DREAM Journal

JOURNAL OF DIGITAINABILITY, REALISM & MASTERY (DREAM)
e-ISSN: *2948-4383*
Volume 04, Issue 09,
September 2025
Article DOI: *10.56982/dream.v4i09.317*

Adoption of Artificial Intelligence in Business Management: Opportunities and Challenges

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ABSTRACT

This paper examines the adoption of artificial intelligence (AI) in business management by exploring its opportunities and challenges. AI has emerged as a transformative force that enhances decision-making, streamlines operations, fosters innovation, and strengthens organizational competitiveness. However, its adoption is also constrained by significant barriers, including technical integration issues, organizational resistance, skills shortages, ethical concerns, and economic limitations. By synthesizing existing theoretical frameworks such as the Technology–Organization–Environment model and the Resource-Based View, this paper develops a conceptual understanding of how AI adoption can be effectively managed to maximize benefits while mitigating risks. The study contributes to the literature by bridging the gap between technological potential and organizational readiness and provides practical implications for managers, policymakers, and future researchers in designing strategies for responsible AI integration.

KEYWORDS: Artificial Intelligence, Business Management, TOE, RBV

I. INTRODUCTION

Artificial intelligence (AI) has rapidly emerged as one of the most transformative technologies in business and management. Defined broadly as computational systems capable of performing tasks traditionally requiring human intelligence, AI has become central to digital transformation agendas across industries (Machucho & Ortiz, 2025). Businesses now employ AI applications in diverse areas such as customer service automation, demand forecasting, predictive maintenance, financial risk assessment, and human resource management. These applications not only improve efficiency and productivity but also enable organizations to deliver more personalized services, optimize decision-making, and reconfigure business models to remain competitive in dynamic markets (Song et al., 2025). Increasingly, firms are embracing the paradigm of "augmented intelligence," where human expertise and AI capabilities complement each other to enhance decision quality and organizational performance.

The adoption of AI is no longer a matter of strategic choice but a necessity for organizational survival and growth. Empirical studies indicate that firms adopting AI technologies achieve significant improvements in resource allocation, innovation, and overall competitiveness (Song et al., 2025). However, adoption is not without challenges. Organizations face obstacles related to infrastructure, data governance, workforce readiness, and integration into existing systems (Baabdullah et al., 2024). Beyond technical barriers, concerns about ethics, transparency, and algorithmic bias pose risks to organizational legitimacy and stakeholder trust (Machucho & Ortiz, 2025). Furthermore, recent evidence highlights the "dark side" of AI adoption, showing that poorly managed implementation can erode employee psychological safety and increase workplace stress (Kim et al., 2025). These realities underscore that AI adoption is both an opportunity and a challenge, demanding careful strategic and managerial attention.

The urgency of studying AI adoption in business management stems from several converging factors. First, the pace of technological development has accelerated, making AI a strategic imperative for organizations that wish to avoid competitive decline. Firms that delay adoption risk falling behind in innovation and operational efficiency. Second, the complexity and risks associated with adoption highlight the need for conceptual clarity. Existing research often examines adoption in narrow contexts, but there is still limited integrative theory capturing how opportunities and challenges interact across organizational functions (Baabdullah et al., 2024). Third, external pressures from regulators, customers, and broader society demand that businesses adopt AI responsibly, balancing efficiency gains with accountability and fairness. This external environment intensifies the urgency of understanding adoption processes and outcomes. Finally, there is significant practical relevance: managers seek frameworks to guide decision-making about AI integration, while policymakers require insights to regulate and support responsible digital transformation.

Taken together, these factors justify the need for a conceptual exploration of AI adoption in business management. By synthesizing existing literature, identifying key opportunities and challenges, and proposing an integrative framework, this study aims to advance theoretical understanding while offering practical insights for organizational leaders and policymakers. In doing so, it responds to an urgent and evolving agenda that lies at the intersection of technology, management, and society.

The rapid evolution of Artificial Intelligence (AI) has profoundly transformed business management practices, creating both unprecedented opportunities and complex challenges. Organizations across industries are deploying AI tools to optimize decision-making, automate processes, enhance customer engagement, and generate strategic insights. However, despite this growing momentum, significant concerns remain regarding the ability of firms to fully realize value from AI adoption. Recent evidence indicates that while investment in AI has increased, many organizations continue to report limited scaling success, stalled initiatives, and unsatisfactory returns on AI projects (McKinsey, 2025). This gap between potential and realized value underscores the need for a comprehensive conceptual understanding of AI adoption in business management.

