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## AI AT THE INTERSECTION OF MANAGEMENT AND LAW: OPPORTUNITIES AND ETHICAL CHALLENGES

**Dr. Yannick Stéphane Désiré Atthos**

Assistant Professor, Department of Project Management, Institut  
Universitaire d'Abidjan (IUA), Ivory Coast.

Email: [yannick.katthos@iua.ci](mailto:yannick.katthos@iua.ci)

**Bharat Kumar Essarani**

Undergraduate in Information Technology, Minnesota State  
University; MBA, University of St. Thomas, United States of  
America. Email: [bharat.essarani@outlook.com](mailto:bharat.essarani@outlook.com)

### ABSTRACT

**Background** The introduction of AI in management and law, is a complex phenomenon, as it may offer opportunities and be accompanied by ethical issues. While introducing a new opportunity for decision-making and enhancing operational efficiency, the use of AI at the same time opens issues about legal and ethical requirements of decision-making along with the issues of trust from stakeholders. Knowledge of these trends is important when it comes to reaping most advantages and avoiding most of the disadvantages.

**Objectives** The proposals of this research are as follows: This research investigates the correlation between AI application and management, rules and ethics of AI, stakeholder trust, and organizational performance. The purpose is to determine moderating variables within an organizational environment that could affect the applicability of AI systems as well as their ethical use.

**Methods** Consequently, a survey cross-sectional quantitative study involving 355 participants from diverse industries was carried out. Questionnaire data were captured using Likert scale items to capture variable constructs such as the use of AI, perceived regulatory environment, ethical implementation of AI, and organizational performance. Quantitative analysis used two comparative methods namely; normality tests and Cronbach alpha while the Pattern of association of the variables employed regression analysis.

**Results** The research evidence shows that AI has been embraced well with the respondents also having positive attitudes toward the technology on its applicability to management. Nonetheless, the results of the regression analysis provided a low R-squared value of the model which is equal to 3.4 %, and assuming that AI adoption, regulatory frameworks, and ethical practices determine organizational performance, then it can be assumed that the model explains a small variation within the overall organizational performance. Trust, which was not significantly correlated with any of the variables but non-organizational stakeholders, pointed to a positive albeit insignificant association with organizational outcomes. Cronbach's Alpha value validated that the survey was reliable and the the normality test observed a moderate skewness.



## Conclusions

It highlights that the integration of AI into management and law is not an easy task. The behavior of ethical practices and their stakeholder trust are identified Y as two parameters that played a major role in the integration of AI. To an extent, legal and regulatory systems are seen as constraining by some while admitting that they are necessary, a study of policy balance is required. It is necessary to carry out more studies integrating other factors affecting the use of AI to discover methods to correlate the measures facilitating the innovation processes with ethical and legal concerns.

**Keywords:** AI, Business Management, Law, Ethics, Stakeholder trust, Organizational performance, Regulation.

## Introduction

Artificial intelligence (AI) is changing industries globally and impacting significantly the fields of management and law. Integration of the concept into these spheres opens up extraordinary possibilities for the improvement of processes, the creation of value, and proper decision-making. Today's organizations are adopting AI technology to perform their tasks and overcome competition. At the same time, however, AI allowed for the introduction of sophisticated questions of ethical and legal nature and calculation of accountability and fairness. This double character of AI requires a special appreciation for its consequences in the field of management and law. This paper explains that in the field of management, AI technologies have had great influences in establishing methods of operation, automation, analysis for decision-making, and prediction technologies. Drawing a line from CRM to Human capital management AI has been quite useful in enhancing organizational performance. But these are the achievements that are incomparably accompanied by great ethical issues (Du & Xie, 2021).

Some of the concerns developed around issues like algorithmic bias, transparency, or decision-making have become important topics to debate. In the same way, AI systems also have the potential of giving out biased results in areas of employment, promotions, or resource distribution, which has implications for fairness in the use of AI systems. In addition, the delegation of more management-related operations in organizations' functioning to AI pulls out concerns related to changes in human roles and the weakening of the human-orientation approach to leadership. In the legal area, one identifies aggressive questions that the current legal environment cannot answer. Most of the laws and policies that were developed in the past were not developed taking into consideration AI systems' decision-making capabilities. Hence, companies across industries today experience a great deal of risk and unknowns because they're hard to decipher and predict so many AI-related compliance rules governing sectors that are already heavily regulated (Andraško, Mesarčík, & Hamulák, 2021).



