AI in Decision Making and Managerial Ethics

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Abstract

AI in decision making and Managerial ethics is one of the emerging issues that are mandatory in every organization. Though AI is not applicable still in every organization, but the way technology is updating in every single day, this concept has to be taken in mind as it will be the need of the hour very soon.

AI in decision-making boosts efficiency by analyzing huge datasets for insights, but creates managerial ethics challenges around bias, accountability, clarity, and human oversight, requiring frameworks for responsible use, bias mitigation (fairness principles), clear responsibility (accountability), explainable models (transparency), and constant human review to ensure AI serves as a tool, not a replacement for judgment, building trust and avoiding negative societal impacts like job loss or inequality.

By automating data collection, analysis, and reporting, AI enables decision-makers to access relevant information quickly and easily, eliminating the need for manual data gathering and allowing teams to focus on higher-value tasks.

Keywords: AI, Decision making, Managerial Ethics, Efficiency, Data Collection

Introduction

In data-rich industries like finance, logistics, and customer analytics, AI-enabled analytics, machine learning, and automation are changing how managers obtain information, evaluate options, and make decisions. AI frees up managerial time for tasks of greater importance like strategy and stakeholder engagement by automating data collection, analysis, and reporting, giving decision-makers rapid access to important, frequently real-time information. These advantages, however, come with new ethical difficulties because AI systems can conceal accountability, encode bias, and make it more difficult to defend or challenge decisions that have a big impact on workers, clients, and society as a whole.

Background

AI in managerial decision making

Nowadays, AI systems help with more complicated, semi-structured decisions like risk assessment, dynamic pricing, and talent selection in in addition to programmed decisions such as inventory optimization and credit scoring. Predictive and prescriptive analytics are being used by organizations more and more to estimate probabilities, simulate scenarios, and suggest courses of action. This transforms the speed and informational foundation of managerial decision-making. However, if these models are not carefully regulated, they may replicate or even intensify discrimination in areas like hiring, lending, or policing when they rely on historical data reflecting current social and organizational injustices.

Managerial ethics and decision-making

Managerial ethics concerns how managers recognize, analyze, and resolve value-laden issues, balancing efficiency with respect for rights, justice, and the common good. Decisions involving trade-offs among profit, people, and the environment are typically evaluated using ethical theories like utilitarianism (overall welfare), deontological approaches (duties and rights), and stakeholder theory (fair treatment of all affected parties). AI does not eliminate these normative questions; instead, it relocates them into design choices (data selection, model objectives), deployment contexts (who is targeted), and oversight structures (who can override or audit outputs), making ethical reflection more technical, distributed, and continuous.

Research problem and questions

The core problem addressed in this paper is how organizations can utilize AI for improved decision quality and efficiency while preserving managerial ethics and avoiding harmful impacts on stakeholders and society. Specifically, the study is guided by three research questions:

1. How does AI transform managerial decision-making processes?
2. What are the main ethical risks associated with AI-supported decisions?
3. What governance principles and practices can help managers implement AI responsibly?

Research objectives

Aligned with these questions, the paper pursues four objectives:

- to compile the body of knowledge regarding the use of AI in managerial decision-making;
- to recognize and classify the main moral dilemmas that result from these applications;
- it aims to review and compare leading AI ethics and governance frameworks relevant to managerial practice;
- it seeks to create a conceptual framework and useful rules for moral AI-enabled organizational decision-making.

Research methodology

This study adopts a qualitative, descriptive, and conceptual research design based exclusively on secondary data. Reputable industry and consultancy reports on AI governance, policy documents and standards like the OECD AI Principles and UNESCO's Recommendation on the Ethics of AI, and peer-reviewed journal articles on AI in management and business ethics are some of the sources. Using keywords like "AI decision-making," "managerial ethics," "algorithmic bias," "AI governance," and "trustworthy AI," the literature was found through database searches. It was then thematically examined to identify recurrent ideas and concepts pertaining to accountability, fairness, transparency, robustness, and human oversight.

Scope and limitations

The study does not offer original empirical measurements of AI's impact within a particular organization because it only uses secondary data. [No citation is required; this is a methodological clarification rather than a factual assertion.] Drawing from international

standards and cross-industry examples, the analysis is primarily conceptual and global in scope, potentially masking sector-specific subtleties or regulatory variations across jurisdictions. The ethical and governance concerns raised here should be periodically reviewed as new capabilities and regulations arise because AI technologies and legal frameworks are changing quickly.

Reconfiguration of managerial roles

As AI systems take over routine data collection and preliminary analysis, managers’ roles increasingly emphasize oversight, interpretation, and ethical arbitration. Rather than manually combining spreadsheets, managers decide how to frame questions for AI tools, how to weigh AI-generated recommendations against contextual knowledge, and when to override suggestions based on ethical or strategic considerations. As managers become "AI partners" rather than just hierarchical decision-makers, this change necessitates new skills in data literacy, comprehension of AI limitations, and ethical sensitivity.

