Novatio: Journal of Management Technology and Innovation

E-ISSN : 3030-8674
Volume. 2, Issue 1, January 2024
Page No: 28-41

Ethical and Organizational Dimensions of AI in Strategic Innovation

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Received : December 12, 2023
Accepted : January 17, 2024
Published : January 31, 2024

Citation: Mubarok, R., Mubarok, A., Zulkarnain, A. (2024). Ethical and Organizational Dimensions of AI in Strategic Innovation. Novatio: Journal of Management Technology and Innovation, 2(1), 28-41.

ABSTRACT: Artificial Intelligence (AI) has emerged as a transformative force in strategic innovation management, reshaping decision-making, competitive advantage, and long-term strategies. This narrative review aims to synthesize evidence on AI's role in fostering innovation while addressing the challenges of its adoption. Literature was systematically retrieved from major academic databases including Scopus, PubMed, and Google Scholar, using targeted keywords such as Artificial Intelligence, Strategic Innovation Management, Predictive Analytics, and Dynamic Capabilities. Inclusion criteria prioritized peer-reviewed studies published between 2014 and 2025 in English, with exclusions applied to non-empirical and non-accredited sources. The findings reveal that AI enhances organizational competitiveness through predictive analytics, optimizes innovation processes in the Fuzzy Front End, and supports long-term strategies when integrated with blockchain and the Internet of Things. Comparative perspectives demonstrate that developed countries leverage robust infrastructure for rapid adoption, while developing nations increasingly use AI-driven mobile solutions to overcome traditional barriers. However, persistent challenges including privacy concerns, data security risks, and algorithmic bias threaten equitable adoption, with organizational dynamic capabilities emerging as crucial determinants of success. Policy implications emphasize the need for regulatory frameworks, investment in digital infrastructure, and workforce reskilling. Future research should address underexplored contexts such as small and medium-sized enterprises and conduct longitudinal studies to assess AI's enduring impact on organizational resilience. Overall, AI's transformative potential can only be realized through responsible, context-sensitive, and ethically informed strategies that balance innovation with sustainability.

Keywords: Artificial Intelligence, Strategic Innovation Management, Predictive Analytics, Dynamic Capabilities, Business Model Innovation, Sustainable Competitive Advantage.

INTRODUCTION

Artificial Intelligence (AI) has emerged as one of the most influential technological advancements shaping the contemporary landscape of strategic innovation management. Over the past decade,

AI has transitioned from a supplementary tool aimed at operational optimization to a critical driver of organizational strategy and long-term competitiveness. Scholars have increasingly emphasized the transformative impact of AI on decision-making processes, organizational agility, and innovation management. Evangeline (2025) and Rekunenko et al. (2025) highlight that AI integration into business functions enhances data management, supports evidence-based decision-making, and fosters responsiveness to market dynamics. This evolution underscores the growing necessity of understanding AI not merely as a technological enabler but as a core component of strategic foresight and organizational resilience.

From 2015 to 2025, the trajectory of AI adoption has shifted significantly. Initially, firms primarily leveraged AI to automate repetitive tasks and increase operational efficiency. However, as organizations recognized the broader potential of AI, its applications expanded into strategic domains, including innovation management, product development, and long-term strategic planning (Alhyasat et al., 2025; Roy et al., 2025). In healthcare management, for instance, AI has been instrumental in improving patient care insights, optimizing resource allocation, and supporting strategic clinical decisions (Suryawanshi et al., 2024; Liu et al., 2024). This evolution illustrates how AI has matured into a versatile tool that is reshaping industries by aligning operational improvements with strategic objectives.

The proliferation of AI-driven solutions has been further accelerated by the ongoing shift toward data-driven organizational models. Roy et al. (2025) and Füller et al. (2024) demonstrate that firms adopting AI analytics and machine learning report improved innovation capacity, shorter product development cycles, and heightened adaptability to changing markets. These findings resonate with the imperatives of Industry 4.0, where digitalization and advanced analytics are redefining business models (Saura & Bužinskienė, 2025; Bhimavarapu, 2025). The momentum reflects not only technological advancement but also the necessity for organizations to reconfigure their innovation practices to remain competitive in increasingly volatile environments.

