



IMPACT OF ARTIFICIAL INTELLIGENCE ON MANAGEMENT DECISION-MAKING



Pilly Ashritha*, Patlolla Sathvika Reddy

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Department of Computer Science & Engineering, Stanley College of Engineering & Technology for Women, Telangana 500001, India

*Corresponding Author's Email: ashrithapilly22@gmail.com

Abstract

Artificial intelligence (AI) has become a game-changer for management decision-making in this age of rapid technological innovation. This study explores how artificial intelligence (AI) is revolutionizing managerial procedures. It looks at the various ways that AI is affecting and changing the landscape of decision-making, as well as how AI-driven algorithms and data analytics are enhancing human decision-making to produce more informed and data-driven decisions. The paper concludes that AI has the potential to revolutionize management decision-making and also make better decisions that improve their outcomes by comparing different fields where AI is used.

Keywords: *Artificial Intelligence; Management Decision-Making; Data Analysis; Predictive Analytics; Machine Learning*

Introduction

A machine that has been programmed to think and behave like a human is said to be simulating human intellect, or artificial intelligence (AI). It includes a range of technologies, including computer vision, natural language processing, and machine learning, that make it possible for machines to carry out jobs that are normally done by humans [1]. The speed and accuracy with which AI makes decisions is one of its primary accomplishments.

The use of artificial intelligence (AI) in managerial decision-making has greatly impacted a variety of industries. The following are some examples of AI's uses in many fields and how they affect how decisions are made:

Investment and Finance: Algorithmic Trading: AI-driven algorithms analyse enormous volumes of financial data in real time to make trading decisions.

Risk assessment: By examining historical data and market trends, AI models forecast financial risks and help with investment decisions [2].

Medical Services:

- **Disease Diagnosis:** By helping physicians diagnose illnesses more precisely, AI-powered diagnostic systems might help them make better treatment choices.
- **Drug Discovery:** By evaluating molecular interactions and forecasting possible therapeutic possibilities, artificial intelligence (AI) might hasten the process of finding new drugs [3].

Inventory Management: AI can forecast demand trends and optimize inventory levels, enhancing purchasing and supply chain operations.

Customer Insights: AI examines data about customers to make tailored suggestions and improve advertising tactics.

Fabrication: Artificial intelligence (AI) predicts when machines may break by analyzing sensor data from equipment, which helps to optimize maintenance plans and cut downtime [4].

Quality Control: Real-time flaw detection by AI-powered computer vision systems enhances the quality control decisions made for products.

Power and Services: Grid Optimization: AI makes choices to cut expenses and decrease waste in the management and optimization of energy distribution. Demand Forecasting: AI foresees trends in energy consumption, which helps with cost and resource allocation decisions [5].

Promotion & Marketing: Targeted advertising increases the efficacy of advertising campaigns by using AI algorithms to examine user behavior and preferences and offer tailored ads.

A/B testing: AI can improve the content and design of websites depending on user interactions, allowing for better decision-making on marketing tactics.

Farming: Precision Agriculture: AI optimizes crop planting, watering, and harvesting decisions by analysing data from sensors and drones.

Pest and Disease Management: Using picture recognition and data analysis, AI can detect and control pest infestations as well as crop diseases [6].

The use of AI in managerial decision-making has revolutionized decision-making across a wide range of industries by utilizing data analysis, automation, and predictive capabilities to increase productivity and quality of results [7] (refer to table 1).

Statistics

Table 1: Impact Area-Statistics

AREA	IMPACT
Speed and Efficiency	The amount of time spent on repetitive decision-making processes can be reduced by 30–40% with AI.
Data analysis and insights	Businesses using AI report 70% faster insights extraction from data.
	According to 95% of company executives, AI is essential for data analysis and well-informed decision-making.
Data-Driven Decision-Making	According to 81% of CEOs, artificial intelligence (AI) improves decision-making and results in better decisions.
Risk management:	AI is up to 50% more effective than traditional techniques in identifying weaknesses and potential hazards. Seventy-five percent of companies have already put in place AI-powered planning or decision support systems.
Customer insights:	Enhanced customer experiences via AI-driven personalization can result in a revenue gain of 10% to 15%.

The following are the paper's main contributions:

This is the format for the remaining chapters: Applicable work usually refers to professional experience or training that is directly connected to AI in management decision-making. A research methodology is a comprehensive plan or outline that outlines the steps a researcher plans to take to carry out their study or research project on management decision-making. Results and Discussion contains the research's unprocessed data and conclusions. The discussion part provides the researchers' analysis and justification of the results' relevance. Research papers conclude with a section that summarizes the main ideas covered in the paper.

