, many AI initiatives end in failure due to a lack of comprehensive understanding of how AI technologies can create tangible business value. To address this knowledge gap, this paper presents a narrative review that identifies how organizations can effectively deploy AI and the mechanisms through which AI generates value. This review delves into the multifaceted influence of AI on businesses, discussing its implications for research, innovation, market deployment, and the evolving landscape of business models. Drawing insights from Neo-Schumpeterian economics, we explore the pivotal roles of innovation, knowledge, and entrepreneurship in AI-driven business transformations. The research model employed offers a three-dimensional perspective that navigates through the significant dimensions of AI's impact. As AI continues to evolve, businesses must navigate ethical, regulatory, and workforce-related considerations. This review underscores the evolving dynamics of AI in the business domain and its transformative potential in an increasingly AI-driven world.*

Keywords: **Business Models, Automation, Robotic Process Automation, Robotic Process Automation, Artificial Intelligence,**

1. Introduction

The rapid advancement of artificial intelligence and automation is compelling business strategists to reimagine their models. Consequently, there is a growing trend toward integrating AI into business processes. However, the ramifications of this adoption remain largely uncharted and warrant significant attention. This research paper delves into the comprehensive impact of AI on businesses, spanning the domains of research, innovation, market implementation, and prospective shifts in business paradigms. To assess this holistic impact, we have developed a three-dimensional research model drawing inspiration from Neo-Schumpeterian economics, focusing on its three key forces: innovation, knowledge, and entrepreneurship. The first-dimension addresses AI-related research and innovation. The

second dimension investigates the influence of AI on the global market and its impact on the strategic goals of businesses. The third dimension examines how AI is molding the landscape of business contexts. Additionally, this paper explores the implications of AI on various stakeholders and sheds light on its potential challenges and drawbacks

AI technologies, including machine learning, natural language processing, and computer vision, have found applications in a multitude of industries, leading to increased automation, improved decision-making, and enhanced customer experiences (Eriksson et al., 2020). This research paper aims to review the multifaceted impact of AI on business, encompassing automation, data analysis, customer service, personalization, and the ethical and regulatory considerations associated with AI adoption.

2. The state-of-the-art of AI

The state-of-the-art of AI in business represents the current cutting-edge technologies, strategies, and applications of artificial intelligence within the business world. AI has rapidly evolved and is now a fundamental driver of innovation, efficiency, and competitiveness in various industries. Following discussion about the state-of-the-art of AI in business, highlighting key areas and their significance and Figure1 shows various state-of-art of AI:

- **Machine Learning and Deep Learning:** Machine learning algorithms, particularly deep learning neural networks, have gained prominence. These technologies enable businesses to process vast amounts of data, uncover patterns, and make predictions. Applications include image and speech recognition, natural language processing, and recommendation systems, which enhance personalization and customer experience(Chakravorty et al., 2016; Canhoto et al. 2020).
- **Robotic Process Automation (RPA):** RPA combines AI and automation to perform rule-based tasks. It streamlines business processes, reduces errors, and saves time and resources. Organizations use RPA to handle routine tasks such as data entry, invoice processing, and customer support(Aguirre & Rodriguez. 2017).
- **Data Analytics and Predictive Analytics(DAPA):** AI-driven data analytics is helping businesses derive actionable insights from their data. Predictive analytics allows companies to forecast trends, identify potential issues, and optimize decision-making. It is widely used in finance, marketing, and supply chain management (Felzmann et al., 2019; Lee et al. 2022).
- **AI in Customer Service:** Chatbots and virtual assistants are increasingly being used in customer service. These AI-driven systems provide 24/7 support, address customer inquiries, and improve response times, enhancing customer satisfaction and reducing operational costs.
- **Personalization and Recommendation Systems:** AI algorithms analyze customer data to deliver highly personalized experiences. Whether it's content recommendations, product suggestions, or tailored marketing campaigns, personalization drives customer engagement and conversion rates.