AI's role as a catalyst for innovation is particularly evident in corporate governance and risk management frameworks. Kalkan (2024) and Wang and Wu (2024) argue that AI provides predictive insights into consumer behavior and market trends, thereby enabling organizations to engage in more informed strategic planning. Furthermore, as regulatory frameworks evolve to accommodate AI adoption, organizations are encouraged to integrate AI responsibly, balancing innovation with ethical considerations (Maqousi et al., 2025). This balance is critical, as organizations must ensure that AI-driven innovations are aligned not only with profitability goals but also with broader societal values.

Nevertheless, significant challenges persist. Ethical concerns represent one of the most pressing issues, as organizations grapple with developing clear guidelines for responsible AI use. The absence of robust ethical frameworks risks leading to unfair or biased outcomes, thereby undermining trust and legitimacy (Menzies et al., 2024; Füller et al., 2024). Data privacy is another major concern. The reliance of AI systems on large datasets, often including sensitive personal information, has amplified debates on privacy and data protection. Regulations such as the General Data Protection Regulation (GDPR) in Europe have introduced strict boundaries, requiring organizations to adopt more cautious approaches to data use (Kyambade & Namatovu, 2025).

Algorithmic bias poses an additional challenge. Petersson et al. (2022) and Al-Ayed (2025) illustrate how biased training data can result in discriminatory outcomes, reinforcing systemic inequalities. In domains such as healthcare and recruitment, such biases can exacerbate social disparities if left unaddressed. These challenges highlight the urgent need for organizations to establish mechanisms for bias detection and mitigation to ensure that AI adoption promotes equity rather than perpetuating injustice.

Despite the increasing body of research on AI in strategic innovation management, gaps remain in the literature. Much of the existing scholarship has focused on the technical and operational aspects of AI adoption, often overlooking broader strategic implications. For instance, studies exploring how AI integration influences organizational culture, innovation ecosystems, and international competitiveness remain limited (Saura & Bužinskienė, 2025; Albannai et al., 2025). Similarly, Luqman et al. (2024) emphasize the need to investigate how AI can facilitate more sophisticated strategic decision-making processes aligned with long-term innovation goals. Addressing these gaps is crucial to forming a holistic understanding of AI's transformative role.

The objective of this review is to synthesize existing knowledge on the integration of AI into strategic innovation management, with particular attention to its impact on decision-making, organizational adaptability, and competitiveness. This review aims to evaluate not only the benefits but also the challenges associated with AI adoption, including ethical concerns, privacy risks, and algorithmic biases. By systematically analyzing these dimensions, the study seeks to contribute to the development of frameworks that guide the responsible and effective use of AI in organizational strategy.

The scope of this review extends across both global and regional contexts, with particular emphasis on Asia and Europe. Evidence from Southeast Asia, such as the application of AI in clinical decision-making in Malaysia, demonstrates how AI enhances healthcare efficiency and service delivery (Sriharan et al., 2025). In Europe, innovations in smart housing projects in Scandinavia illustrate the integration of AI with the Internet of Things (IoT) to create adaptive environments focused on sustainability and user experience (Lauri et al., 2023). These regional cases offer valuable insights into how AI adoption varies across industries and geographies, shaping diverse innovation trajectories.

In summary, the integration of AI into strategic innovation management has evolved from a focus on operational improvements to a broader role as a driver of innovation and strategic foresight. The literature highlights both the opportunities and challenges associated with this transformation, underscoring the urgency of addressing ethical, privacy, and bias-related concerns. By engaging with these debates and situating the discussion within global and regional contexts, this review sets the stage for a comprehensive analysis of AI's role in shaping the future of innovation management.

METHOD

The methodology of this study was designed to ensure a rigorous, systematic, and transparent approach to identifying, selecting, and analyzing relevant literature on the application of Artificial Intelligence (AI) in strategic innovation management. The research process followed a narrative review framework with structured search strategies to capture the breadth and depth of scholarly discourse across multiple disciplines. By employing carefully defined keywords, inclusion and exclusion criteria, and systematic evaluation techniques, the study sought to synthesize high-quality, peer-reviewed evidence that could meaningfully inform the analysis of AI's role in fostering innovation and strategic competitiveness.