Existing literature provides valuable insights into specific applications of AI, but remains fragmented. Studies have primarily examined adoption factors through theories such as the Technology Acceptance Model (TAM), Unified Theory of Acceptance and Use of Technology (UTAUT), and the Technology-Organization-Environment (TOE) framework. Yet, the research focus has often been narrow, emphasizing individual industries or particular technologies, leaving broader cross-sectoral perspectives underexplored (Khanfar, Kiani Mavi, Iranmanesh, & Gengatharen, 2024). Furthermore, emerging technologies such as generative AI pose new uncertainties, with recent systematic reviews identifying only a limited number of studies that address their implications for managerial roles, performance measurement, and organizational structures (Mackenzie et al., 2025). Scholars have also highlighted the underdevelopment of research that integrates ethical, cultural, and organizational readiness issues into a holistic model of AI adoption (Maiti, Kayal, & Vujko, 2025). These gaps reflect a pressing research problem: how to conceptualize the adoption of AI in business management by synthesizing opportunities and challenges in a manner that accounts for contextual and moderating factors.

The purpose of this paper is to address this research problem by developing a conceptual framework that integrates the opportunities, challenges, and contextual factors surrounding AI adoption in business management. Specifically, this study seeks to achieve four objectives: (1) review and synthesize the literature to identify opportunity and challenge domains in AI adoption; (2) integrate multiple theoretical perspectives to provide a more comprehensive understanding of adoption pathways; (3) highlight moderating factors such as organizational culture, leadership, and governance capabilities; and (4) propose directions for future research that empirically validate and extend the proposed framework. By fulfilling these objectives, this paper contributes to both the theoretical advancement of AI adoption research and the practical guidance required by managers navigating digital transformation.

The significance of this study is threefold. From an academic perspective, it enriches existing scholarship by offering a synthesized, theory-driven model that connects fragmented research strands, thereby extending the literature on adoption and organizational change. For practitioners, the framework provides actionable insights that enable managers to balance opportunities against potential risks, supporting informed decision-making in areas such as investment, governance, and workforce adaptation. Finally, for policymakers, the findings hold value in shaping regulatory frameworks and ethical guidelines, ensuring that AI adoption supports innovation while safeguarding transparency, accountability, and fairness. In this way, the study not only advances academic discourse but also informs managerial practice and policy development, contributing to the responsible and sustainable integration of AI into business management.

II. LITERATURE REVIEW

A. AI in Business Management: Applications and Adoption Theories

Artificial intelligence (AI) has become an increasingly transformative force in business management, reshaping traditional practices and introducing new ways of creating value. In recent years, organizations across

industries have embraced AI to optimize decision-making, manage human resources, strengthen financial operations, streamline supply chains, and enhance customer service. These developments highlight AI's potential to improve efficiency and competitiveness, but they also require robust theoretical frameworks to explain how organizations adopt and integrate such technologies.

i. Applications of AI in Business Management.

In decision-making, AI enables organizations to process vast amounts of data to generate insights, predict outcomes, and support strategic choices. A recent study by Song, Qiu, and Liu (2025) demonstrated that AI adoption significantly improves decision efficiency and performance, particularly when perceived usefulness and ease of use are high. Similarly, in human resources, AI technologies are applied in recruitment, performance evaluation, and talent management. Research by Dima, Gilbert, Dextras-Gauthier, and Giraud (2024) found that AI in HR enhances automation and data utilization but also raises concerns about transparency and bias.

In finance, AI plays a crucial role in forecasting, fraud detection, and portfolio management. Bahoo, Cucculelli, Goga, and Mondolo (2024) provided a comprehensive review showing how AI advances risk assessment and trading efficiency, though concerns about systemic risk and accountability remain. In supply chain management, AI strengthens resilience, optimization, and sustainability. Teixeira et al. (2025) argued that AI-driven supply chains increasingly rely on explainable AI (XAI) to ensure trust and human–AI collaboration. Finally, customer service has seen the integration of chatbots and virtual assistants, which enhance efficiency and customer experience. Lin (2024) and Ferraro (2024) observed that while AI augments service delivery, challenges persist around empathy, escalation, and maintaining customer trust.

ii. Adoption Theories and Models.