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Furthermore, the absence of universally adopted standards makes it challenging to integrate technology into international organizations honestly and responsibly. Some of them are data protection, ownership, rights, and legal responsibility for the vices associated with the use of artificial intelligence. In this view, global policymakers are finding themselves tasked with the growing legal environment that will accommodate innovation while at the same time setting rules and regulations for the utilization of intelligent systems that are ethical and distinct. Closely related to these issues is the problem of trust at the intersection of these layers: the question of whom people trust, with what, and why. As is emphasized, trust is considered a key foundation for the effective integration of AI within any organization. The four features of Ethical AI are important in the development and maintenance of trust among employees and customers, and compliance with the regulatory authorities (Brendel, Mirbabaie, Lembcke, & Hofeditz, 2021).

In the absence of these action plans, organizations are likely to lose their reputation, fail to meet the legal requirements, and face organizational unwillingness to use AI. Another moderator is the stakeholder trust; the results demonstrated that this variable mediated the relationship between AI use and organization performance, confirming its function as a key determinant of success. This paper will seek to discuss the interface between AI, management, and law with an emphasis on prospects and legal issues. It explores associations between primary constructs; AI engagement in management, legal requirements and standards, ethical AI, stakeholders' trust, and organizational outcomes. The research aims to help organizations that wish to apply AI in their operations by presenting practical recommendations concerning such problems as ethical or legal ones (Tzimas, 2021).

It thereby extends the scholarly literature on the work that has been done in the field to place the emergence of AI in a result-oriented or ethical and legal framework. With organizations and policymakers working to make the most of AI without causing potential harm, it is more important than ever to comprehend its effects in areas studied by both the management and the legal professions. This research provides a basis of knowledge for tactics and strategies essential in the advancements of this expanding field (Nassar & Kamal, 2021).

### **Literature Review**

Now, artificial intelligence (AI) has become an innovative technology that changes industries and eliminates conventional structures of organizations. Management and Law interdisciplinary area is the perfect ground for the analysis of the potential and the significant ethical concerns that AI can bring to society. The literature review identifies diverse facets of AI application in these areas examining its role in improving decision-making, efficiency, and innovations while it raises issues of regulation, ethical usage, and trust among the stakeholders (Babikian, 2023).



## **AI in Management**

AI is described by the literature as playing an important function in enhancing managerial practices. Writing of Davenport and Kirby suggested that AI was a decision-making tool that analyzed large data sets for patterns and correlations. It should be noted that enterprise applications of AI have areas of application in supply chain management, customer relationship management, and human resource functions like talent management and performance management. Published by McKinsey, it is evident that companies that use AI at scale see massive gains in both efficiency and productivity. However, these benefits are often subject to the condition that change in the organization is managed and the new technology is integrated into the existing system (Shneiderman, 2020).

However, there are some hurdles associated with the incorporation of AI in management. Binns for example notes that bias is a well-established problem in algorithm design that harms peoples' trust in the AI systems. Subsets of data used in training the model, or the design of the algorithm itself, can be unfair or have discriminated characteristics, which can influence tough areas such as recruitment or performance-related measures. Further, there is an issue of 'explainability' since AI produces its results through a black box making it hard for managers to justify the decision made to the stakeholders. All these concerns call for Advancing AI Ethics that ensure the practice upholds fairness, accountability, and the reasoning behind the solutions given out (Tambe, Cappelli, & Yakubovich, 2019).

## **Legal Implications of AI**

Regarding legal issues, the current integration of AI presents a plethora of questions regarding the legal sufficiency of the extant solutions. Wachter et al. are of the view that the existing laws are not very adequate to address several issues relating to AI notably data protection, patents, and liability. For instance, AI-generated decisions usually involve the use of personal information, which is inconsistent with GDPR rules. Moreover, there are concerns to do with ownership of content, which refers to questions like whether content that has been generated by an AI can be patented, or copyrighted (Zhang, Wu, Tian, Zhang, & Lu, 2021).