The first step in this process involved the identification of suitable databases to provide comprehensive coverage of the relevant academic literature. Three primary databases were chosen due to their broad disciplinary reach and established credibility in indexing peer-reviewed research: Scopus, PubMed, and Google Scholar. Scopus was prioritized as the main repository because of its extensive indexing of journals in business, management, and technology studies. PubMed was incorporated to capture literature on AI applications in healthcare innovation, which represents a significant area of study within strategic innovation management. Google Scholar was also utilized as a complementary database to ensure the inclusion of emerging research and grey literature, particularly conference proceedings and institutional reports, which may not always appear in conventional journal indexing. The combined use of these databases allowed the review to maintain both breadth and specificity, ensuring that diverse contexts of AI integration could be represented.

To refine the search process, a comprehensive set of keywords was developed to capture the multifaceted applications of AI in strategic innovation. These keywords included "Artificial Intelligence," "Strategic Innovation Management," "Predictive Analytics," and "Dynamic Capabilities," reflecting the core thematic areas identified in preliminary scoping. Additional related terms such as "Operational Excellence," "Data-Driven Decision Making," and "Sustainable Competitive Advantage" were incorporated to broaden the scope of the search and capture studies that may use varied terminologies but address similar phenomena. Boolean operators were applied to combine these terms, such as "Artificial Intelligence AND Strategic Innovation Management," ensuring that results specifically targeted the intersection of AI and strategic innovation practices rather than addressing these areas separately. This keyword strategy enabled a targeted retrieval of articles while minimizing irrelevant results.

Following the database searches, a strict set of inclusion and exclusion criteria was applied to filter the results. The inclusion criteria were designed to prioritize high-quality and relevant studies. First, only peer-reviewed articles were selected, as these provide verified credibility and ensure that the findings have undergone scrutiny by subject-matter experts. Second, the publication time frame was limited to the period between 2014 and 2025. This range was selected to capture a decade of research that aligns with the significant rise in AI adoption and its expanding role in strategic innovation during the Industry 4.0 era. Third, only articles published in English were included, to maintain accessibility to a global scholarly audience and ensure consistency in analysis. These

criteria collectively aimed to capture the most relevant and methodologically sound studies for the review.

Conversely, exclusion criteria were implemented to eliminate literature that did not directly align with the study's objectives. Articles that were unrelated to AI or that only addressed innovation in general without a strategic focus were excluded. Similarly, studies published in non-accredited journals or those lacking clear peer review processes were removed, as these sources could undermine the academic rigor of the review. Finally, purely theoretical or speculative papers without empirical evidence were excluded. This decision was made to ensure that the literature included in the review was grounded in data-driven analysis and offered concrete findings that could be synthesized into actionable insights. This dual approach of inclusivity and exclusivity allowed the review to balance comprehensiveness with scholarly integrity.

The next step involved classifying the types of studies included in the review to ensure diversity in methodological approaches. A wide range of empirical research designs was accepted, reflecting the interdisciplinary nature of AI in strategic innovation. Randomized controlled trials and experimental studies were considered when examining AI interventions in specific sectors such as healthcare or finance. Cohort studies and longitudinal analyses were included for their ability to track organizational outcomes over time, particularly in evaluating long-term effects of AI adoption on strategic competitiveness. Case studies were also integral to the review, as they provided detailed contextual insights into how specific organizations or industries have implemented AI tools to transform innovation processes. The inclusion of this variety of empirical methodologies enriched the review by enabling triangulation across different contexts and research designs.

The process of screening and selecting articles was conducted in multiple stages. After the initial retrieval of results from the databases, duplicate entries were removed to avoid redundancy. Titles and abstracts were then screened to quickly assess relevance against the predefined inclusion and exclusion criteria. Studies that passed this initial screening were subjected to full-text evaluation, during which a deeper assessment of methodological rigor, thematic relevance, and empirical grounding was performed. At this stage, particular attention was paid to whether the studies provided concrete evidence of AI's impact on strategic innovation practices, rather than simply speculating on potential applications. This multi-step selection process ensured that only the most relevant and robust studies were carried forward for analysis.

Evaluation of the final pool of selected studies involved a quality appraisal to determine their methodological soundness and contribution to the field. Criteria for evaluation included clarity of research design, appropriateness of data collection methods, robustness of analysis, and transparency in reporting findings. Studies that lacked sufficient methodological detail or presented inconclusive results were deprioritized. On the other hand, studies that demonstrated rigorous methodologies, clear conceptual frameworks, and substantial empirical evidence were emphasized in the synthesis. This evaluative approach strengthened the reliability of the conclusions drawn from the review.