- **AI-Enhanced Cybersecurity:** Businesses employ AI to detect and respond to security threats in real time. Machine learning models analyze network traffic and user behavior to identify anomalies and potential breaches. AI helps protect sensitive data and critical systems.

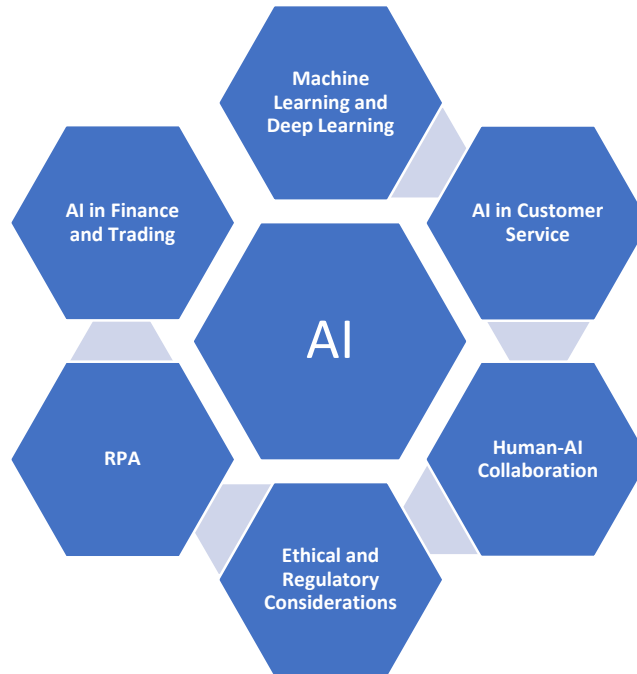


Figure1: The state-of-the-art of AI

- **AI in Supply Chain and Inventory Management:** AI optimizes supply chain operations by predicting demand, reducing excess inventory, and ensuring timely deliveries. This leads to cost savings and improved customer satisfaction(Dash et al. 2019).
- **AI in Finance and Trading:** AI-driven algorithms are widely used in the financial industry for fraud detection, algorithmic trading, and risk management. These systems can analyze market data and make rapid trading decisions.
- **Ethical and Regulatory Considerations:** As AI adoption grows, businesses must address ethical concerns and navigate evolving regulatory landscapes. Ensuring transparency, avoiding bias, and protecting data privacy are essential considerations (Attard-Frost 2023).
- **Human-AI Collaboration:** The integration of AI often necessitates workforce transformation. Businesses need to upskill their employees and foster a culture of collaboration between humans and AI systems.

The state-of-the-art of AI in business is characterized by an increasing integration of AI technologies across various functions. This includes automation, data-driven decision-making, personalization, and enhanced customer service. While AI offers numerous opportunities, businesses must also address ethical, regulatory, and workforce challenges to fully harness its

potential for growth and competitiveness. The continued evolution of AI ensures that its impact on businesses will remain dynamic and transformative.

3. Major applicability of AI in Business

Artificial Intelligence has emerged as a transformative force in the business world, offering a myriad of applications that enhance efficiency, decision-making, and customer engagement. Its major applicability in business spans from data analytics and customer relationship management to marketing and sales, where it plays a pivotal role in shaping modern strategies and operations. Figure2 shows three major layers of applications in AI.



Figure2: Major applicability of AI in Business

3.1 Role of AI-driven Automation in Decision making: Implementing AI-driven automation is posited to alleviate employee workloads in specific tasks and enhance process efficiency. Moreover, AI demonstrates the capability to automate decision-making when supplied with pertinent data and business rules (Duan et al., 2019). Nevertheless, entrusting AI applications with decision-making authority raises concerns about mitigating potential biases inherent in AI models and ensuring that the introduction of AI augments, rather than diminishes, decision-making structures (Cirillo et al., 2020).