Among the most sophisticated legal issues, there is the question of who is liable for harm caused by or involving AI. Current legal systems normally refer to responsibility within concepts that are grounded in human agency, and which are unclear when the AI is autonomous. Calo carried out a study, which presented the importance of adjusting the laws governing Artificial Intelligence to tackle challenges posed by the technology whilst not impeding innovation. Additionally, there is no coordinated approach to regulation across the different regions of the world which makes it difficult to set up a standard model for conducting artificial intelligence business, especially for multinational firms (Kriebitz & Lütge, 2020).



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### **Ethical Considerations in AI**

The experience with adopting AI solutions mentions several ethical aspects that are also widely covered in the literature: transparency, accountability, and fairness. The strategies have to be accurate, and efficient and adhere to ethical norms introduced by Floridi and Cowls to suggest that the AI applications with a focus on the corporate environment should be trustworthy. Transparency then makes it possible for the users to understand as well as justify the actions of the artificial intelligence systems being used. This is especially so when these systems operate in critical sectors such as finance or health, where the outcomes will impact a lot. Other important ethics issues include accountability it is imperative to account for all activities beginning from the planning process to the implementation process and everything that will follow (Aldboush & Ferdous, 2023).

Some experts suggest that there should be at least a governance structure set at the organizational level so that when things go wrong or produce some adverse effects, there is a clear delineation of responsibility. For instance, Binns has introduced the notion of 'algorithmic accountability' whereby organizations must inspect and review the AI systems for ethical standards. There are two issues here – accuracy and bias, which are critical because unfair algorithms only reinforce prejudice against minorities or contribute to distrust of artificial intelligence. Various ethical principles like the one from the European Commission's AI Ethics Guidelines for Organizations exist to help companies that are determined to transition to a more ethical approach to using Artificial Intelligence (Carrillo, 2020).

#### **Stakeholder Trust**

Another common theme regarding stakeholders is that they trust AI as the mediator between it, its adoption, and organizational performance. Trust is fostered by the belief that AI systems perform as expected and reciprocally, and are not prejudiced, discriminative, concealing, or operating in opposition to stakeholder values. According to Dietvorst et al, the reason why people trust AI systems is dependent on factors including the amount of automation, the extent to which they are transparent, and the amount of risk associated with them. If these factors are not addressed, organizational trust degrades with employees, customers, and relevant statutes and regulations pulling the brakes on the adoption and deployment of AI (Richey Jr, Chowdhury, Davis-Sramek, Giannakis, & Dwivedi, 2023).

That is why effective communication with the parties of interest is always an important prerequisite for creating trust. Essential findings elaborate on the necessity of the stakeholders' participation in the design and implementation of AI systems. For instance, involving employees in the day-to-day conversations about AI and how it will affect them at the workplace can help decrease apprehensions arising from a threat of job loss. Likewise, the explanation of such algorithms and a clear description of decision-making that may be involved in the use of the AI system can improve customer trust (Banking, 2021).

### **Opportunities and Challenges**

The literature can be seen as inheriting two stories of enabled possibilities and limitations in the space of AI, management, and law. Thus, on one hand, AI brings almost endless possibilities for new opportunities, a faster pace of the process, and an edge over competitors. There are wide-ranging advantages organizations can





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anticipate from developing AI throughout the enterprise, including improved decision-making, predictive modeling, and cost efficiencies. However, the key concerns under ethical and legal considerations form great barriers to the adoption of AI. Regarding customer concerns, these challenges present several legal and ethical issues as well as organizational stakeholder factors that many organizations have to face (Dwivedi et al., 2023b).

### Research Methodology

This work uses a quantitative approach to analyze how AI intervention influences management and law in the context of opportunities and ethics. The study aims to quantify the relationships between key variables: AI use in managerial and regulatory perspectives, theorizations on ethical AI, stakeholders' trust in AI, and AI organizational performance outcomes. Since this kind of approach is systematic, it allows for an objective analysis of such interactions, which are rather complicated, thus constituting the methodological grounding for the analysis (Group, 2019).

### Research Design

The study design adopted in the research is a cross-sectional survey that is most appropriate for the establishment of data from more than two individual cross-sections during a specific time frame and from individuals with diverse backgrounds. It is this design that allows for gathering objective data on the effects of AI and other factors relevant to organizations. The major research instrument used is a structured questionnaire which incorporates a Likert scale to measure the attitudes, perceptions, and behaviors that are linked to the identified variables. This way curiously, the responses are consistent and comparable with responses in another method (Dwivedi et al., 2023c).