Throughout the methodology, transparency and replicability were prioritized. Detailed records of search terms, database queries, inclusion and exclusion decisions, and evaluation criteria were maintained to ensure accountability and enable replication in future studies. This systematic approach contributes to the credibility of the review and ensures that its findings are grounded in a rigorous and methodologically sound process.

In conclusion, the methodology employed in this study reflects a comprehensive and structured approach to reviewing literature on AI in strategic innovation management. By combining multiple databases, employing targeted keywords, applying stringent inclusion and exclusion criteria, and systematically screening and evaluating studies, the review ensures both breadth and depth of coverage. The inclusion of diverse empirical research designs enriches the analysis and provides a well-rounded perspective on the transformative role of AI in shaping innovation strategies. This methodological rigor not only enhances the reliability of the findings but also establishes a strong foundation for advancing future research in the intersection of AI, innovation, and strategic management.

RESULT AND DISCUSSION

The results of this narrative review reveal four central themes concerning the role of Artificial Intelligence (AI) in strategic innovation management: its contribution to competitive advantage, its transformative effects on innovation processes, its synergy with emerging technologies for long-term strategy, and the ethical and organizational challenges that mediate its adoption. These themes collectively demonstrate both the opportunities and limitations of AI as organizations integrate it into their strategic and operational frameworks.

AI for Competitive Advantage

A significant body of literature indicates that AI contributes to sustained competitive advantage by enabling organizations to anticipate market dynamics and consumer behavior through predictive analytics. Damian et al. (2019) demonstrate that advanced AI-powered recommendation systems predict customer preferences and behavioral patterns with high accuracy, thereby allowing firms to design marketing strategies that are more targeted and personalized. This ability enhances customer engagement, improves sales performance, and ultimately strengthens market positioning. Similarly, Proto et al. (2020) provide empirical evidence from the logistics sector, where predictive maintenance supported by AI reduced unnecessary service interventions and minimized operational disruptions. Their findings revealed measurable improvements in productivity and customer satisfaction, underscoring the tangible link between AI adoption and organizational performance.

Studies further suggest that firms employing AI are more agile in responding to shifting market conditions, a factor critical in highly volatile and competitive environments. Sriharan et al. (2025) and Santamato et al. (2024) argue that organizations using AI-driven analytics demonstrate superior resource allocation and responsiveness, enabling them to seize opportunities faster than competitors. This growing evidence base highlights AI as a critical enabler of sustainable competitive advantage in the modern business landscape.

Transformation of Innovation Processes

The integration of AI into innovation processes, particularly within the Fuzzy Front End (FFE) of product development, has reshaped how organizations identify, evaluate, and act upon new ideas. Lee et al. (2020) highlight that AI's ability to analyze diverse real-time data streams accelerates ideation and enhances decision-making in early-stage innovation. This capability reduces uncertainty and facilitates more informed investment decisions in innovation portfolios. Gupta and Kaur (2025) further illustrate that firms integrating AI into their product development pipelines experience faster innovation cycles, greater alignment with consumer needs, and improved outcomes in terms of both product adoption and market success.

However, challenges arise when AI systems fail to account for cultural and contextual nuances. Sia et al. (2024) provide evidence from the retail sector, where AI-based recommendation systems struggled to capture local preferences, leading to suboptimal product launches and reduced customer engagement. Such examples highlight that while AI can streamline innovation processes, its effectiveness is contingent upon proper contextualization and human oversight. The literature emphasizes the necessity of balancing AI-driven analytics with deep market knowledge to ensure that innovation strategies resonate with diverse consumer bases.

AI's broader influence on innovation is also evident in its facilitation of business model transformation. Füller et al. (2024) demonstrate that data-driven models supported by AI foster the creation of adaptive and resilient business frameworks. This trend aligns with the imperatives of Industry 4.0, where the interplay between digitalization, analytics, and innovation drives sustainable growth (Saura & Bužinskienė, 2025; Bhimavarapu, 2025). Collectively, these findings position AI not only as an analytical tool but as a core driver of innovation strategy.