While several studies have initiated discussions regarding optimal decision-making structures and strategies for organizations to ensure AI's enhancement of these structures, a dearth of empirical research examining the consequences of such arrangements persists (Shrestha et al., 2019). The need for such empirical studies becomes apparent.

3.2 Effects of AI on Financial Performance

Prior to the integration of AI applications, one of the primary expectations held by practitioners is that such technology can enhance various financial performance metrics, including revenue growth and cost reduction (Alsheiabni et al., 2018;). Nevertheless, this expectation is contingent upon a complex chain of causality, and to date, there remains uncertainty regarding if and how AI can truly contribute to organizations' long-term financial performance. Notably, our analysis of articles in our sample revealed an absence of studies examining the enduring financial ramifications of AI adoption. Instead, the predominant focus has been on identifying short-term operational trends. Consequently, it becomes imperative, especially for small and medium-sized enterprises, to elucidate the sustained financial impacts stemming from AI applications.

Given the substantial financial investments tied to AI adoption, it becomes critical for organizations lacking extensive resources to ascertain the precise timeline at which AI applications commence generating positive financial returns, along with the underlying mechanisms. Previous research has underscored that certain organizations have incurred considerable costs related to technology adoption, leading to substantial financial setbacks. Thus, it becomes imperative to ascertain the equilibrium point between investing in essential AI resources and the anticipated financial gains.

3.4 The Influence of AI on Organizational Reputation

Establishing and upholding a favorable reputation is vital for organizations, as it resonates with both customers and partners and has a far-reaching impact on various aspects of business, including market value, talent acquisition, and customer loyalty. The reputation of an organization is intrinsically tied to the trustworthiness perceived by customers and stakeholders, exerting significant repercussions on overall financial performance. Yet, the integration of AI technologies can significantly influence the level of trust among critical external entities, such as customers and business partners. While AI exhibits capabilities akin to humans, concerns of mistrust may emerge in situations where transparency regarding the deployment and operation of AI is lacking.

Preliminary studies suggest that to cultivate trust in AI outcomes, individuals necessitate a clear understanding of how these technologies function and require distinct assurances of safety and reliability. Therefore, organizations venturing into AI adoption must be cognizant of the pivotal role of trust, strategies for trust-building, and how trust, in turn, shapes their reputation and interactions with external stakeholders. Thus, an intriguing avenue for further research lies in comprehending the ramifications of AI integration on the trust individuals place in organizations and the consequential impact on the organization's reputation. Such investigations may delve into the technical attributes of AI, the influence of communication patterns on trust formation, and potential cultural disparities in how individuals perceive AI applications.

4. Conclusion

The analysis leads to three key insights. Firstly, it uncovers a range of enablers and inhibitors for AI adoption, encompassing technological, organizational, and environmental factors. Second, the paper distinguishes between different use cases for AI, highlighting the potential for automation of tasks and augmentation of human capabilities. These use cases can be applied both internally, to improve business processes without direct customer interaction, and externally, in products and services that directly engage customers. Lastly, the study delves into the impact of AI on organizations, exploring how AI-driven changes can lead to enhanced competitive performance. This examination identifies several implications of AI at both the process and firm levels.

The findings have important implications for how organizations can strategically manage AI. By understanding the enablers and inhibitors identified in this research, organizations can

assess their readiness for successful AI adoption and make necessary adjustments. Moreover, having a clearer understanding of AI's utility empowers organizations to make well-informed decisions about where AI solutions should be integrated into their value chains. Furthermore, an enhanced comprehension of the potential outcomes of AI adoption equips organizations with the foresight needed to smoothly introduce AI into their operations. In conclusion, this study lays the groundwork for a research agenda that identifies areas warranting further exploration to fully grasp how AI technologies generate value in the broader organizational context. While this study does not adopt an exhaustive approach in documenting and presenting its themes, it endeavors to showcase them through the lens of the IT-business value perspective. It is important to note that while a systematic approach guided the search and analysis of paper contents, a specific method, such as PRISMA, was not followed for documenting and reporting the results.

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