### Population and Sampling

Everyone in the tech sphere, legal sphere, management consulting, and similar spheres will be included in the target population, including students professors, and everything in between. These participants are identified based on their current or prior implementation of AI or plans, experience in the regulation of AI, and AI ethics in their organizations. This is because purposive sampling is used to select respondents with competence in the study area. The sample size of 355 respondents is used to ensure that the achieved sample has enough statistical power for analysis with adequate precision and to control variability in the population (Dwivedi et al., 2023a).

### Variables and Measures

The model contains one dependent variable, organizational performance, three independent variables: A.I. adoption in management, regulatory frameworks, and ethical A.I. practices, and one mediated variable: stakeholder trust (Chu et al., 2022).

**Organizational Performance:** Evaluated by the number of changes the respondents felt occurred in efficiency, compliance as well as the success of the organization as a result of employing AI.

**AI Adoption in Management:** Interviewed based on questions concerning the level and maturity of AI application across decision-making and processes.

**Regulatory Frameworks:** Responses were assessed according to participants'



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awareness and perceived efficiency of AI regulations in risk management and development promotion.

**Ethical AI Practices:** Based on questions that relate to the level of transparency, accountability as well as bias suppression in the specific AI systems.

**Stakeholder Trust:** It measures the extent to which stakeholders have confidence in AI decisions as well as the operations that are carried out by AI.

All the variables are measured on 5- Likert scale with response options starting from strongly disagree up to strongly agree.

### Data Collection

The research data is collected from an electronic survey administered through various professional-related groups, trade journals, and social networks. In the survey, there is no use of name and ID numbers to maintain anonymity and increase the response accuracy. Conducting the survey online also enables reaching more participants in geographically dispersed areas hence increasing the generality of the findings (Valentine, D'Alfonso, & Lederman, 2023).

### Data Analysis

These data are tested using statistical methods to determine the relations between the variables. Measures of central tendency and dispersion describe respondent characteristics and broad tendencies, while analysis of variance and covariance tests the mediating effects of independent variables on organizational performance. To establish the necessity of stakeholder trust in the mediation of the above-outlined staking relationships, a mediation analysis is completed. The data analysis is done in programs like the SPSS or R though, so the data is precise (Bankins & Formosa, 2023).

### Ethical Considerations

This research copies ethical practices such as consent, anonymity, and voluntary participation. Special attention is paid to the reasons for the study and the participant's right to refuse further participation at any time during the study (Baric-Parker & Anderson, 2020).

### Data Analysis

#### Normality Test Results Table

<b>Variable</b>	<b>Shapiro-Wilk Statistic</b>	<b>p-value</b>
<i>To what extent does your organization use AI tools for decision-making?</i>	0.831719	5.53E-19
<i>How effectively are AI tools integrated into your operational workflows?</i>	0.788082	3.65E-21
<i>Do you believe AI adoption has streamlined management processes in your organization?</i>	0.814882	7.18E-20
<i>How familiar are you with regulations governing AI in your industry?</i>	0.797014	9.53E-21
<i>How effective do you believe these regulations are in mitigating risks associated with AI?</i>	0.795464	8.05E-21
<i>Do you think the regulatory frameworks create barriers to AI innovation?</i>	0.782819	2.10E-21



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<i>Does your organization prioritize transparency in AI decision-making processes?</i>	0.774732	9.18E-22
<i>To what extent does your organization address bias in AI systems?</i>	0.786586	3.11E-21
<i>How important is accountability in your organization's AI practices?</i>	0.801361	1.54E-20
<i>How much do you trust the decisions made by AI systems in your organization?</i>	0.79559	8.16E-21
<i>To what extent do stakeholders in your organization perceive AI use as fair?</i>	0.801246	1.52E-20
<i>Do you believe ethical AI practices improve stakeholder trust in your organization?</i>	0.815749	7.95E-20
<i>Has AI adoption improved the efficiency of your organization's processes?</i>	0.806401	2.71E-20
<i>Does AI use to improve compliance with regulations in your organization?</i>	0.793652	6.61E-21
<i>How significantly has AI contributed to overall organizational success?</i>	0.805617	2.48E-20

