

The Impact of Artificial Intelligence Systems on Organizational Competitive Advantage: An Analytical Study

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Abstract

Artificial Intelligence (AI) has been a paradigm changer that has transformed the competitiveness of the organization, most of the time in the context of the business we currently practice. This paper provides an analytical paper on the strategic value of AI-based systems, such as machine learning, predictive analytics, and intelligent decision support systems, in gaining a competitive edge in the long term and facilitating strategic decision-making. According to the Resource-Based View (RBV) and the Dynamic Capabilities Theory, the study will focus on how AI can help harness the most efficient exploitation of firm knowledge, an innovation capability, and strategic agility. A systematic review of the existing literature in the years 2020 to 2025 reveals that companies implementing AI technologies in the process of strategic decision-making are more informed, flexible, and capable of responding to the market. The algorithmic decision support, process automation, and AI-enabled strategic foresight are identified to be the key enablers of sustainable advantage, whereas the challenges, including issues of data governance, consideration of ethics, and the dynamics of human/AI collaboration prior, are found to be persistent. The outcomes emphasize the central conclusion, according to which the long-term competitiveness is gradually becoming reliant on aligning the capacities of the AI with the strategic objectives to transform AI into an important organizational asset, but not an instrument to be utilized by the organization.

Keywords: Artificial intelligence, Competitive advantage, Strategic decision-making, Digital transformation, Organizational agility, Dynamic capabilities.

1. INTRODUCTION

1.1 Background Information

The phenomenon of Artificial Intelligence (AI) has been one of the most radical modifications in business strategy and management in the last several years. The ability of AI to handle extensive data amounts, detect hidden patterns, and support strategic decision-making has predetermined it as one of the factors of competitive advantage in the modern organization [1]. Unlike traditional information systems, AI technology, i.e., machine learning, predictive analytics, and natural language processors, can enable companies to transcend the day-in-day-out automation and take part in intelligent, adaptive decisions. The developments are re-forming the way organizations plan, mobilize resources, and react to changes in the market in real-time [2].

The digital age has an extremely dynamic and unpredictable environment with rapid technological changes, changing consumer demands, and international competition, in which organizations work. The traditional sources of strength, such as economies of scale or a source of capital, are being replaced by knowledge-based and data-based assets [3]. In this case, the AI systems play a strategic role in enhancing managerial thinking and proactive decision-making rather than reactive decision-making. The enhancement of AI analytics and predictions is provided by providing organizations with insights to make them more forward-looking, less uncertain, and long-term oriented.

The concept of AI can be defined as human intelligence that is simulated in machines, which have the ability to learn, reason, and solve problems [4]. AI has evolved beyond a simple automation tool in the business world to a multifaceted strategic partner that may enable leaders to formulate and execute decisions [5]. Cases of effective applications of AI-based ecosystems are Amazon, Google, and Tesla, whereby the application of AI logistics, automated supply chains, and customized customer service is employed in establishing the business on a permanent basis [6].

AI has offered efficiency, innovation, and flexibility at the strategic level in companies in all industries. However, AI is not an easy-to-implement strategy among many companies due to the impediments involving the quality of data, employee willingness, and ethical management [7]. The importance of AI in developing and sustaining a competitive advantage, on the basis of strategic decision-making, is a crucial area of study.

1.2 Problem Statement

In spite of the fact that many studies prove the operational advantages of AI, the impact of AI is still under-investigated on a long-term, strategic basis. Most organizations think of AI as an automation technology and not a strategy tool. In turn, the main issue that this paper will focus on is

In what ways do the AI systems affect strategic decision-making and sustainable competitive advantage in organizations?

1.3 Objectives of the Study

This analytical paper will seek to:

- Look at how AI can be strategic in improving organizational competitiveness.
- Examine how AI systems affect strategic decision-making.
- Find AI enablers and hindrances to sustainable advantage.
- Hypothesize the effect of AI in the contexts of the Resource-Based View (RBV) and the Dynamic Capabilities Theory.

1.4 Significance of the Study

The study has both theoretical and managerial contributions. Theoretically, it builds on the literature of strategic management as it places AI as a dynamic capability, which facilitates learning, adaptability, and innovation. In practice, it provides managers with information on how AI should be integrated into the corporate strategy to enhance competitive positioning and sustainability [8].

