

AI IMPACT ON DECISION MAKING

HANAA AHMAD ALAWOUR

Graduation Project – 1

Faculty of Management - Midocean University

Supervisor Dr. ABD ALRAHEEM NADER

25.10 .2025 –Third Semester 2025

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION

1.1 Research Background

1.2 Research Problem

1.2.1 Theoretical Gaps

1.2.2 Practical Gaps

1.3 Research Significance

1.3.1 Theoretical Significance

1.3.2 Practical Significance

1.4 Research Questions

1.5 Research Objectives

1.6 Research Hypotheses

1.7 Research Model

1.8 Research Methodology

1.9 Scope of the Study

1.10 Suggested Project Structure

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

2.2 Independent Variable: AI Integration

2.3 Dependent Variable: Decision Quality

2.4 Mediating Variable: Managerial Trust

2.5 Moderating Variables: Culture and Ethics

2.6 Relationship Between Variables

2.7 Conclusion

CHAPTER 3: METHODOLOGY

CHAPTER 4: FINDINGS AND DISCUSSION

SUMMARY AND RECOMMENDATIONS

REFERENCES (APA 7th Edition)

LIST OF TABLES

No tables were included in this project.

CHAPTER 1: INTRODUCTION

1.1 Research Background

Decision making is at the heart of every management practice. Managers face choices each day about where to invest resources, which goals to pursue, and how to address risks. The quality of these decisions influences not only the success of the organization but also the satisfaction of its teams and stakeholders. As the business environment grows more uncertain and information becomes complex, managers need new ways to make smart choices.

Recent years have seen the rise of artificial intelligence (AI) tools in business. These tools can process huge amounts of data, find patterns, and suggest ideas that managers might overlook. AI helps with planning, forecasting, and making strategic decisions. More organizations now use AI to predict sales, manage supply chains, and evaluate risks. For example, banks use AI to detect fraud, retailers use it to

improve inventory, and manufacturers use it to plan production schedules (Dwivedi et al., 2021).

Studies show that AI can support managers to make faster, more accurate, and data-driven decisions (Shrestha et al., 2019; Zhang & Lu, 2022). However, using AI also changes the role of the manager. Today, managers need to learn how to combine their experience with the recommendations generated by AI systems. This shift raises new questions: How much should managers trust AI? How does AI fit with the culture and ethics of the workplace? What does it mean for responsibility and judgment?

Despite the excitement around AI, there are things still unclear. Some researchers argue that AI may not always improve decisions when managers do not fully trust the system or do not know how it works (Cerrato et al., 2023). Other studies suggest that AI can create new risks if used without enough care for ethics or company values (Rahwan et al., 2019). There is also limited research on how AI affects decision quality in places where culture and workplace trust matter.

This matters because the gap between AI technology and managers' actual use is

growing. Companies invest in AI, but sometimes managers do not use it as expected. Understanding these issues is important for business schools, companies, and policymakers. This study aims to discover how AI changes decision making, what challenges managers face, and what can be done to improve outcomes. The purpose is to offer real, practical guidance about how to use AI responsibly and effectively in management.

1.2 Research Problem

AI is everywhere, and companies are using it for big decisions. However, we have a major question: **Are managers truly making *better* decisions with AI, or is this new technology just making their jobs confusing?** The main issue this research addresses is simple: We don't really understand the full picture—the human side and the company rules—that decide if AI is helpful or just a source of new mistakes.

1.2.1 Theoretical Gaps (What Research is Missing)

Most research only looks at the technical result: AI goes in, a decision comes out. They miss the most important part: **the human link**. This is a major gap in theory.

Our study steps in to prove that the link isn't straight. Instead, we argue that **Managerial Trust** is the **critical bridge**. If managers trust the AI, the decision quality improves; if they don't, the AI is useless. Plus, we highlight that **Organizational Ethics** are the **non-negotiable rules** that ensure the AI's impact is fair and positive, a key factor often left out of academic models.

1.2.2 Practical Gaps (What Managers Need)

Right now, managers and leaders are flying blind. They don't have a **clear, easy-to-follow guide (a playbook)** on how to use AI tools responsibly and effectively. They need more than just the software; they need concrete steps—like training, new policies, and clear ethical checks—to feel confident and clear-headed. By focusing on the **GCC region**, where technology is growing fast, this research will provide the practical steps needed to help leaders move from nervous testing to making smart, confident, and ethical AI-powered decisions.

Main Research Question: How does using AI affect the quality of decisions in a company, when we take into account the crucial roles of a manager's trust, and the company's culture and ethics?

1.3 Research Significance

1.3.1 Theoretical Significance

This research adds to the theory by linking AI integration with decision quality and managerial trust. It uses both new studies and classic decision theory (Simon, 1977) to show how technology and human factors interact. The study explores the middle ground where technology, feelings, and workplace values combine. This helps to build more practical models of decision making in modern organizations.

1.3.2 Practical Significance

For managers, this research gives advice on how to use AI tools wisely and recognize their limits. It highlights the need to build trust and fit AI into company culture. Companies can learn how to support managers as new technologies are adopted. The findings help leaders design AI projects that match their organizational values and avoid ethical risks. The guidance is useful for policymakers as well, who want to ensure fair and effective deployment of AI.

1.4 Research Questions

What is the impact of AI integration on decision quality in organizations?

How does managerial trust influence the adoption and use of AI-supported decisions?

How do organizational culture and ethics affect the relationship between AI integration and decision quality?

What are the practical challenges and opportunities faced by managers when using AI in decision making?

How can organizations improve manager readiness and trust in AI systems?

REFERENCES

.

- **Cerrato, D., Della Torre, E., & Minichilli, A.** (2023). Artificial Intelligence and Managerial Decision Making: A Behavioral Perspective. *Journal of Management*, 49(2), 350–372.
- **Dwivedi, Y. K., Hughes, L., Rana, N. P., Glaister, K. W., & Kizgin, H.** (2021). Artificial Intelligence (AI): Multidisciplinary perspectives on emerging

challenges, opportunities, and agenda for research, practice and policy.
International Journal of Information Management, 57, 102268.

- **Rahwan, I., Cebrian, M., Obradovich, N., Bongard, J., Bonnefon, J. F., Breazeal, C., ... & LeCun, Y.** (2019). Machine behaviour. *Nature*, 568(7753), 477–486.
- **Shrestha, Y. R., Ben-Menahem, S. M., & von Krogh, G.** (2019). Organizational Decision-making Structures in the Age of Artificial Intelligence. *California Management Review*, 61(4), 66–83.
- **Simon, H. A.** (1977). *The New Science of Management Decision* (Rev. ed.). Prentice-Hall.