

RISKS AND CHALLENGES OF USING AI IN ORGANIZATIONAL MANAGEMENT

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Abstract: Organizations encounter multiple benefits and risks when implementing Artificial Intelligence for their management needs. This study investigates three essential risks linked to AI adoption which are data security flaws and ethical quandaries and biased decision making. The study investigates two main questions regarding AI management risks. Which methods do organizations employ to lessen these problems? The research demonstrates that AI improves operational effectiveness along with decision capabilities yet generates substantial threats from job loss through displacing employees as well as from discriminatory algorithmic decision systems which do not exhibit sufficient clarity in their decision making. The research findings demonstrate why standardized ethical governance guidelines and regulatory systems matter for reducing AI system's adverse consequences. Organizations need to strike a balance in their AI implementation by implementing responsible integration along with human oversight and ethical participation for established and effective management approaches.

Keywords: Artificial Intelligence (AI); Data analysis; management; risks.

JEL Classification: M11 O31

INTRODUCTION

Artificial intelligence is an important step in scientific and technical progress, with a significant contribution in all fields of activity such as statistics, engineering, mathematics, management, architecture, marketing, etc. In recent years, the development of artificial intelligence has experienced an extremely rapid growth, due to several factors such as huge investments, the development of the IT environment and the free access to its use

The rapid development of artificial intelligence has a significant impact on many managerial activities. The use of AI is increasingly being used, from decision making and creating an action plan to automating work and increasing business productivity

The aim of this paper is to analyze the impact of Artificial Intelligence on organizational management. Both the benefits and the challenges associated with this trend will be investigated.

Objectives pursued in this research:

- AI-based decision-making method;
- Identifying the benefits and risks of using AI;
- Percentage receiving wrong decisions;
- Ethical-legal approaches.

MAIN CONTENT

Analysis of literature sources. To conduct this research we consulted useful secondary sources and conducted personal analysis to investigate the impact of intelligence on the managerial economy, people and business. These are: reports, articles, government websites and personal AI testing. Each bibliographical source and the results received played the role in obtaining certain data, which helped us to make certain conclusions on the situation at the moment and the consequences that has to be in the near future taking into account the trends of its maximum utilization.

Description of the research method used. At the basis of this paper is an exploratory research in order to gain an overview of the impact of artificial intelligence on organizational management.

A popular question is what is decision making in AI? AI in business decision-making is of utmost importance when data processing is carried out completely or in part by an AI platform. With no human in the picture, this process helps to quantify data, making accurate predictions and precise decisions. AI can handle anomaly detection, data crunching, complex analysis, optimized decision making, and spotting trends. The final decisions are then either completely automated or taken over by the human end. Take a look at the model of AI decision making: **Error! Reference source not found.**,

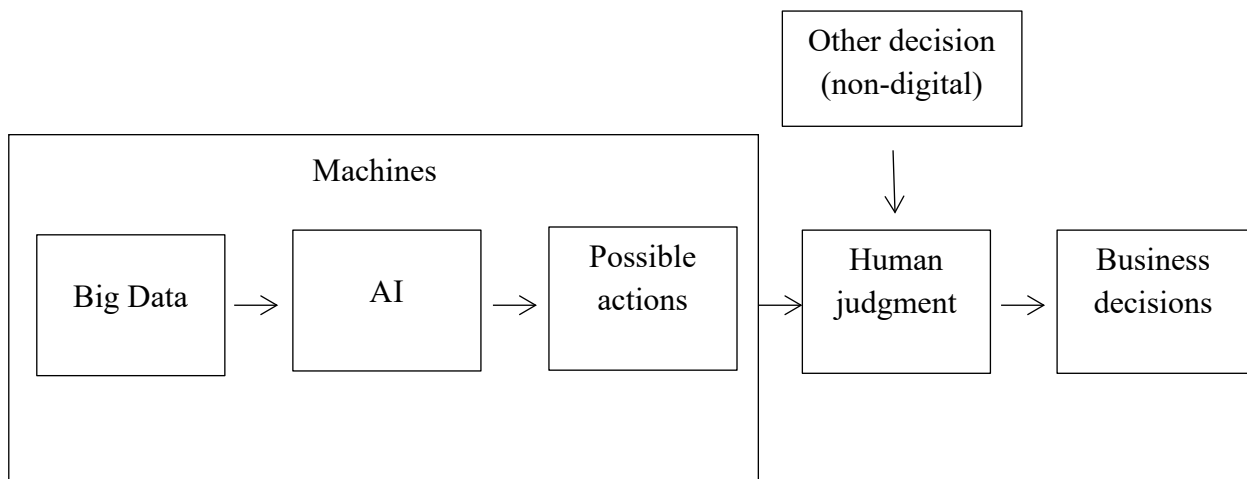


Figure 1. Model of AI decision making by Eric Colson.