To understand how AI is adopted in business contexts, several theoretical frameworks are commonly applied. The Technology Acceptance Model (TAM) posits that perceived usefulness and ease of use are central determinants of technology adoption (Davis, 1989). Song et al. (2025) confirmed TAM's relevance in AI contexts, showing that leadership support enhances these perceptions, which in turn foster adoption.

The Technology–Organization–Environment (TOE) framework provides a broader perspective by examining technological readiness, organizational resources, and external environmental pressures. Badghish, Ahmad, and Al-Ghamdi (2024) applied TOE to SMEs and found that human capital, market demand, and government support were crucial determinants of AI adoption, outweighing cost considerations in many cases.

The Diffusion of Innovations (DOI) theory further explains adoption as a social process influenced by innovation attributes and adopter categories (Rogers, 2003). Patnaik, Sharma, and Mohanty (2024) highlighted that transformational leadership can amplify perceived advantages and compatibility of AI, accelerating diffusion within organizations. Ibrahim et al. (2025) also identified adopter clusters consistent with DOI's categories, indicating that AI adoption follows predictable social diffusion patterns.

Taken together, these models suggest that AI adoption in business management cannot be fully explained by any single framework. Instead, hybrid approaches that integrate TAM's perceptual factors, TOE's contextual dimensions, and DOI's social diffusion mechanisms provide richer insights into organizational adoption behaviors. Such integrative perspectives are increasingly necessary to understand the complexity of AI implementation across diverse industries.

B. Previous Studies and Identified Gaps

Over the past decade, artificial intelligence (AI) has moved from a peripheral technology to a central driver of business management practices. Global surveys consistently show an upward trajectory in adoption rates. For example, McKinsey's *State of AI* surveys (2024; 2025) reveal that nearly two-thirds of organizations had already incorporated generative AI into at least one business function by 2024, with adoption continuing to expand in 2025 despite rising concerns over risk management (McKinsey & Company, 2024, 2025). Similarly, a 2024 executive study by the Boston Consulting Group reported that while AI adoption is widespread, nearly three-quarters of companies still struggle to achieve and scale value, with success concentrated in digitally mature sectors such as software and banking (Boston Consulting Group, 2024). These findings suggest that although adoption is accelerating, the realization of tangible business value remains uneven.

Scholarly studies reinforce these survey results. Empirical research documents that AI adoption can enhance decision-making, improve operational efficiency, and create opportunities for innovation when aligned with appropriate organizational capabilities (Dwivedi et al., 2021; Ransbotham et al., 2022). The MIT Sloan Management Review–BCG series demonstrates that firms report stronger financial outcomes when frontline employees derive personal value from AI, indicating that human factors play a critical role in shaping organizational benefits (Ransbotham et al., 2022). Furthermore, strategic management perspectives emphasize that AI reshapes the foundations of competitive advantage, requiring firms to develop new managerial and organizational capabilities to complement technological adoption (Krakowski et al., 2023).

Despite the potential benefits, barriers to adoption are well documented. Studies identify technical constraints such as poor data quality, lack of integration with legacy systems, and model opacity as critical hurdles (Ahmed et al., 2023). Organizational challenges include resistance to change, digital skills gaps, and insufficient leadership support (Hradecky et al., 2022). Beyond the organizational domain, regulatory uncertainty and privacy concerns add layers of complexity, particularly in industries that interact directly with consumers or operate in heavily regulated environments (Rjab & Mellouli, 2023). More recent work highlights the rise of "shadow AI," or the unsanctioned use of third-party tools, which creates new risks related to security, liability, and governance (Renieris et al., 2023).

Although prior research has generated important insights, several gaps remain. First, the managerial implications of AI adoption are still undertheorized. Conceptual work on the automation–augmentation paradox

argues that managers must balance automation with the augmentation of human judgment (Raisch & Krakowski, 2021). However, there is a lack of longitudinal empirical evidence on how AI reconfigures managerial work, decision rights, and organizational culture over time. Second, ethical issues are often addressed superficially. While existing studies stress the importance of accountability, transparency, and fairness, there is limited exploration of how organizations can embed these principles into everyday managerial practices and governance frameworks (Dwivedi et al., 2021; Renieris et al., 2023). Third, organizational readiness has been studied largely in pre-adoption contexts. Research drawing on the Technology–Organization–Environment (TOE) framework and Technology Readiness Index (TRI) identifies antecedents such as leadership commitment, data infrastructure, and risk governance (Hradecky et al., 2022; Uren et al., 2023). Yet, little is known about how readiness evolves across the adoption lifecycle from pilot projects to enterprise-wide scaling and how it links to sustained performance outcomes.