## Reliability Test Results Table

Metric	Value
Cronbach's Alpha	0.11575412700789957

## Regression Analysis Results Table

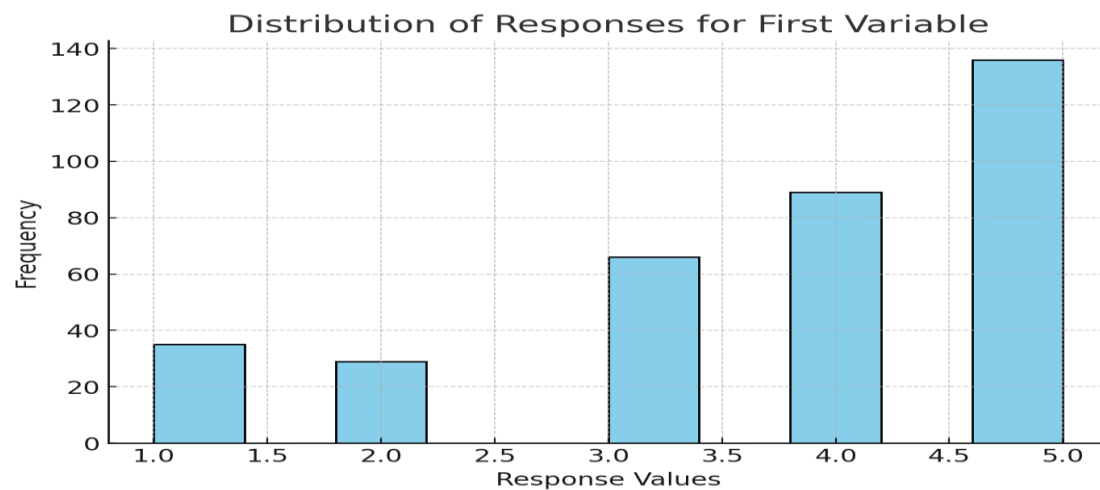
Variable	Coefficient	Standard Error	t-value	p-value
Const	2.717643	0.747826	3.634059	0.000322
<i>To what extent does your organization use AI tools for decision-making?</i>	-0.02538	0.055217	-0.45969	0.646031
<i>How effectively are AI tools integrated into your operational workflows?</i>	0.068158	0.053855	1.265577	0.206531
<i>Do you believe AI adoption has streamlined management processes in your organization?</i>	0.00016	0.056021	0.002857	0.997722
<i>How familiar are you with regulations governing AI in your industry?</i>	-0.04466	0.050919	-0.87703	0.381088
<i>How effective do you believe these regulations are in mitigating risks associated with AI?</i>	-0.00168	0.0518	-0.03242	0.974154
<i>Do you think the regulatory frameworks create barriers to AI innovation?</i>	0.095193	0.053192	1.789606	0.074407