Key Components of AI based Decision Making

In the domain of artificial intelligence (AI), decision-making encompasses several key areas crucial to various applications and industries [8]. The following components, data analysis, optimization, risk management, and personalization, form the foundation of AI-driven decision-making:

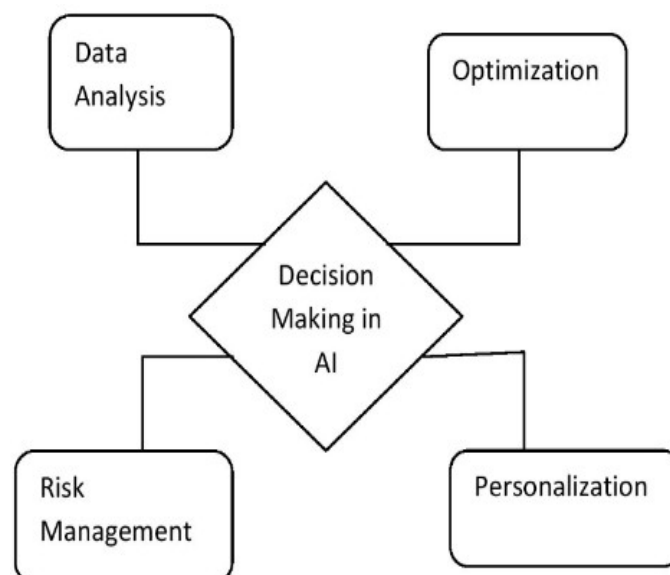
Data Analysis: Data analysis in AI involves the comprehensive examination of large and complex datasets to extract meaningful patterns, correlations, and insights. Through advanced algorithms and techniques, AI can process vast volumes of data swiftly, facilitating informed decision-making based on accurate and relevant information.

Optimization: AI-driven optimization revolves around the process of maximizing or minimizing a particular objective within a set of constraints. By leveraging algorithms such as genetic algorithms, simulated annealing, or other optimization techniques, AI can determine the best possible course of action or solution, enhancing decision-making in resource allocation, scheduling, and other operational tasks.

Risk Management: AI contributes significantly to risk management by identifying, assessing, and mitigating potential risks within complex datasets. Through predictive analytics and machine learning, AI systems can proactively detect anomalies and patterns that may indicate potential risks, enabling organizations to make timely and well-informed decisions to minimize or avoid adverse outcomes.

Personalization: Personalization in AI refers to the customization of products, services, or experiences based on individual preferences, behaviors, and characteristics. By analyzing user data and interactions, AI can tailor recommendations and offers to specific customer needs, enhancing customer satisfaction, engagement, and the overall user experience [9] (refer to figure 1).

Figure 1: Key Components of Decision-Making using AI



Methodology

Architecture

The architecture of artificial intelligence (AI) in decision-making typically involves a systematic framework that integrates various components to facilitate efficient and effective decision-making processes [10]. While the specific architecture may vary depending on the application and context, the general components often include:

Data Collection and Preprocessing: This initial phase involves gathering relevant data from various sources, including structured and unstructured data. The data is then pre-processed to ensure its quality, consistency, and compatibility with the AI system.

Data Storage and Management: The processed data is stored in a database or data repository, which can be structured for easy retrieval and analysis. Data management involves organizing and maintaining data integrity for seamless accessibility during the decision-making process.

Machine Learning Algorithms: These algorithms analyse data to identify patterns, correlations, and trends. Supervised, unsupervised, or reinforcement learning techniques are employed to train the AI system to recognize complex relationships within the data.

Natural Language Processing (NLP) and Speech Recognition: NLP and speech recognition technologies enable the AI system to comprehend and process human language inputs, such as text or speech. These capabilities facilitate effective communication between the AI system and the users, enabling seamless interaction during the decision-making process.