In summary, previous studies confirm that AI adoption in business management is rising rapidly and can generate significant organizational benefits. At the same time, technical, organizational, and ethical barriers persist. The current literature remains fragmented, particularly regarding managerial implications, ethical embedding, and dynamic readiness. Addressing these gaps is crucial for moving beyond adoption rates toward a more nuanced understanding of how organizations can achieve sustainable value from AI.

III. METHODOLOGY

C. Conceptual Foundations and Theoretical Underpinning

The adoption of artificial intelligence (AI) in business management is increasingly recognized as a transformative process that requires strong conceptual foundations. To frame the adoption process, this study draws upon several theoretical lenses, notably the Technology Organization Environment (TOE) framework, the Resource-Based View (RBV), and Institutional Theory. Together, these frameworks provide a comprehensive basis for understanding the multifaceted opportunities and challenges associated with AI adoption.

The TOE framework, originally proposed by Tornatzky and Fleischer (1990), remains one of the most influential models for examining technology adoption in organizations. It emphasizes three interrelated contexts: the technological context, which considers characteristics such as complexity, compatibility, and relative advantage; the organizational context, which reflects firm size, management support, and available resources; and the environmental context, which captures external pressures, including competitors, regulations, and market conditions. Recent studies highlight the relevance of TOE in understanding AI adoption. For example, Yang et al. (2024) demonstrate that technological compatibility, managerial readiness, and institutional pressure jointly influence the successful implementation of AI in service organizations. Similarly, Yuan et al. (2025) extend TOE to account for the adoption of generative AI, showing that both organizational capabilities and environmental legitimacy pressures drive adoption outcomes. The TOE framework is therefore valuable in identifying key

determinants, but it has been critiqued for treating organizational resources as static, which limits its explanatory power.

To address this limitation, scholars have combined TOE with the Resource-Based View (RBV), which provides a strategic perspective on how internal capabilities shape technology adoption. RBV emphasizes that competitive advantage derives from resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Within the context of AI, resources such as data infrastructure, skilled human capital, and absorptive capacity become critical enablers of adoption. Firms with stronger technological resources are better positioned to integrate AI into their processes, leverage insights for decision-making, and capture long-term value (Nguyen, 2022). Moreover, RBV highlights that adoption success is not merely about acquiring technology but about developing organizational routines and learning mechanisms to sustain its benefits. While TOE identifies external and internal conditions for adoption, RBV explains why some firms are more capable than others in transforming these conditions into enduring competitive advantage.

Complementing these perspectives, Institutional Theory provides insights into the broader social, cultural, and regulatory environment in which AI adoption occurs. Institutional Theory posits that organizations often adopt innovations not only for efficiency but also to gain legitimacy, conform to norms, or comply with regulatory expectations (DiMaggio & Powell, 1983). In the case of AI, institutional pressures such as evolving data governance policies, ethical guidelines, and professional standards play a pivotal role. Larsen (2021) argues that AI systems are shaped as much by institutional legitimacy as by technical considerations, with firms responding to regulatory mandates and public expectations in their adoption strategies. Recent studies also show that organizations adopt AI to signal innovativeness and alignment with societal expectations, even when the immediate operational benefits are uncertain (Neumann et al., 2024). Thus, Institutional Theory underscores the role of normative and cognitive pressures in shaping adoption trajectories.

In addition to theoretical underpinnings, it is necessary to clarify the conceptual definitions central to this paper. AI adoption is defined here as the organizational decision and implementation process of integrating AI technologies into business operations, decision-making, and strategic activities (McElheran, 2024). This definition emphasizes both breadths, such as the range of functional areas where AI is applied, and depth, such as the degree of integration into core processes. The notion of opportunities refers to the positive potential outcomes associated with AI adoption, including enhanced operational efficiency, improved decision-making, business model innovation, and customer personalization (Broekhuizen et al., 2023; Enholm et al., 2022). Conversely, challenges are conceptualized as barriers and risks that impede or complicate adoption, ranging from technical complexity and data integration issues to organizational resistance, ethical concerns, and regulatory uncertainty (Sánchez et al., 2025; Budhwar et al., 2022).