2. LITERATURE REVIEW

2.1 Artificial Intelligence in Strategic Management

The adoption of Artificial Intelligence (AI) in strategic management has significantly transformed organizational decision-making processes. AI technologies are increasingly viewed as extensions of managerial cognition, enabling decision-makers to analyze complex environments, identify patterns, and generate data-driven insights that enhance strategic outcomes. This shift has positioned AI as a critical enabler of competitive advantage, complementing traditional sources such as market positioning and operational efficiency [1, 2].

Recent studies emphasize that AI-driven systems enhance strategic flexibility by enabling organizations to respond dynamically to environmental uncertainty. For instance, Chen et al. (2023) [11], argue that AI technologies support adaptive strategy formulation by facilitating real-time data analysis and predictive modeling. These capabilities allow firms to simulate multiple strategic scenarios, assess risks, and make informed decisions in rapidly changing markets.

Furthermore, AI-powered decision support systems (DSS) contribute to improved strategic planning by integrating historical and real-time data, thereby enhancing forecasting accuracy and resource allocation efficiency [11, 12]. Such systems enable organizations to anticipate market trends, optimize supply chains, and improve customer engagement strategies.

Overall, the integration of AI into strategic management processes shifts decision-making from intuition-based approaches to evidence-based practices, ultimately improving organizational performance and long-term competitiveness.

2.2 AI and the Resource-Based View (RBV)

The resource-based perspective presupposes that a competitive advantage that is sustained in the long term can be attributed to the unique resources of value and the inability of an opponent to replicate them [13, 14]. In this instance, AI is one of the company's assets in terms of technology and strategy that enhances organizational knowledge resources. Companies with the potential to unite AI and human intelligence create hybrid intelligence systems that enhance the quality of decisions and strategic differentiation [15, 16].

According to the findings of empirical research, successful companies that apply AI to the context of the RBV demonstrate a higher performance indicator, such as the innovation rate and decision quality [17]. Moreover, the fact that AI can learn and adapt over time applies to the concept of dynamic capabilities, the resources that evolve with the evolution of the environment and, therefore, help to keep competitiveness at the necessary level [3].

2.3 Dynamic Capabilities and AI Integration

The Dynamic Capabilities Theory focuses on the capacity of an organization to combine, generate, and restructure both its internal and external competencies to respond to the dynamism in the environment [18, 19]. AI improves the abilities of dynamism through sensing (discovering business prospects), seizing (creating innovative reactions), and transforming (reorganizing the resources). Recent studies indicate that companies that use AI technologies in environmental scanning and predictive analytics are more strategic and adaptable [21, 22].

The application of AI in the decision-making process does not limit itself to automation; it allows lifelong learning and future strategy [1]. By using algorithmic insights, companies will be able to predict consumer demands, identify a threat posed by competitors, and redefine strategies. It is the synergy of AI systems with dynamic capabilities that, therefore, creates innovation and long-term value development.

2.4 AI-Enabled Strategic Decision-Making

Strategic decision-making entails defining objectives, evaluating alternative choices, and making decisions that determine the long-term course of a firm. This process will be better as AI will be faster, more accurate, and better informed. The algorithms of machine learning, in their case, handle both historical and real-time data to forecast the situation in the future, eliminating uncertainty in strategic decisions [2, 11].

Studies indicate that AI contributes to evidence-based management by facilitating predictive modeling and optimizing strategic resource allocation [10]. As a matter of fact, companies are utilizing AI to predict market trends, evaluate the risk of investment, and optimize portfolios. Strategic experimentation can also be facilitated through the use of AI because it enables companies to replicate sophisticated settings and evaluate the results prior to implementing the extensive-scale projects.

To better illustrate the relationship between artificial intelligence capabilities and organizational competitive advantage, a conceptual framework is proposed in Figure 1. The framework demonstrates how key AI technologies, including machine learning, predictive analytics, and intelligent decision-support systems, contribute to improved decision quality, strategic agility, and long-term competitiveness.