Emerging Technologies and Long-Term Strategy

The integration of AI with other emerging technologies, such as blockchain and the Internet of Things (IoT), offers profound implications for long-term innovation strategies. Blockchain provides secure and transparent transaction systems that complement AI applications, particularly in areas requiring trust and accountability. IoT, on the other hand, enables the collection and analysis of real-time data from interconnected devices, significantly enhancing the responsiveness and adaptability of organizations. Jin et al. (2024) highlight that these synergies create new business value by combining device connectivity with predictive analytics, allowing firms to optimize operations while simultaneously driving innovation.

Comparative studies reveal marked differences between developed and developing economies in their adoption of AI and related technologies. In developed contexts, advanced infrastructure and highly skilled human capital enable faster integration and more complex applications of AI-driven systems. For example, European smart housing initiatives illustrate how AI and IoT integration enhances energy efficiency and user comfort, reflecting both technological sophistication and consumer readiness (Lauri et al., 2023). By contrast, developing nations often face constraints related to infrastructure, funding, and technical expertise. Nonetheless, developing economies exhibit strong potential for leapfrogging traditional development stages. Taifa and Nzowa (2025) document how mobile-based fintech and healthcare applications in Sub-Saharan Africa leverage AI to deliver transformative services, circumventing conventional barriers and catalyzing digital

transformation. This contrast underscores the global diversity of AI adoption pathways and the varying conditions under which organizations harness AI for long-term strategy.

Ethical and Organizational Challenges

Despite the demonstrated benefits, AI adoption is accompanied by persistent ethical and organizational challenges. Data privacy is one of the most pressing concerns, as AI systems often require access to large datasets containing sensitive personal information. Kyambade and Namatovu (2025) note that regulatory measures such as the General Data Protection Regulation (GDPR) in Europe impose strict boundaries on data use, compelling organizations to adopt more cautious approaches in their innovation strategies. Security risks also remain prevalent, with data breaches posing significant financial and reputational threats.

Algorithmic bias further complicates AI implementation. Whitman (2021) and Al-Ayed (2025) emphasize that biased training data can lead to discriminatory outcomes, undermining fairness and eroding trust in AI systems. These risks are particularly acute in sensitive applications such as recruitment and healthcare, where biased decisions can exacerbate inequalities and produce harmful societal effects. Addressing bias requires deliberate efforts in curating representative datasets, auditing algorithms, and integrating ethical safeguards into the design of AI systems.

Organizational capabilities also play a critical role in mediating AI's impact. Schöggl et al. (2023) demonstrate that firms with strong dynamic capabilities—defined as the ability to integrate, build, and reconfigure internal and external competencies—are more successful in leveraging AI to enhance efficiency and performance. Organizations lacking such capabilities often struggle with the complexity of AI implementation, highlighting the need for complementary managerial and strategic resources. Menzies et al. (2024) argue that without a strategic framework that emphasizes adaptability and resilience, even the most advanced AI tools may fail to deliver their intended benefits.

Comparative analyses between regions further illustrate the interaction between organizational readiness and regulatory environments. In Southeast Asia, Sriharan et al. (2025) observe that AI in healthcare has been effective in improving service delivery and resource allocation, largely due to supportive policy frameworks and investments in digital infrastructure. By contrast, in regions where regulations lag behind technological developments, firms often face uncertainty that hampers adoption and innovation (Sharifi et al., 2024). These findings suggest that successful integration of AI requires alignment between technological capabilities, organizational competencies, and regulatory structures.

Taken together, the literature reviewed in this study reveals that AI holds considerable promise for advancing strategic innovation management, yet its benefits are neither automatic nor evenly distributed. While AI enhances competitive advantage and accelerates innovation processes, its integration with emerging technologies expands possibilities for long-term strategies across diverse contexts. At the same time, ethical challenges and organizational requirements underscore the complexity of realizing AI's full potential. The global comparison highlights that while developed economies may enjoy structural advantages in AI adoption, developing countries are leveraging unique opportunities to innovate through unconventional pathways. These dynamics affirm the

necessity of context-sensitive approaches to AI integration, ensuring that its transformative potential contributes not only to organizational success but also to broader societal advancement.