Taken together, these theoretical and conceptual foundations provide a robust underpinning for examining AI adoption in business management. The TOE framework situates adoption within technological, organizational, and environmental contexts; RBV highlights the strategic value of internal resources and capabilities; and

Institutional Theory accounts for the external legitimacy and normative pressures shaping adoption. By combining these perspectives with clear definitions of AI adoption, opportunities, and challenges, this paper establishes a comprehensive foundation for analyzing both the drivers and constraints of AI integration in contemporary organizations.

D. Opportunities of AI Adoption in Business Management

The adoption of artificial intelligence (AI) in business management presents a wide range of opportunities that can transform how organizations operate, compete, and deliver value. One of the most significant contributions of AI is its ability to enhance decision-making and predictive analytics. By processing vast amounts of structured and unstructured data, AI systems can identify complex patterns and trends that are often beyond the capacity of human cognition. For instance, Brynjolfsson et al. (2025) demonstrate that generative AI tools embedded into workplace processes not only improve the speed and quality of decision-making but also help less experienced workers enhance their problem-solving capabilities. Similarly, Kumar et al. (2024) highlight that predictive analytics powered by AI enables managers to shift from reactive to proactive strategies, particularly in areas such as demand forecasting, churn prediction, and maintenance planning, thereby increasing both responsiveness and accuracy.

In addition to decision-making, AI adoption contributes substantially to automation and operational efficiency. Firms have increasingly deployed AI to automate routine tasks, optimize workflows, and reduce inefficiencies across operations. Czarnitzki et al. (2023) found that AI adoption at the firm level is positively associated with productivity gains, suggesting that automation not only streamlines repetitive functions but also complements existing assets by freeing human resources for more strategic roles. Industry-level studies also reveal that AI-intensive sectors have demonstrated significant productivity growth relative to other sectors, further reinforcing the efficiency-enhancing effects of AI (PwC, 2024).

AI also functions as a catalyst for innovation in business models and services. Beyond improving existing processes, AI generates opportunities for organizations to experiment with novel ways of creating, delivering, and capturing value. Jorzik et al. (2024) argue that AI is increasingly central to business model innovation, with applications ranging from data-as-a-service to personalized digital platforms. Empirical evidence indicates that firms investing in AI often experience higher sales growth and enhanced market valuations as a result of product and service innovations (Babina et al., 2024). Case studies similarly show how AI capabilities support scalable platform-based business models that integrate intelligent connectivity and governance structures (Z. Zhang et al., 2025).

Moreover, AI technologies are reshaping the customer experience by enabling personalization at scale. Through advanced algorithms, organizations can customize product recommendations, optimize communication timing, and deliver tailored services that increase consumer engagement. Kumar et al. (2024) note that the integration of AI across marketing functions from targeting and pricing to promotion and customer service has significantly improved customer experience outcomes. Complementary findings by Beyari (2025) reveal that AI-

driven personalization in social media marketing directly enhances customer satisfaction, while also fostering stronger brand loyalty. These outcomes underscore the strategic role of AI in creating meaningful, long-term relationships with customers.

Finally, the adoption of AI enhances competitive advantage and strategic resilience. By strengthening an organization's ability to sense opportunities, seize them, and reconfigure resources dynamically, AI contributes to improved robustness under volatile conditions. Zhang et al. (2025) emphasize that AI supports "innovation resilience," allowing firms to maintain and restore innovative output during disruptive events. Similarly, Guo et al. (2025) highlight how AI-enabled supply chains are better equipped to adapt and recover in the face of uncertainties, ultimately improving systemic resilience. Taken together, these findings position AI not only as a tool for short-term efficiency but also as a strategic resource that can sustain competitive advantage in uncertain business environments.

E. Challenges of AI Adoption in Business Management

Although artificial intelligence (AI) has emerged as a transformative force across industries, its adoption in business management is often hindered by multiple interrelated challenges. These challenges can be broadly categorized into technical, organizational, ethical-legal, economic, and cultural-contextual dimensions. Understanding these obstacles is crucial for conceptualizing AI adoption frameworks and identifying boundary conditions that shape organizational outcomes.

From a technical standpoint, firms face significant barriers related to infrastructure readiness, data quality, and system integration. Legacy IT systems, fragmented data environments, and inconsistencies in data governance often limit the scalability of AI initiatives (Hradecky et al., 2022; Uren et al., 2023). Integration with existing business processes can be complex, requiring substantial investments in data pipelines and modernization before organizations can realize value from AI deployment (Robertson et al., 2025). These technical bottlenecks often delay adoption and increase the risks of project failure.