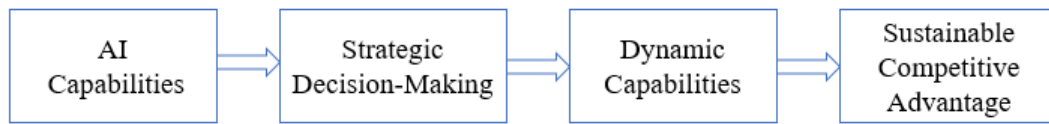


Figure 1: Conceptual Framework of AI-Driven Competitive Advantage

2.5 Challenges and Limitations

AI, as a form of strategic competitiveness, has critical challenges in its implementation. Organizational resistance, ethical use, and data governance are also major obstacles [7]. In addition, dependence on algorithmic insights may result in decision bias and diminished human judgments [5, 23]. The balancing of decisions between the human managers and AI systems is thus necessary through the development of trust [1, 24].

The ethics of data privacy, transparency, and accountability are other ethical issues that affect the strategic acceptance of AI [25]. Thus, sustainable competitive advantage with AI needs not only technological competence but also ethical and governance frameworks as the means of fairness and reliability. Table 1 summarizes most of recent and previous studies along with their used methods and gained findings.

Table 1: Summary of Reviewed Studies (2020–2025)

Author(s)	Year	Focus of Study	Methodology	Key Findings Related to AI & Competitive Advantage
Akter et al.	2021	Analytics-based decision-making	Systematic Review	AI-driven analytics improves service efficiency and strategic decision-making capabilities
Baek et al.	2023	AI assimilation and firm performance	Empirical Study	AI enhances firm performance through digital dynamic capabilities
Raoofian et al.	2025	Strategic renewal drivers	Systematic Review	AI supports continuous strategic renewal and adaptability
Chari et al.	2025	AI in strategy formulation	Case-based Research	AI improves strategic planning and competitive positioning
Bounfour et al.	2025	AI skills and productivity	Cross-country Analysis	AI competencies significantly improve organizational productivity

continued..

Author(s)	Year	Focus of Study	Methodology	Key Findings Related to AI & Competitive Advantage
Carnevale & Hatak	2020	AI and workforce transformation	Empirical Study	AI reshapes workforce efficiency and organizational adaptability
Chatterjee et al.	2022	AI in decision-making	Systematic Review	AI reduces uncertainty and improves decision accuracy
Pei et al.	2025	AI transformation behavior	Theoretical Model	AI influences organizational behavior and proactive adaptation
Ciampi et al.	2021	Predictive analytics in SMEs	Systematic Review	AI enhances predictive capabilities and risk management
Strich et al.	2021	AI in decision systems	Empirical Study	AI augments decision-making roles and organizational performance
Chen et al.	2023	AI governance and public value	Conceptual	AI governance ensures sustainable and trustworthy competitive advantage
Shrikant et al.	2024	AI and sustainability strategies	Conceptual Study	AI drives sustainable innovation and responsible competitiveness
Sjödin et al.	2023	AI and business model innovation	Conceptual Framework	AI enables circular business models and innovation capabilities
Haefner et al.	2021	AI in innovation management	Multi-case Study	AI accelerates innovation and opportunity recognition
Janssen et al.	2020	Data governance for AI	Conceptual	High-quality data governance is critical for AI success
Wu et al.	2024	AI, big data, and performance	Empirical Study	Strategic alignment of AI enhances firm performance
Li et al.	2023	Digital transformation and innovation	Empirical Study	AI-driven transformation boosts innovation performance
Lu et al.	2024	Responsible AI governance	Conceptual	Ethical AI strengthens trust and long-term competitiveness
Farmanesh et al.	2025	AI and green innovation	Empirical Study	AI supports sustainable competitive advantage in SMEs
Ayoub & Sopuru	2026	AI-enabled dynamic capabilities	Empirical Study	AI, learning, and data culture improve firm performance
Mikalef et al.	2023	AI competencies and performance	Survey + SEM	Strong link between AI capability and organizational success
Gao et al.	2025	AI and innovation capability	Empirical Study	AI enhances innovation through dynamic capabilities

3. METHODOLOGY

The kind of research design taken in this study is a conceptual and analytical research design, through secondary data sources. Instead of gathering primary data, the study will be based on a systematic literature review (SLR) to determine the role of Artificial Intelligence (AI) in organizational competitive advantage as a result of strategic decision-making. The SLR method has been

selected to guarantee the fact that the current research trends and theoretical developments will be synthesized in a comprehensive and evidence-based way during the period 2020-2025.