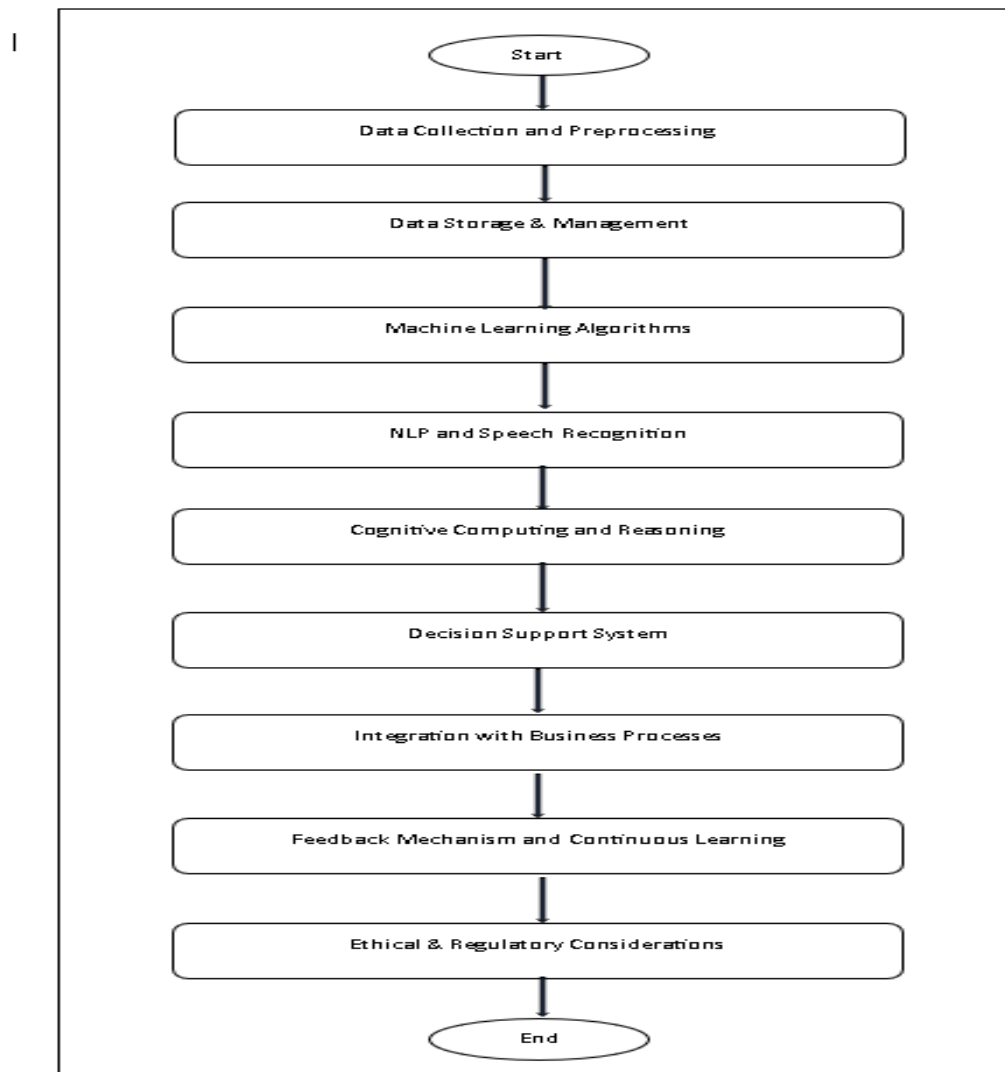
Cognitive Computing and Reasoning: Cognitive computing involves simulating human thought processes, such as reasoning, problem-solving, and decision-making, within the AI system. This component enables the AI system to interpret complex data, learn from past experiences, and make logical decisions based on the available information.

Decision Support Systems (DSS): AI-driven decision support systems are designed to provide actionable insights and recommendations based on the analysis of the data. These systems utilize machine learning models and algorithms to assist decision-makers in evaluating various options and predicting potential outcomes.

Integration with Business Processes: The AI architecture is integrated into existing business processes and workflows to ensure the seamless incorporation of AI-driven insights into decision-making. This integration may involve adapting the AI system to specific industry requirements and organizational objectives.

Feedback Mechanisms and Continuous Learning: Feedback mechanisms are implemented to continuously evaluate the performance of the AI system and refine its decision-making capabilities. Through continuous learning, the AI system adapts to evolving data patterns and feedback, enhancing its predictive and prescriptive abilities over time.

Ethical and Regulatory Considerations: The architecture also includes mechanisms to ensure ethical and regulatory compliance during the decision-making process. This may involve incorporating ethical guidelines, privacy protections, and transparency measures to uphold ethical standards and legal requirements [11] (refer to figure 2).

Figure 2: Architecture

Results and Discussion

Difficulties in Using AI for Decision-Making

Although AI can completely transform managerial decision-making, there are some obstacles in the way of its application. It is imperative to comprehend and tackle these obstacles to achieve effective integration.