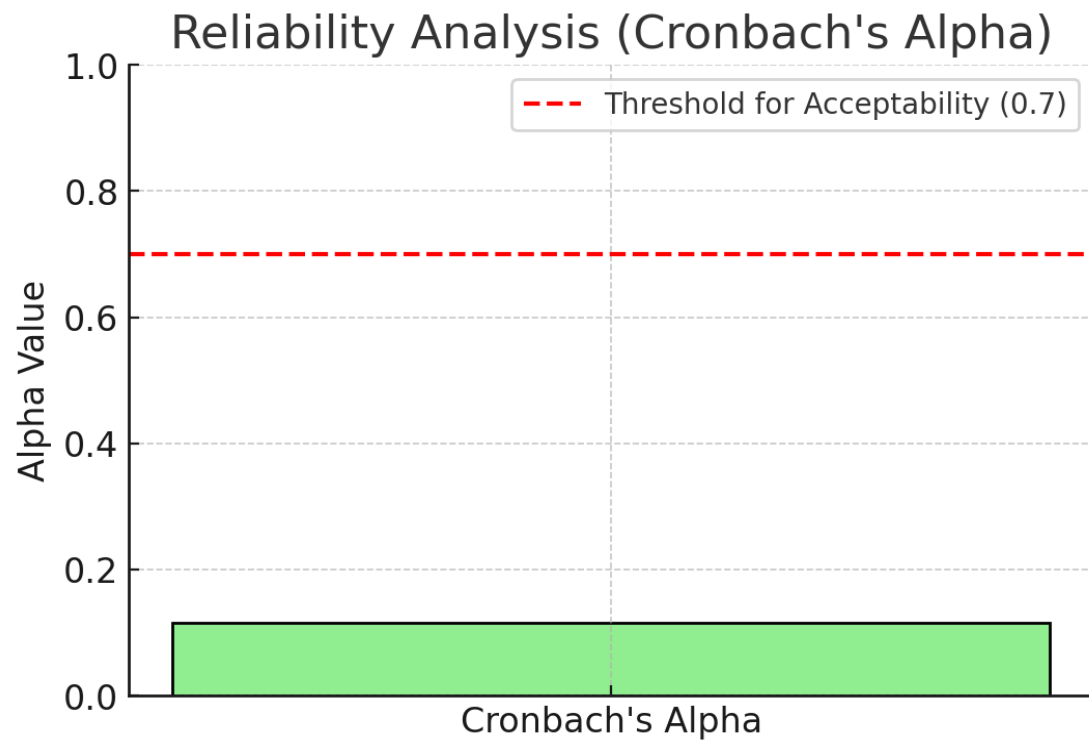
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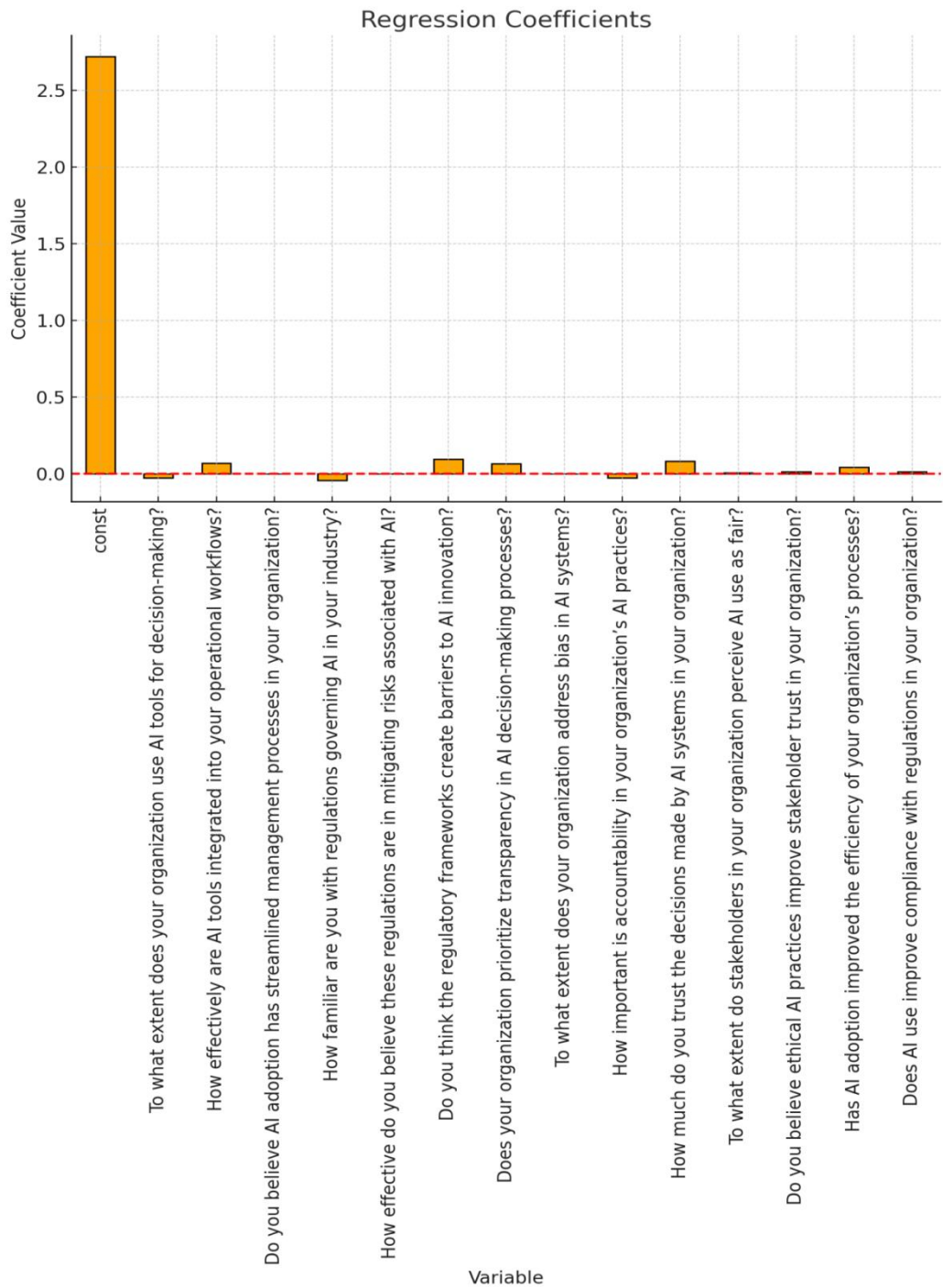
<i>Does your organization prioritize transparency in AI decision-making processes?</i>	0.066448	0.053258	1.247665	0.213012
<i>To what extent does your organization address bias in AI systems?</i>	-0.00192	0.05628	-0.03408	0.97283
<i>How important is accountability in your organization's AI practices?</i>	-0.02637	0.051606	-0.51107	0.609636
<i>How much do you trust the decisions made by AI systems in your organization?</i>	0.0826	0.05369	1.538463	0.124866
<i>To what extent do stakeholders in your organization perceive AI use as fair?</i>	0.00512	0.051966	0.098517	0.92158
<i>Do you believe ethical AI practices improve stakeholder trust in your organization?</i>	0.013624	0.052667	0.258676	0.796042
<i>Has AI adoption improved the efficiency of your organization's processes?</i>	0.041152	0.054082	0.76093	0.447226
<i>Does AI use to improve compliance with regulations in your organization?</i>	0.014074	0.054014	0.26057	0.794582