The literature review has been performed in the well-known academic databases such as Scopus, Web of Science, IEEE Xplore, and ScienceDirect with the help of the keywords, which are “artificial intelligence,” “strategic decision-making,” “competitive advantage,” “resource-based view,” and “dynamic capabilities.” The search was limited by inclusion criteria to peer-reviewed journal articles published in English since 2020 and specifically discussing the strategic or organizational implications of AI. Articles with purely technical or engineering subject matter were eliminated to remain managerial and strategic. Table 2 summarizes the search strategy and inclusion criteria used to identify and select studies for the systematic literature review.

Table 2: Search Strategy and Inclusion Criteria

Category	Description
Databases Searched	Scopus, Web of Science, IEEE Xplore, ScienceDirect
Search Keywords	“artificial intelligence”, “strategic decision-making”, “competitive advantage”, “resource-based view”, “dynamic capabilities”
Search Period	2020–2025
Language	English only
Document Type	Peer-reviewed journal articles
Inclusion Criteria	Studies discussing AI in organizational, managerial, or strategic contexts; research linked to competitive advantage; RBV or Dynamic Capabilities relevance
Exclusion Criteria	Technical/ engineering-only AI studies; conference papers; non-English documents; studies unrelated to strategic or organizational implications of AI
Screening Method	Title and abstract screening → full-text review → eligibility check
Final Studies Included	40 studies

The literature gathered was assessed in terms of credibility, theoretical foundation, and methodological rigor. They were analyzed using qualitative content analysis as a thematic code to recognize the recurring themes and links between the AI adoption, strategic management processes, and competitive advantage. There were four major themes, namely: (1) AI as a strategic resource, (2) AI-enabled decision support and analytics, (3) AI and innovation capabilities, and (4) governance and ethical challenges. These themes were examined based on the Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT) to know how AI affects competitive positioning.

In order to achieve validity, the review was carried out based on the PRISMA (Preferred Reporting Items to Systematic Reviews and Meta-Analyses) framework that focuses on the transparency in selection, screening, and analysis. This was a way of making sure that the synthesized findings reflect an even-handed point of view based on empirical, theoretical, and conceptual research.

As an example of the systematic literature review process flow, Figure 2 shows the PRISMA flow diagram applied in the current study. The figure is an effective summary of the methodology used in the identification, screening, eligibility assessment, and finally the inclusion of studies in the qualitative synthesis. It provides a description of the number of records returned by the databases,

eliminating duplicates, screening of titles and abstracts, screening full-text articles and the final selection of articles satisfying the set inclusion criteria. Such a systematic method can guarantee the clarity of the process of review and increase the validity and repeatability of the techniques.