The findings of this review emphasize the transformative impact of Artificial Intelligence (AI) in strategic innovation management while also underscoring the continued relevance of classical management theories. The Resource-Based View (RBV) posits that organizations achieve sustainable competitive advantage by acquiring and deploying unique, valuable, and inimitable resources. Within this framework, AI can be conceptualized as a strategic resource due to its ability to analyze vast datasets, provide dynamic insights, and support predictive decision-making. Jin et al. (2024) illustrate how the distinctive capabilities of AI strengthen competitive advantage by enabling firms to identify emerging opportunities and reconfigure their operational strategies. In this sense, AI serves not merely as a technological tool but as a strategic asset that enhances the value of existing resources and aligns with the core tenets of RBV.

Similarly, the Dynamic Capabilities Theory emphasizes the ability of firms to adapt, integrate, and reconfigure internal and external competencies in rapidly changing environments. The literature suggests that the successful implementation of AI depends heavily on the presence of dynamic capabilities that allow organizations to manage technological change effectively. Studies demonstrate that firms with strong adaptive capacities are better positioned to exploit AI to drive innovation and strategic flexibility (Schöggl et al., 2023). The integration of AI into this theoretical framework expands managerial tools for responding to market volatility, illustrating that AI is not only an operational enhancer but also a key mechanism through which firms can exercise dynamic adaptability.

The alignment of AI with these classical theories highlights how emerging technologies can reinforce established management paradigms while simultaneously introducing new dimensions of strategic thinking. By embedding AI within frameworks like RBV and Dynamic Capabilities Theory, managers are better equipped to conceptualize AI adoption as a strategic imperative rather than a mere technological investment. This theoretical integration bridges the gap between traditional management approaches and the realities of digital transformation, offering a coherent lens for analyzing AI's role in contemporary innovation strategies.

Beyond theoretical implications, the review highlights critical policy considerations that shape the broader adoption of AI for sustainable innovation. At the national level, governments play a vital role in creating enabling environments for AI-driven innovation through investments in digital infrastructure, education, and workforce reskilling. Jin et al. (2024) note that public policy initiatives supporting AI research and development can significantly enhance a nation's ability to compete in the global economy. Policies that encourage private sector collaboration, provide tax incentives for digital innovation, and strengthen data governance frameworks are crucial for embedding AI in national innovation systems. Such measures ensure that organizations, irrespective of size, have access to the resources and capabilities necessary to harness AI effectively.

At the international level, the results point to the importance of cross-border collaboration in advancing AI adoption and ensuring responsible practices. Whitman (2021) emphasizes that consistent standards for data privacy, algorithmic fairness, and ethical use are necessary to build public trust and international consensus. Collaborative platforms that facilitate knowledge sharing and exchange of best practices among countries can foster a stronger global innovation ecosystem.

Such international partnerships also mitigate the risks of technological fragmentation by promoting harmonized frameworks for AI governance. By embedding ethical standards in global collaborations, policymakers can support not only technological advancement but also the legitimacy and acceptance of AI innovations across diverse cultural and regulatory environments.

Despite these developments, several research areas remain underexplored, indicating opportunities for further inquiry. One critical gap relates to the adoption of AI by small and medium-sized enterprises (SMEs). Much of the current literature focuses on large organizations with ample resources to invest in advanced technologies, leaving SMEs underrepresented in empirical studies. Coleman et al. (2016) highlight the distinct challenges SMEs face in adopting large-scale technologies, such as limited financial capacity, lack of technical expertise, and constrained organizational infrastructure. The development of maturity models tailored to SMEs is necessary to guide them in leveraging AI within their resource limitations. Addressing this gap would enable a more inclusive understanding of AI's role in innovation and ensure that its benefits extend beyond large corporations.

Another area requiring deeper exploration is the long-term impact of AI on organizational resilience. While existing studies document immediate improvements in efficiency and decision-making, there is limited longitudinal evidence on how AI shapes resilience and adaptability over extended periods. Long-term studies are essential to assess whether AI adoption contributes to sustained competitiveness or whether its benefits diminish as technologies evolve and become standardized. Moreover, such research could provide insights into how AI-enabled organizations navigate disruptions, such as global crises, supply chain volatility, or environmental challenges. These findings would contribute significantly to understanding the strategic durability of AI innovations.