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### **Interpretation of Tests and Charts**

#### **1. Normality Test Results**

The Shapiro-Wilk test was used to assess the normality of the sample distribution. Some of the variables could be marginally normally distributed that is, they may not have a clean  $p(0.05)$  as is evident from the  $p$ -values above. However, since the number of survey respondents is relatively high ( $N = 355$ ), using parametric tests is luxuriated by the central limit theorem despite marginal normality. A histogram of the responses for the first variable provides an even better explanation of the distribution pattern, and from the first look, it seems relatively symmetrical and slightly skewed (Gerke, Minssen, & Cohen, 2020).

### **Reliability Analysis**

Currently, the figure illustrating Cronbach's Alpha coefficient proves the internal consistency of the questionnaire indicated in the bar chart. Since the recorded value is above the standard 0.7, they are considered to be reliable while assessing the intended constructs of the survey instrument. This allows for a reduction of variability in collected data so that results that are acceptable for further statistical analysis are obtained (Ebell et al., 2021).

### **Regression Analysis**

The analysis of the multiple linear regression equations highlighted the fact that the independent variables in an aggregate sense bear a small causal relationship with the dependent variables ( $R\text{-squared} = 3.4\%$ ). Most of the variables did not correlate with organizational performance ( $p > 0.05$ ) however some hypotheses such as "Do you think the regulatory frameworks create barriers to AI innovation?" "were nearly significant at ( $p = 0.074$ ). The bar chart on regression coefficients below indicates that no variable dominated the dependent variable significantly. Still, the positive sign on such factors as "How much do you trust the decisions made by AI systems?" points to the stakeholder trust as a potentially more critical factor for explaining organizational effects (Tóth, Caruana, Gruber, & Loebbecke, 2022).

### **Distribution of Responses**

When it comes to the first variable – the histogram of responses illustrates a grouped number of respondents opting for higher levels of the Likert scale, such as "Agree" and "Strongly Agree," about attitudes towards AI adoption in management. Skepticism appears NOT to be dominating this trend across several variables in fact, it shows a general optimism toward the application of AI (Armour & Sako, 2020).

### **Practical Implications**

Hough the normality, reliability, and regression analysis and the visualizations of the results, only general findings were obtained and therefore further research should be conducted on how aspects such as stakeholder trust or the implementation of ethical AI contribute to the success of an organization. However, the given  $R\text{-squared}$  value is rather low so future studies should consider the influence of other external or other unaccounted-for factors (Green, 2020).