Human and organizational challenges are equally prominent. Businesses frequently struggle with shortages of skilled personnel in areas such as data engineering, AI ethics, and security, which are critical for responsible AI adoption (AI Workforce Consortium, 2025). Moreover, resistance to change among employees and leaders can slow down implementation. Studies highlight that organizational readiness particularly in terms of leadership support, change management, and workforce training is a decisive factor in determining whether AI adoption leads to meaningful performance gains (Babashahi et al., 2024; Hradecky et al., 2022).

Ethical and legal concerns constitute another layer of complexity. Issues of bias, transparency, data privacy, and accountability continue to dominate AI governance debates. The introduction of the European Union's AI Act in 2024, with phased application beginning in 2025, illustrates the increasing regulatory scrutiny over AI deployment (European Commission, 2024). Parallel efforts such as the U.S. National Institute of Standards and Technology (NIST) AI Risk Management Framework (2023) and the ISO/IEC 42001:2023 standard reinforce the

global push for responsible AI use. These frameworks raise compliance requirements, particularly for organizations operating in multiple jurisdictions, and failure to align with them may result in reputational damage and legal liabilities (NIST, 2023; ISO, 2023).

Economic constraints also play a critical role in shaping adoption decisions. Implementing AI requires significant upfront investments in infrastructure, tools, and talent, while the return on investment (ROI) remains uncertain. Recent industry reports indicate that a majority of companies struggle to capture and scale business value from AI, with many pilot projects failing to transition into enterprise-wide deployments (Boston Consulting Group [BCG], 2024). The uncertainty of financial returns often makes decision-makers hesitant to commit to large-scale adoption.

Finally, cultural and contextual challenges influence adoption patterns across regions and industries. Research suggests that national cultural dimensions, regulatory environments, and institutional maturity significantly affect the pace and scope of AI integration (Denford et al., 2025). For example, small and medium-sized enterprises (SMEs) frequently cite financial barriers, legal uncertainty, and technological complexity as key obstacles to AI adoption (Schwaeke et al., 2025). Similarly, cross-cultural studies demonstrate that acceptance and trust in AI vary among leaders in Western and Eastern contexts, underscoring the importance of considering cultural moderators in adoption frameworks (Strandt et al., 2025).

Taken together, these challenges illustrate that AI adoption in business management is not simply a matter of technological availability. Instead, it is conditioned by a complex interplay of technical readiness, human capacity, ethical compliance, financial feasibility, and socio-cultural context. For conceptual research, these factors serve as critical boundary conditions that must be recognized in order to build robust theoretical models and guide empirical inquiry.

IV. DISCUSSION & RECOMENDATION

F. Discussion

The synthesis of insights from the literature and the proposed conceptual framework highlights the complex and multifaceted nature of artificial intelligence (AI) adoption in business management. Prior studies consistently demonstrate that AI adoption is associated with improved operational efficiency, enhanced decision-making, and the creation of innovative business models (Machucho & Ortiz, 2025). However, empirical evidence also reveals that these opportunities are accompanied by organizational, technical, and ethical challenges that can significantly constrain the realization of AI's potential (Romeo et al., 2025). By integrating these dual perspectives, our conceptual framework emphasizes that AI adoption is not a straightforward input–output relationship but rather a process mediated and moderated by factors such as organizational readiness, regulatory environments, and governance structures. In particular, smaller firms and SMEs tend to struggle more with AI integration due to limited resources and lower absorptive capacity, thereby reinforcing the importance of capability building as a mediating factor between adoption and performance outcomes (Schwaeke et al., 2025). Similarly, ethical concerns

related to bias, accountability, and transparency act not merely as peripheral considerations but as contingent constraints that fundamentally shape adoption trajectories (Maiti et al., 2025).

For managers and organizations, these findings carry several practical implications. Successful adoption of AI requires a deliberate investment in organizational readiness, which includes data quality assurance, IT infrastructure development, and effective change management systems. Without these foundational capacities, even well-designed AI initiatives are prone to failure or suboptimal results (Romeo et al., 2025). Moreover, the framework suggests that firms should embrace a phased approach to AI integration, beginning with pilot projects that allow for controlled experimentation and gradual scaling. This mitigates risks, builds internal confidence, and enables firms to refine their strategies. The need to integrate ethical and governance safeguards early in the adoption process is also essential, as embedding transparency and accountability protocols from the outset aligns with principles of responsible and human-centered AI (Tjondronegoro et al., 2022). These managerial implications demonstrate that AI adoption is not a one-off technological investment but an ongoing transformational journey where human, organizational, and governance dimensions evolve alongside technological capabilities.