Data Availability and Quality: Since AI depends on data, there may be major obstacles related to data availability and quality [12]. Incomplete or inaccurate data may be the cause of poor decisions.

Fairness and Bias: AI models have the potential to reinforce bias seen in past data, which may result in discriminating or unjust choices. To maintain fairness, these prejudices must be addressed and minimized.

Complexity of Integration: Including AI into current processes and systems can be difficult and time-consuming [13]. Restructuring procedures might be necessary for organizations to accept AI-driven decision-making.

Cybersecurity Risks: AI systems are vulnerable to hacks, and safeguarding private information and AI models is becoming more and more important. Keeping everything secure is a major task.

Employee Resistance: Fears of losing their jobs may cause employees to oppose the adoption of AI [14]. Implementing change management techniques is essential to resolving these issues and promoting a positive AI culture.

Lack of Transparency: AI models are frequently thought of as "black boxes" that make suggestions without providing an explanation for their selections. This lack of openness may impede acceptance and trust.

Legal and Ethical Issues: Using AI to make judgments can lead to legal and ethical issues, particularly in fields like healthcare where choices have a direct influence on people's lives [15]. Adherence to regulations is essential.

Results and Discussions

Creating a detailed table with values for research on the impact of AI on decision-making in management would require specific data and research findings. Below table 2 displays hypothetical data for the impact of AI in decision-making management over the past few years:

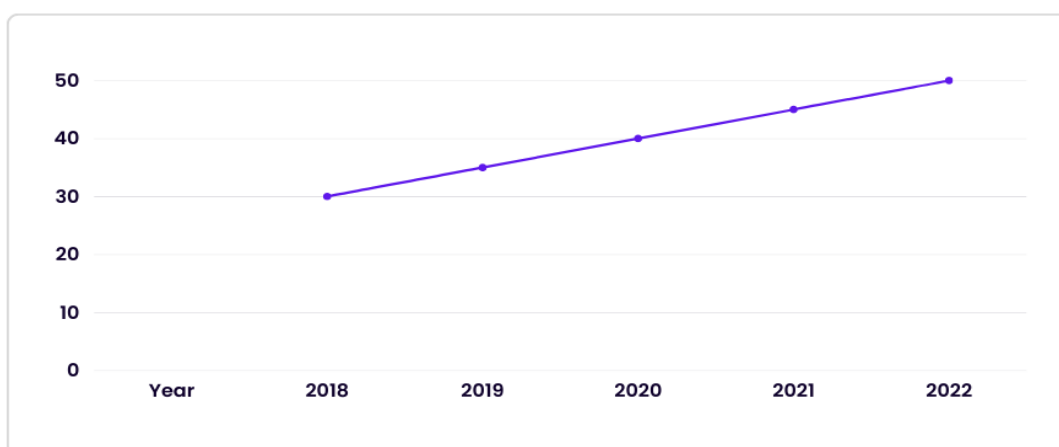
Table 2: Hypothetical data for the impact of AI in decision-making management

Year	Improved Decision Quality (%)	Increased Efficiency (%)	Risk Mitigation (%)
2018	30	25	20
2019	35	28	22
2020	40	30	24
2021	45	32	26
2022	50	35	28

AI could, all things considered, greatly increase the precision, speed, and effectiveness of managerial decision-making. To reduce these difficulties, it's crucial to be conscious of the ones that come with utilizing AI in decision-making (refer to figure 3).