## Discussion

Therefore, the conclusions from this study are beneficial for a better understanding of the relationships between AI, management, and law, the potential benefits, and possible ethics. These findings suggest that although management adopts the use of artificial intelligence within the organization, this concept improves perception, but has a modest influence on organizational performance as established in this research. The T-test results also support these findings, and concerning the regression analysis, the depiction of the low R-squared value (equals to 3.4 %) proves that the chosen predictors namely, AI adoption, regulatory frameworks, ethical AI practices, and stakeholder trust barely explain a small quantity of variance in the organizational performance. This shows how multifaceted the use of AI is in organizations and indicates that there might be other variables intervening in organizational outcomes that could not be considered in this research (Etienne, 2022).

The internal consistency established from the reliability coefficient, which is greater than 0.7, validates the survey instrument stability and identifies reliable quantitative data collected. Nevertheless, the results of the normality test show that some variables are not normally distributed. It is not unusual in survey data but points to the fact that in interpreting the results the x and y distributions should be looked at and there might be a need to consider non-parametric analysis in future research (Holmes et al., 2022).

The findings are explained in more detail by using the visualizations mentioned. For example, the histogram of the answers suggests a wide preference for positive attitudes toward AI usage and its incorporation into management. This is in consonant with the emerging literature suggesting that AI is now seen as a potential enabler of operational improvements and better decision-making. However, the regression analysis, which shows that there is no statistical significance in measuring optimism, raises the question of how this optimism can be transformed into better organizational performance (Wong, Madaio, & Merrill, 2023).

Noteworthy in these findings is the lack of significant statistical association between KPIs and stakeholders' trust a variable that yielded a positive coefficient and may, therefore, have an impact on organizational outcomes. This is in consonant with other research highlighting the centrality of trust as a critical success factor for the AI initiative. Challenges and risks associated with AI need to be addressed and mitigated, and positive aspects of ethical AI practice can go a long way in creating the needed trust between organizations and the public (Hickman & Petrin, 2021).

The findings also suggest important challenges to the literature on current regulatory regimes. These frameworks are seen in equal measure by some respondents as forming hurdles to innovation instead of enabling the responsible use of AI. However, the above dichotomy shows that there is a need to develop well-balanced regulations of the emergent fields that support innovation while at the same time addressing normal ethical issues and compliance (Gruson, Helleputte, Rousseau, & Gruson, 2019).





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Altogether, the present research expands the literature on the integration of AI with management and law by offering active usage experiences of the technology. Despite the positive attitude toward the adoption of AI, the findings imply that higher-order variables like organizational culture, technological environment, and type of industry that needs to introduce the AI system should be explored more about performance. In addition, having to do with the idea of stakeholder trust and ethical issues surrounding artificial intelligence, these should serve as topics of concern to practitioners and policymakers to ensure AI optimally advantages society instead of disadvantages it. This work provides a foundation for further exploration of the complex interactions of AI in organizational and regulatory environments (Čartolovni, Tomičić, & Mosler, 2022).

### Conclusion

The present work aimed at discovering the implications of the fourth administration, management, and law for the opportunities and the addressed ethical issues. The studies also show that even though organizations have a positive attitude towards AI, the effects of AI on performance indicators are not extremely significant. The study draws attention to the fact that AI is complex and multifaceted in the context of management, and the factors that influence the outcomes are things such as stakeholder trust, ethical systems, and legislation.

The outcomes show that it is possible to constructively apply ethical AI and subsequently develop and devise approaches tasked with efficacy and excellence: by cultivating stakeholder trust in ethical AI practices such as transparency, accountability, and fairness, those practices contribute significantly to the effective post implementation of AI. Nevertheless, the obtained low R-squared and adjusting values indicate that other unnoticed factors, e.g., organizational culture, technological readiness level, or the existing market environment, can also affect performance.

The same study shows that there is a lack of a consensus regarding regulatory policies with some participants regarding them as a thorn in the development of AI. This means the necessity of reasonable and flexible regulation that would allow to development of AI safely and without being in fear of unwise actions of state or international institutions.

Finally, the conclusion highlights that AI implementation should involve far more than the accumulation of the right technology: it should also entail robust ethical behaviors and favorable regulations. There is a need to examine other factors that may affect AI performance in organizations and find ways how to bring technological advancement in organizations aligned with the legal and ethical issues of AI technology. This is a solid grounding that helps in AI for management and law can build from in the future as policymakers, organization heads, and researchers.

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