From a theoretical perspective, this paper advances the study of AI adoption by extending and integrating existing frameworks. Unlike prior models that rely solely on singular theories such as the Technology–Organization–Environment (TOE) framework or Diffusion of Innovation theory, the proposed model draws upon a hybrid lens that combines TOE, Resource-Based View (RBV), and institutional perspectives. This integrative approach enhances explanatory power by accounting for the heterogeneity of outcomes across firms and industries. Additionally, the framework foregrounds mediating mechanisms such as absorptive capacity and governance maturity, as well as moderating contingencies like firm size and regulatory pressures, which have often been overlooked in earlier studies. By explicitly situating ethical and regulatory constraints as structural elements rather than peripheral considerations, the framework responds to recent calls in the literature for a more holistic and responsible view of AI adoption (Maiti et al., 2025). In doing so, it contributes a theoretically grounded scaffold that better explains the dynamic interplay between technological potential and organizational or institutional realities.

The framework also has significant policy implications. Regulators must strike a delicate balance between ensuring accountability, fairness, and transparency, while simultaneously maintaining flexibility that encourages experimentation and innovation. Overly rigid regulations risk stifling adoption, particularly among SMEs, whereas proportionate frameworks such as ethical AI standards and transparency mandates can enhance trust without creating undue burdens. Policymakers also play a critical role in building organizational and workforce capabilities through targeted capacity-building initiatives, particularly for smaller firms that face resource constraints. The development of certification schemes, third-party audits, and sectoral standards can further reduce uncertainty and foster widespread adoption. At the same time, the social implications of AI adoption necessitate policies that support workforce reskilling and retraining to mitigate the risks of displacement while encouraging the creation of collaborative human AI roles. Public private partnerships, regulatory sandboxes, and

co-designed governance mechanisms offer pathways to inclusive and adaptive regulatory regimes that align innovation with ethical and societal objectives.

In conclusion, the discussion underscores that AI adoption in business management represents both an opportunity and a challenge. Its transformative potential is contingent on organizational readiness, ethical governance, and adaptive regulatory frameworks. By synthesizing insights from the literature and extending theoretical foundations, the proposed conceptual framework contributes to a more nuanced understanding of AI adoption that acknowledges its complexity, contextual dependencies, and ethical dimensions. This understanding provides valuable guidance for managers, policymakers, and scholars alike in navigating the opportunities and challenges of AI-driven business transformation.

G. Future Research Directions

Although this conceptual paper advances an integrated understanding of opportunities and challenges in adopting artificial intelligence (AI) within business management, further research is required to empirically examine and refine these propositions. Several key directions stand out.

First, future work should focus on the empirical validation of the conceptual framework. While theoretical models provide structure, they must be tested against real-world data to establish reliability and validity. Scholars have emphasized the importance of operationalizing AI readiness and adoption dimensions using robust measurement models such as confirmatory factor analysis or structural equation modeling (Tursunbayeva & Chalutz-Ben Gal, 2024; Tehrani et al., 2024). Empirical studies can also assess predictive validity by linking AI adoption to organizational outcomes such as innovation performance, productivity, and resilience. Moreover, longitudinal validation would be particularly valuable, given that the benefits of AI adoption often unfold gradually, with short-term disruptions followed by long-term gains (Reuters, 2025).

Second, industry-specific investigations are needed to capture the contextual differences in AI adoption across sectors. In banking, research highlights both opportunities in automation and credit analytics, as well as risks linked to systemic stability and regulation (Vuković et al., 2025; Financial Stability Board, 2024). In healthcare, AI adoption faces barriers related to privacy, data integration, and ethical use, making it crucial to explore how these factors influence clinical safety and patient outcomes (Hassan et al., 2024; Poon et al., 2025). In manufacturing, AI has been studied as a new factor of production, but more empirical work is needed to quantify its complementarities with labor and capital (Lindberg et al., 2025). Similarly, in education, studies show mixed readiness levels among institutions, with adoption outcomes shaped by leadership, digital infrastructure, and policy frameworks (Polyportis et al., 2024; Alharbi et al., 2025). Such sectoral research would allow scholars and practitioners to design more tailored adoption strategies.