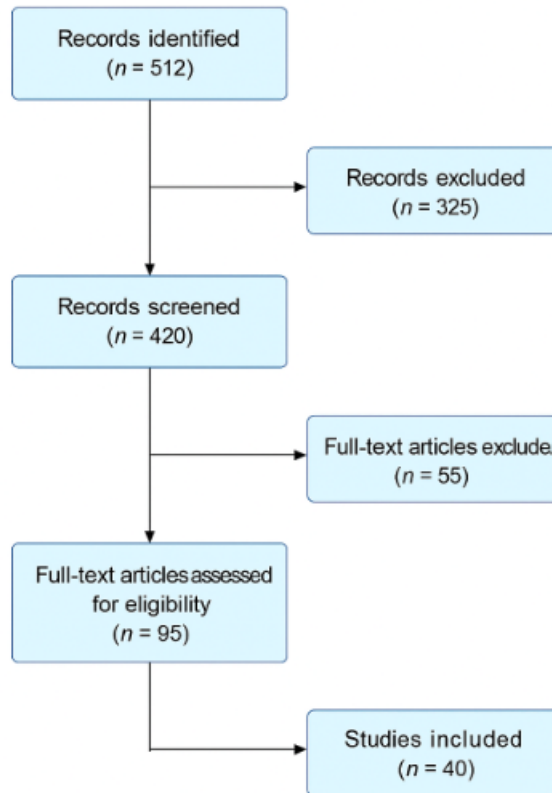


Figure 2: PRISMA Flow Diagram

4. RESULTS AND ANALYSIS

The discussion of the chosen articles indicates that artificial intelligence is a transformative factor that will make organizations more competitive by improving their level of strategic decisions. In various research streams, AI was discovered to enhance the quality of managerial decisions by providing better insight, greater predictive power, and more rapid reaction to market changes. The analytical capability of AI enables organizations to work with large-scale, multi-dimensional data and convert it into actionable intelligence to help organizations become agile in strategy and foresight [1, 7].

Figure 3 depicts the theoretical route in which AI capabilities play a role in organizational competitive advantage. The diagram identifies the main dimensions of AI capabilities, such as machine learning, predictive analytics, and intelligent decision-support systems, and demonstrates the ways these technological assets can help companies build improved insights, improve the accuracy of decisions, and become more responsive to their strategic needs. With such capabilities incorporated

in the strategic processes, organizations would be in better positions to create unique value-creating processes that enhance efficiency, innovation, and long-term competitiveness. Therefore, Table 3 presents a thematic summary of the key findings derived from the selected studies.

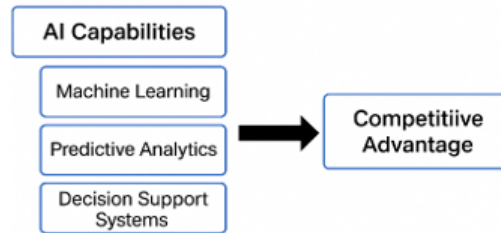


Figure 3: AI capabilities → competitive advantage model

Table 3: Thematic Summary of Findings

Theme	Description	Key Findings From Reviewed Studies
1. AI as a Strategic Resource	Examines AI as a valuable, rare, and hard-to-imitate capability aligned with the Resource-Based View (RBV).	AI supplements the resources of the firm through the unique capabilities of analysis, real-time analysis, and the superiority of decisions. Combined with human knowledge, AI will be a strategic VRIN resource that reinforces competitive positioning [7, 13].
2. AI-Enabled Decision Support and Analytics	Focuses on AI’s role in improving the quality, speed, and accuracy of strategic decisions.	Research indicates that AI-based analytics decrease uncertainty, enhance the accuracy of the forecast, and aid scenario planning. The performance outcomes and strategic agility of the organizations applying AI to decision-making are higher [1, 2].
3. AI and Innovation Capabilities	Centers on AI’s contribution to innovation processes and organizational learning.	Increasing the speed of product development, improving opportunity detection, automating routine processes, and freeing managerial time to engage in creative activities, AI contributes to the situation. Companies in high AI maturity report having shorter innovation times and reduced flexibility [5, 8, 27].
4. Governance and Ethical Challenges	Highlights organizational and societal concerns limiting AI’s strategic potential.	The lack of trust in algorithms and the low level of transparency, ethical risks, and data governance challenges diminish the effectiveness of adoption. To realize the strategic value of AI, it is important to have proper governance structures [17, 25]

The first important point of observation implies that the incorporation of knowledge is among the fundamental procedures through which AI causes a competitive edge. With the help of AI systems, there is the possibility to aggregate the information of different units of the organization, which results in knowledge circulation and cross-functional education. This enhances innovation and increases the power of the firm to make integrated strategic actions. The second finding brings out predictive insight as a differentiation element of competitiveness. Predictive analytics and

machine learning algorithms allow managers to simulate the future market conditions, anticipate customer demand, and devise proactive strategies, which appeal to the opportunities as they present themselves [27].

The third conclusion points to strategic agility, the ability of companies to adapt to the changes in the environment in the shortest possible period of time, as a direct effect of AI application. Those companies that used the AI-based decision-support systems showed better responsiveness to the external shock and technological disruption, which are both significant factors of long-term sustainability. The quantitative research usually indicates that AI-driven companies are more successful in the rate of innovation, customer interactions, and financial developments compared to other companies [17].