The results also underscore the necessity of advancing research into regulatory and ethical frameworks surrounding AI adoption. The complexity of data privacy, algorithmic bias, and ethical governance requires comprehensive and interdisciplinary approaches. Scholars argue that without robust regulation, organizations risk eroding public trust and exacerbating societal inequalities (Whitman, 2021; Al-Ayed, 2025). Future research should focus on designing adaptable regulatory models that balance innovation with accountability, ensuring that AI contributes positively to society. This includes exploring mechanisms for auditing algorithms, promoting transparency in decision-making systems, and embedding ethical considerations into AI development processes.

Additionally, the discussion highlights the value of interdisciplinary collaboration in advancing AI research. The convergence of expertise from computer science, management, sociology, and ethics is crucial for capturing the multifaceted impacts of AI. For example, combining insights from social sciences with technical research can provide a more holistic understanding of how AI influences organizational culture, employee behavior, and consumer trust. Such interdisciplinary research could foster innovative solutions that address both the technical and societal challenges of AI integration, reinforcing the sustainability of innovation ecosystems.

Systemic factors further contribute to shaping the opportunities and challenges of AI adoption. Institutional readiness, regulatory environments, and cultural attitudes toward technology play pivotal roles in determining the pace and extent of AI integration. In regions with advanced digital infrastructure and supportive policy frameworks, such as Europe and parts of Asia, AI adoption

is accelerated and often more impactful (Lauri et al., 2023; Sriharan et al., 2025). Conversely, in contexts where infrastructure and regulatory support are lacking, firms encounter greater barriers, slowing the diffusion of AI technologies (Sharifi et al., 2024). These systemic variations emphasize the importance of context-sensitive strategies for AI adoption, demonstrating that a one-size-fits-all approach is insufficient in managing global innovation dynamics.

Furthermore, addressing organizational challenges requires the development of dynamic capabilities that align with the demands of AI integration. Schöggl et al. (2023) argue that organizations must cultivate adaptability and continuous learning to fully realize AI's potential. Firms that prioritize leadership development, invest in employee reskilling, and foster cultures of innovation are more likely to overcome barriers related to technological complexity and ethical risk. These strategic approaches not only enhance the effectiveness of AI implementation but also ensure that organizations are prepared to evolve alongside technological advancements.

Finally, the discussion indicates that solutions to existing barriers may involve combining regulatory frameworks with organizational transformation. Strengthening policies on data governance and ethical AI, while simultaneously fostering organizational agility and resilience, presents a balanced pathway forward. Policymakers and managers alike must recognize that technological tools alone cannot guarantee innovation success; rather, they must be embedded within supportive systems, adaptive structures, and ethical frameworks. Addressing these challenges will enable organizations to not only adopt AI effectively but also leverage it as a foundation for sustainable and responsible innovation.

CONCLUSION

This narrative review demonstrates that Artificial Intelligence (AI) is reshaping strategic innovation management by fostering competitive advantage, transforming innovation processes, and enabling long-term strategies through integration with emerging technologies. The evidence shows that predictive analytics and machine learning enhance organizational agility by allowing firms to anticipate market dynamics, optimize resource allocation, and personalize consumer engagement. At the same time, AI has proven transformative in the Fuzzy Front End of innovation, accelerating ideation and portfolio management, while also driving new forms of business model adaptation. Moreover, the synergy of AI with blockchain and the Internet of Things illustrates its potential to sustain innovation in complex and dynamic environments. Comparative insights highlight that while developed nations often benefit from robust infrastructures and regulatory frameworks, developing economies increasingly leverage AI to leapfrog traditional development barriers through mobile-based and digital solutions.

Despite these opportunities, persistent ethical and organizational challenges remain. Issues of data privacy, security, and algorithmic bias pose risks to equitable adoption, while organizational readiness and dynamic capabilities are decisive factors in realizing AI's potential. Addressing these barriers requires coordinated strategies that combine regulatory interventions, capacity building, and ethical safeguards. Policymakers must prioritize investments in infrastructure, education, and governance to create enabling environments for responsible AI adoption. Future research should pursue longitudinal studies to assess AI's long-term impacts on organizational resilience, while also

examining underexplored contexts such as small and medium-sized enterprises. Overall, AI's transformative capacity must be matched by systemic, organizational, and ethical interventions to ensure that its integration strengthens innovation and competitiveness in a sustainable and inclusive manner. Future research should move beyond large corporations to explore SMEs and longitudinal studies, ensuring AI adoption benefits are inclusive and sustainable

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