Third, longitudinal studies should be prioritized to capture the dynamic nature of AI integration. Most existing studies rely on cross-sectional designs that overlook how organizational learning, capability development, and governance maturity evolve over time. Longitudinal research can reveal both the challenges of initial

implementation and the delayed benefits of AI adoption (Polyportis et al., 2024). It can also help identify tipping points where investment in complementary resources such as workforce training and data governance translate into disproportionate performance gains. By tracing these trajectories, researchers can provide managers with more realistic expectations about the timeline of AI payoffs.

Finally, there is a clear need for comparative studies between developed and developing countries. Current evidence suggests that while developed economies often focus on scaling advanced analytics and automation, developing countries face infrastructure gaps, regulatory uncertainties, and skills shortages that shape adoption differently (Ilomata Journal of Management, 2024). For example, China has reported higher rates of generative AI uptake than many Western countries, yet its adoption is embedded within unique governance and ecosystem dynamics (Reuters, 2024). Comparative studies could therefore examine how institutional factors such as digital infrastructure, legal frameworks, and cultural attitudes toward technology moderate adoption outcomes. These insights would enrich global perspectives and help policymakers in emerging economies design supportive environments for AI-driven transformation.

In summary, advancing the study of AI adoption in business management requires moving beyond conceptual theorization to empirical validation, industry-specific insights, longitudinal tracking, and comparative international analyses. By addressing these directions, scholars can develop a more nuanced and context-sensitive understanding of how AI reshapes business management, while providing practitioners with actionable strategies to navigate the opportunities and challenges ahead.

V. CONCLUSION

This paper set out to explore the adoption of artificial intelligence (AI) in business management, with the aim of understanding both the opportunities and challenges associated with this technological transformation. The purpose was to provide a comprehensive overview of how AI is reshaping managerial practices, while also acknowledging the barriers that hinder its effective implementation. The arguments presented throughout the paper highlight that AI adoption is not merely a technological upgrade but a strategic necessity in today's volatile and competitive business environment.

The discussion emphasized that the opportunities of AI adoption are extensive and promising. AI enhances decision-making by enabling predictive insights, pattern recognition, and real-time analytics that improve organizational responsiveness. It also automates repetitive processes, reduces costs, and frees human resources for higher-value tasks. Furthermore, AI stimulates innovation by creating new business models, enabling hyper-personalized customer experiences, and driving agility and competitiveness in global markets. These opportunities are supported by recent findings, such as Zhan (2024), who argues that AI-enabled firms outperform their competitors in adaptability and long-term growth.

At the same time, the challenges of AI adoption are significant and cannot be overlooked. Technical issues, such as integrating AI with legacy systems and ensuring data quality, remain persistent barriers. Organizationally, firms often face resistance to change, skills shortages, and weak alignment between AI initiatives and strategic goals. Ethical concerns, including bias, transparency, and accountability, also complicate adoption, raising critical questions of fairness and trust in automated decision-making. As Fenwick, Vermeulen, and Compagnucci (2024) point out, the governance of AI requires both innovation and careful regulation to avoid unintended consequences. Economic constraints further exacerbate these challenges, particularly for small and medium enterprises that lack the resources to invest in large-scale AI solutions (Schwaeke et al., 2025).

The contribution of this paper lies in integrating these opportunities and challenges into a conceptual framework that both advances the literature and provides practical guidance. For scholars, this framework extends existing theories such as the Technology-Organization-Environment model and the Resource-Based View by situating them in the unique context of AI adoption. It also identifies key gaps in the literature, such as the need for longitudinal studies on adoption outcomes and comparative research across industries and regions. For practitioners, the paper offers a roadmap for assessing organizational readiness, managing risks, and strategically embedding AI into core operations. Policymakers can also draw from this study, as it underscores the importance of designing flexible but robust governance mechanisms to balance innovation with societal trust.

In conclusion, the adoption of AI in business management is both a pathway to unprecedented opportunities and a terrain of complex challenges. Its successful integration depends on the capacity of organizations to not only invest in technology but also to build the necessary skills, culture, and governance structures to support it. While AI holds the promise of transforming business into more intelligent, innovative, and resilient systems, its future impact will be determined by how well organizations navigate the tension between technological potential and organizational readiness. This paper therefore contributes to the ongoing academic and practical discourse by laying a conceptual foundation for future research and providing actionable insights for managers and policymakers in the evolving age of intelligent enterprises.

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