Nevertheless, the findings also highlight persistent problems. The questions of data governance, moral honesty, and human-AI partnership remain as an obstacle to the strategic value of AI. Lots of companies do not have clear governance frameworks that promote transparency, accountability, and fairness of the algorithmic decision-making process [25]. Besides, the conflict between human intuition and algorithmic reasoning occasionally affects the point of managerial acceptance of AI recommendations. Nevertheless, the cumulative evidence attests to the fact that the implementation of AI in the strategic decision-making process is positively correlated with the competitive advantage, given that human control and ethical protection are properly achieved.

5. DISCUSSION

This paper reaffirms the fact that AI is not just an operational improvement but a strategic facilitator of long-term competitiveness. The incorporation of AI into strategic frameworks improves the dynamic capabilities of firms, as they can feel the opportunities, exploit them by means of innovation, and alter their operation so that they can be relevant [3].

Human experience and AI systems are synergistic, and this is what determines future strategic success. Managers need to aim at balancing between the efficiency of algorithms and human judgment, transparency, accountability, and the alignment of ethicality [26]. Moreover, companies ought to invest in AI literacy and multidisciplinary teamwork to leverage the strategic potential of AI comprehensively.

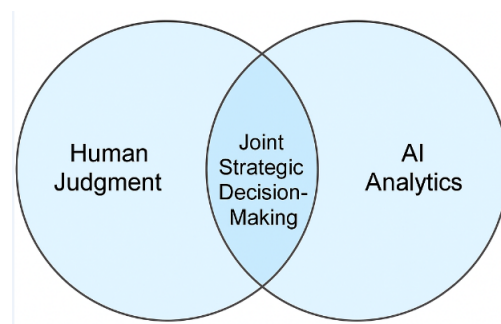


Figure 4: Human–AI strategic decision-making balance

Figure 4 demonstrates the tradeoff between human judgment and AI analytics in strategic decision-making. As illustrated in the Venn diagram, the two elements are complementary, and human expertise offers contextual knowledge, ethics, and intuition, whilst AI offers data-driven data, predictive accuracy, and analytical rigor. The intersection is a blended decision-making area where organizations can have the best strategic performance through the integration of the advantages of human intelligence and artificial intelligence.

6. CONCLUSION

The results of this analytical paper confirm that Artificial Intelligence (AI) has transformed from a mere working tool into a strategic facilitator of sustainable competitive edge. As the review has shown, AI can be used to enhance high competitiveness through not just efficiency, but also through enhanced strategic decision-making ability of the organizations. The artificial intelligence systems enable managers to create insights to make proactive and data-based decisions when needing to analyze complex surroundings, predict market changes, and interpret them in a more rational way, which is becoming more and more vital in highly unstable and digitally changed business contexts.

Applying the Resource-Based View (RBV), AI can be seen as a good resource of an organization, rare and hard to imitate, especially when combined with human knowledge. Using AI wisely improves the use of knowledge, the depth of analysis, and forecasting, which forms a VRIN advantage that is difficult to imitate by competitors. Similarly, in the context of the Dynamic Capabilities Theory (DCT), AI enhances the capability of a firm to detect opportunities, embrace innovations and reorganize resources to be constantly adaptable and resilient in changing markets.

The integration of studies that have been reviewed in this paper demonstrates that organizations that build AI strategies are more agile, quicker in innovation, more responsive to customers, and more efficient in creating value over the long term than their counterparts. Nonetheless, the review indicates that there are still issues such as the weaknesses of data governance, lack of transparency, and ethical risks, as well as conflicts between human judgment and algorithmic suggestions. These limitations indicate that the strategic usefulness of AI does not automatically come as an outcome; instead, it rests on how an organization can internalize ethical governance systems, develop AI-related literacy, and enhance successful human-AI interaction.

To sum up, the AI has a strategic potential in the processes of the fundamental decisions of the organization. Companies that balance AI with human capabilities, ethical responsibility, and strategic focus are better placed to attain sustainable competitive advantage. Future studies are needed to explore how organizations can instantiate hybrid intelligence models, establish governance systems to minimize AI risks, and quantify the long-term strategic outcomes of AI adoption. With the future development of AI technologies, their impact on the competitive environment can only increase, and that is why strategic AI incorporation becomes the distinctive feature of successful companies.

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