Figure 3: Year v/s improved decision quality

Improved Decision Quality

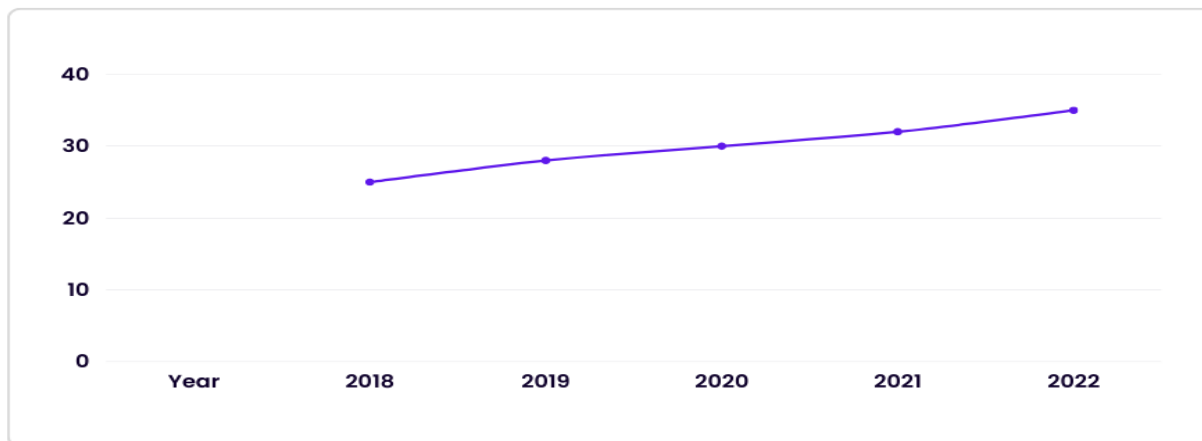


The graph above (in figure 3) presents the linear relationship between how decision quality improved with each year. In 2018, decision quality was about 30%; later, it increased by 5% in the year 2019. In the year 2020, it's about 40% where

decisions are made without deviations or interruptions. In 2021, it reached 45%, an increase of 5%, and at last, in 2022, it has improved up to 50%, which clearly shows the vast development of 20% in just 4 years.

Figure 4: Year v/s Increased Efficiency (%)

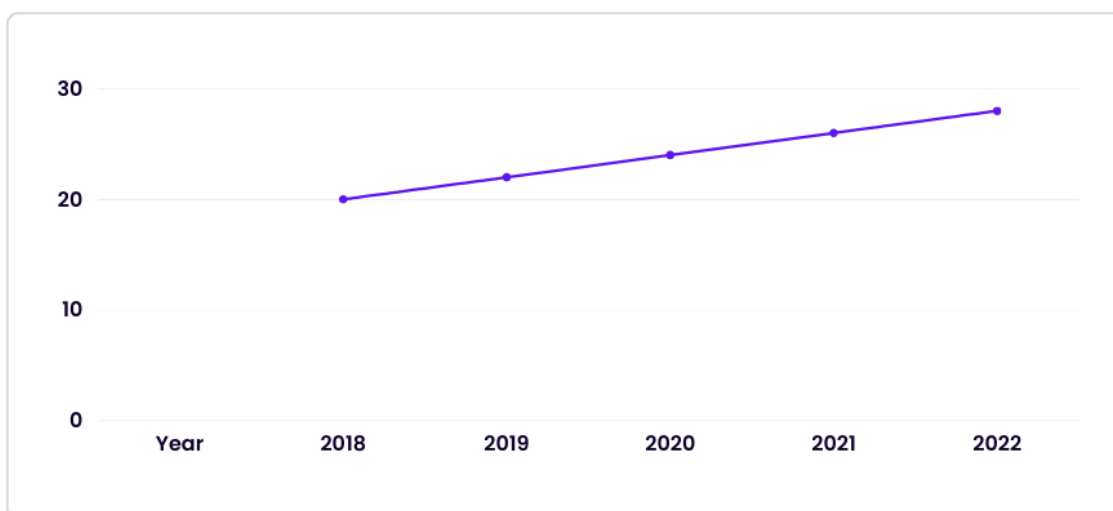
Increased Efficiency



The graph above (in figure 4) presents the linear relationship between how efficiency improved with each year. In 2018, efficiency was about 25% later, it increased by 3% in the year 2019. In the year 2020, it’s about 30%. In 2021, it reached 32%, an increase of 2%, and at last, in 2022, it has improved up to 35%, which clearly shows the development of 10%.

Figure 5: Year v/s Risk Mitigation (%)

Risk Mitigation



The graph above (in Figure 5) presents the linear relationship between risk management and the year. In 2018, risk management was just 20% and later increased by 2% in 2019. In the year 2020, it’s about 24%. In 2021, it reached 26%, an increase of 2%, and at last, in 2022, it has improved up to 28%, which clearly shows an expansion of 8% [16].

Conclusion

Unquestionably, artificial intelligence (AI) has a significant impact on managerial decision-making. It offers a variety of advantages, from increased efficiency and accuracy to competitive advantages and individualized experiences. But

there are drawbacks to using AI in decision-making, such as prejudice, poor data quality, and cybersecurity issues. The role of managers is changing; they now have to monitor AI-driven processes, make data-driven decisions, and spearhead organizational change.

AI will influence decision-making across industries as it develops, leading to more effective, efficient, and knowledgeable choices. AI decision-making has a bright future ahead of it, as it will continue to enhance human talents and transform decision-making in management and other fields. Businesses that use AI intelligently, addressing its drawbacks and maximizing its potential, will succeed.

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