Source: Extracted from ("How artificial intelligence will change decision making of 4 June 2024").

<https://indatalabs.com/blog/artificial-intelligence-decision-making>

The application of artificial intelligence in organizational actions have positive effects in terms of increasing efficiency and optimizing decision-making processes. Research has found that companies with developed supply chains are 23% more profitable than their competitors, according to an Accenture study called "Next-stop, next-gen." These companies are six times more likely to utilize artificial intelligence and generative AI at scale in their supply chains, thereby driving business value, according to a release (**Error! Reference source not found.**). According to the report given "Leaders"- those companies that entered in the top 10%, realized margins 23% higher than their competitors between 2019 and 2023. So but, they gave shareholders a 15% better return. Although, this data is very large but, it's superimposing AI's evolution toward large-scale labor displacement (**Error! Reference source not found.**). On the one hand, this implementation reduces costs, increases business productivity and raises incomes, on the other hand, there will be the loss of many jobs and a significant drop in per capita income in the country, which will lead to a reduction in purchasing

power, a decrease in supply and demand, a decrease in productivity and finally to stagnation and/or economic downturn in the country.

Three AIs from different domains were used to find out the percentage of receiving erroneous decisions in the research:

- ChatGPT - One of the most developed artificial intelligence that is located in public use. This AI has hundreds of ways of use from creating essays to creating downloadable excel spreadsheets. Many large companies are using it to make organizational decisions, analysis of a mati amount of information, even in predicting the near future. But unfortunately, this AI is not all-powerful, sometimes it can make mistakes in calculations, present incorrect information and sometimes refuses to fulfill some tasks from ethical-legal perspective. To test this AI an excel file was created with three independent tables, each of them placed in three different sheels. As a result the first shell was correctly structured correctly and calculations were not performed. The other tables were totally wrong, some data was missing, the proposed parameters were used incorrectly.

- Gamma - The given AI can create presentations on different topics, in different languages, with self-generated images appropriate to the topic. Its database constantly refreshes itself with new items and even has the possibility to learn something new from the requirements that users propose. In this case, three presentations of eight slides each were created on the topics: Characterizing the US GDP; Creating a plan for business integration in the Asian market; Identifying risks and opportunities in using AI. Each project had a nicely structured composition but the information was often repeated and presented in different words, and the presentation of the numerical data did not hold true value. After some interventions and placement of mandatory information, the given projects could be presented successfully.

- Davinci - is an artificial intelligence with the help of which different images can be realized with the help of user's imagination and proposed algorithms. For the verification of this artificial intelligence an image was created in which the idea of creating a futuristic portrait was approached. The given AI was accomplished with the given task from the third attempt, which represents the possibility of success approximately 33%. This data can be variable depending on the weight of the desired image detalization and the clear task approach.

To implement Artificial Intelligence (AI), it is important to take an ethically and legally sound approach to minimize risks and maximize the benefits for companies and society at large. First, we need to assess the ethical implications of implementing AI by analyzing its impact on our employees, customers, society and the environment. This process will help us to identify potential negative consequences such as job losses, misuse of personal data or increased socio-economic inequalities. Secondly, the legal aspect is one of the most paramount, as due to cyber-attacks the information stored in the AI, which represents personal data, data and the company's financial situation may become vulnerable. In case of hacking, it can end up in the hands of competitors or worse on the Dark-net, exposing the company and employees to legal and financial risks. So protecting client and business privacy is important in legal practice. The integration of artificial intelligence into law firms raises a question about privacy, confidentiality and data protection law. Because lawyers can use AI to analyze cases, there is a risk of exposing clients' data security and privacy. Lawyers should ensure that AI providers always adhere to strict data security protocols. This will ensure that there is no breach of attorney-client privilege.

CONCLUSIONS

The implementation of artificial intelligence in the managerial environment offers a wide range of possibilities for improving decision-making processes and optimizing efficiency. However, a careful analysis of risks related to the application of AI is mandatory. Determination and assessment of possible benefits should be carried out prior to the application of AI technologies in order to avoid possible unforeseen negative consequences. It is fundamental to establish clear ethical rules in the application of artificial intelligence, thus ensuring accountability and clarity of decisions made by these systems. Clarity in AI decision making can avoid perceptions of unfairness and increase trust in these systems. In the perspective of future studies, it is fundamental to develop improved ways to assess hazards and adjust current rules to keep pace with rapid technological advances. It is important to explore how we can bring more accountability to the use of artificial intelligence in decision-making activities to ensure a balance between technological development and the protection of human rights. While we face significant challenges in adapting current regulations to the rapid pace of artificial intelligence development, the careful and responsible application of these technologies can lead to a sustainable and beneficial integration for both business and society as a whole.

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