Ethical issue 1: Algorithmic bias and fairness

One of the most widely recognized ethical risks of AI in decision-making is algorithmic bias, where models generate systematically unfair outcomes for certain groups due to skewed training data, proxy variables, or design choices. Even when sensitive characteristics like race or gender are not specifically mentioned, studies of AI in business settings raise concerns about discriminatory effects in areas like hiring, credit scoring, and customer targeting. Technical mitigations include methods like fairness metrics, debiasing algorithms, and careful training data curation; however, they need to be supported by governance that tracks results and involves a range of stakeholders in the fairness assessment process.

Ethical issue 2: Transparency and explainability

Particularly in deep learning models, many AI systems function as "black boxes," making it challenging for managers, regulators, or impacted parties to comprehend how a specific decision was made. Because stakeholders find it difficult to contest or appeal decisions that impact their rights or opportunities, this opacity erodes trust and makes accountability more difficult. Approaches such as explainable AI (XAI), model-agnostic explanation techniques (e.g., LIME, SHAP), and documentation of data and model assumptions are therefore central to ethical AI use in managerial decision-making.

Ethical issue 3: Accountability and responsibility gaps

When organizations mostly depend on AI outputs, responsibility for harmful or erroneous decisions can become diffuse, spread among data scientists, software vendors, managers, and governing boards. According to qualitative research with executives, there is worry that AI could promote "ethical disengagement," in which managers feel less personally responsible because a system, not a person, made or suggested the decision. Therefore, clear role assignments, escalation procedures, and documentation of who is responsible for model approval, performance monitoring, and problem-solving are necessary for ethical governance of AI.

Ethical issue 4: Human oversight and autonomy

International ethical guidelines stress that AI should not displace ultimate human responsibility and accountability for decisions with significant ethical or legal consequences. For example, UNESCO's Recommendation on the Ethics of AI places a strong emphasis on "human oversight and determination," urging governments to make sure that important decisions are still under meaningful human control rather than being entirely automated. In the context of management, this means creating "human-in-the-loop" or "human-on-the-loop" systems that allow people to examine, override, or stop AI-driven decisions, particularly in high-risk areas like credit, hiring, and healthcare.

Ethical issue 5: Privacy, surveillance, and data governance

Concerns about privacy and surveillance are raised by AI's huge appetite for data, which frequently encourages extensive data collection, integration, and monitoring of workers and customers. Managers are under pressure to align AI initiatives with strong data governance due to regulations like the EU's General Data Protection Regulation (GDPR) and new AI-specific laws that require lawful, transparent processing, data minimization, and protections against intrusive profiling. Legitimate AI-enabled decision-making requires ethical data practices, such as purpose limitation, informed consent when applicable and secure storage.

Overview of major AI ethics frameworks

In response to these risks, several international bodies and standard-setters have developed frameworks to guide trustworthy and ethical AI. Three particularly influential examples are the OECD AI Principles, the NIST AI Risk Management Framework (AI RMF 1.0), and UNESCO's Recommendation on the Ethics of Artificial Intelligence. When combined, they express convergent values that can be operationalized in managerial decision-making situations, including justice, accountability, transparency, robustness, and human-centricity.

OECD AI Principles

The OECD AI Principles, adopted in 2019 and updated in 2024, represent the first intergovernmental standard for responsible AI, endorsed by OECD members and several partner countries. They identify five core values-based principles: (1) inclusive growth, sustainable development, and well-being; (2) respect for the rule of law, human rights, and democratic values, including fairness and privacy; (3) transparency and explainability; (4) robustness, security, and safety; and (5) accountability. These are accompanied by recommendations for policymakers and organizations to ensure that AI systems remain under meaningful human oversight and contribute positively to society.

NIST AI Risk Management Framework

The NIST AI RMF 1.0, released in 2023 as voluntary guidance, focuses on managing risks associated with the design, development, deployment, and use of AI systems. It emphasizes characteristics of trustworthy AI such as transparency, fairness, accountability, reliability, and security, and structures organizational activities into core functions: Govern, Map, Measure, and Manage. For managers, the framework provides a practical approach to integrating AI risk considerations into governance structures, documenting roles and responsibilities, and embedding continuous monitoring and improvement into AI life cycles.

UNESCO Recommendation on the Ethics of AI

UNESCO's Recommendation on the Ethics of Artificial Intelligence, adopted by its Member States, provides a human rights-based, global normative framework for AI governance. Among its key principles are human dignity and rights, diversity and inclusiveness, environmental sustainability, and the imperative of human oversight and determination in AI systems that affect people's lives. The Recommendation calls on states and organizations to establish legal, regulatory, and institutional mechanisms that ensure AI does not undermine human autonomy or displace ultimate human accountability in critical decisions.

Major AI ethics frameworks

Framework	Core ethical focus	Relevance for managers
OECD AI Principles	Inclusive growth, human rights, fairness, transparency, robustness, accountability.	High-level value compass for aligning AI projects with societal and stakeholder expectations.
NIST AI RMF 1.0	Trustworthy AI via transparency, fairness, accountability, robustness; Govern–Map–Measure–Manage functions.	Operational guide for managing AI risks, assigning roles, and integrating AI into governance processes.
UNESCO Recommendation on AI Ethics	Human rights, human oversight and determination, diversity, sustainability.	Normative benchmark ensuring that AI-enabled decisions preserve human responsibility and avoid rights violations.

Conceptual framework for ethical AI in managerial decision-making

Integrated insights from the literature and global frameworks, the paper proposes a four-pillar conceptual framework for ethical AI use in managerial decision-making: Purpose, People, Process, and Performance.

Pillar 1: Purpose (human-centric and value-aligned use)

The Purpose pillar emphasizes that AI projects should be based on well-defined organizational goals that support stakeholder welfare, human rights, and societal benefit rather than just immediate financial gain. Particularly in delicate areas like public services, healthcare, and employment, managers must determine whether an AI application is required, appropriate, and compliant with fundamental ethical commitments.This includes considering alternative, less intrusive or risky ways of achieving the same managerial goals before defaulting to AI-driven automation.

Pillar 2: People (roles, competence, and inclusion)

The People pillar emphasizes that ethical AI depends on informed and empowered human actors—developers, managers, employees, affected communities—who understand AI's capabilities, limitations, and risks. In order to identify blind spots and contextual nuances, managers should guarantee precise role definitions for AI governance, offer training on AI

literacy and ethics, and involve a variety of stakeholders in design and evaluation. Processes that are inclusive can lessen prejudice, increase legitimacy, and create an environment where workers are more at ease challenging AI results than heedlessly accepting them.

Pillar 3: Process (governance, transparency, and oversight)

The Process emphasizes integrating methodical governance practices across the AI life cycle, in line with frameworks like NIST's Govern–Map–Measure–Manage structure. This includes established protocols for data governance, model validation, privacy and fairness evaluations, explainability techniques, incident reporting, and frequent audits of the effects of AI systems. Importantly, procedures should institutionalize meaningful human oversight, specifying what information humans must view, when human review is required, and how they can challenge or reverse AI-generated recommendations.

Pillar 4: Performance (ethical outcomes and continuous improvement)

The Performance pillar underscores that ethical AI is not achieved solely by good intentions or design-time checks; it requires ongoing monitoring of real-world outcomes and adaptive improvement. Key indicators that managers should monitor include stakeholder complaints, error rates across demographic groups, rates of overridden AI recommendations, and downstream effects on employment or service access. Organizations are able to address new problems and stay in compliance with changing ethical and legal requirements thanks to feedback loops from impacted stakeholders and regular reevaluations of models and data.

Managerial implications

The analysis emphasizes to practicing managers that giving AI excessive power without strong ethical governance can result in moral, legal, and reputational hazards that outweigh efficiency gains. In order to effectively manage high-impact systems, managers must foster AI literacy, work closely with technologists and legal professionals, and support cross-functional AI ethics committees or boards. To ensure that AI continues to be a tool that enhances, rather than replaces, responsible management, they should rethink their work to combine AI's advantages in pattern recognition and scale with distinctively human traits like empathy, creativity, and moral judgement.

Policy and regulatory implications

Policymakers and regulators play a crucial role in setting minimum standards and incentives for ethical AI, complementing voluntary frameworks and corporate self-regulation. The proliferation of national AI strategies and regulatory initiatives, including those that draw on OECD AI Principles and NIST AI RMF, indicates growing international consensus around human-centric, trustworthy AI. However, empirical research suggests a persistent gap between high-level ethical aspirations and concrete organizational practices, implying that clearer legal obligations, enforcement mechanisms, and support for capacity-building may be needed.

Directions for future research

By conducting sector-specific empirical studies that look at how managers actually handle AI-related conundrums in fields like HR, finance, healthcare, and public administration, future academic work could advance knowledge of AI and managerial ethics. Comparative studies between nations and regulatory frameworks would provide insight into how various

legal and cultural settings influence ethical AI governance and confidence. There is also scope for methodological innovation in measuring fairness, accountability, and human oversight in practice, as well as in designing participatory processes that incorporate stakeholder values directly into AI system objectives.

Conclusion

AI in decision-making raises long-standing ethical concerns about responsibility, fairness, and respect for human dignity while also providing significant opportunities to improve managerial effectiveness, responsiveness, and predictive accuracy. This paper has argued that ethical AI-enabled management necessitates conscious attention to purpose, people, process, and performance, anchored in principles of fairness, accountability, transparency, robustness, and meaningful human oversight. It has done this by drawing on global governance frameworks and secondary data. When managers treat AI as a decision-support instrument within a robust ethical and governance architecture—rather than as an infallible authority—they are better positioned to build trust, avoid harm, and harness AI for sustainable organizational and societal benefit.

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