

**12th International HR Conference on “Navigating the Human Capital Management in the Digital Era”,  
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**Leadership framework to enhance the Impact of Artificial Intelligence  
in Organizations**

*Dipti Sethi*

Professor

*Shreya Vasavada*

Lecturer

Indus Institute of Management Studies,

Indus University

Rancharda, Via: Shilaj,

Ahmedabad - 382115 Gujarat

**Key Words**

***Artificial Intelligence, Leadership, workplace loneliness, Fear of Being Obsolete, Burnout, Learning culture, HPWS***

**Abstract**

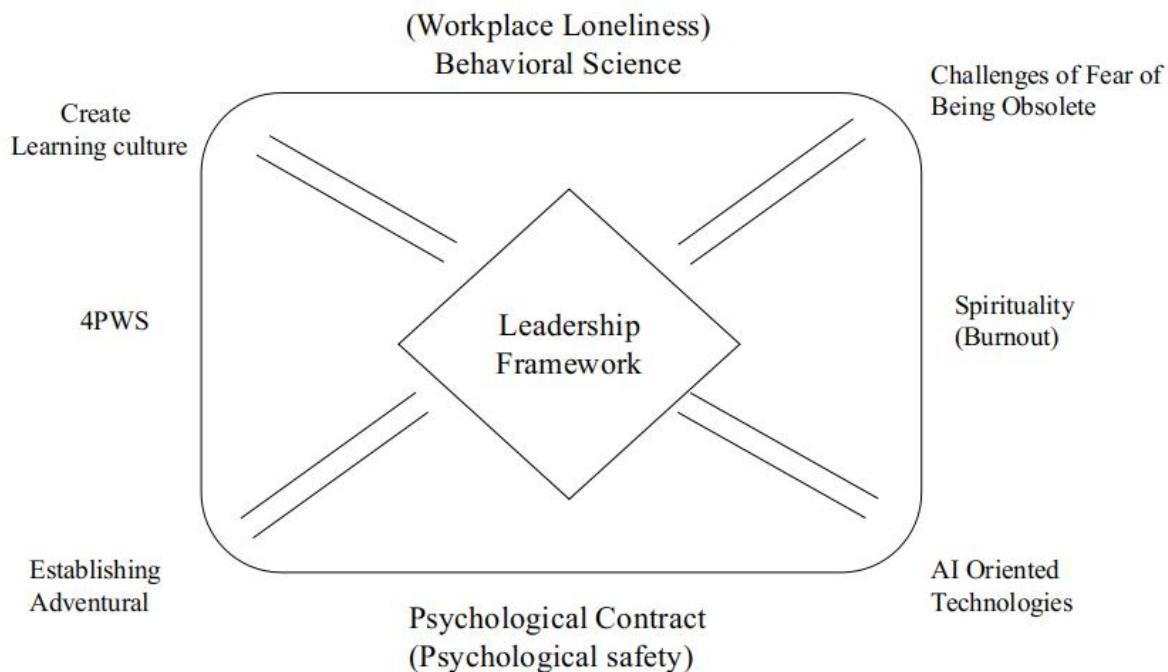
This paper proposes to examine the phenomenon of the effect of Artificial Intelligence on the organizations system. Through Literature review, authors understand the impact of Leadership outlook on the dynamics of handling AI Process and have come out with leadership framework which enhances momentum to pierce the AI Space in Organizations. Artificial Intelligence can provide data insights, automate routine work, and improve choices. AI will not replace human leaders; it can assist them. AI can enhance leadership process. There are some positive and negative impacts of AI on organizations. To enhance positivity, varied efforts are taken by some leaders to address the issues. Leaders can encapsulate the efforts by including various dimensions like Behavioral science applications, Evolving Spirituality, working out a psychological contract, creating learning culture, developing HPWS, giving AI Orientation, and ensuring an adventures ambience.

Having observed the above, the researchers propose to study the human processes and the related interventions to create the momentum.

On implementing AI tools in organization, dimension of need for psychological safety and Workplace Loneliness needs to be harnessed.

Fear of being Obsolete and experimenting Burnout Condition in self are vulnerabilities that need to be handled by leadership which helps employees move towards a forceful rocket like momentum to Pierce AI Space. The researchers have used metaphor of a rocket piercing through Space. The below figure of Framework with its different components is a visual representation of ensuring piercing momentum into AI Space.

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Through this metaphor the researchers, explain how Leadership can facilitate making the organization pierce through the AI space with sharpness and conviction. The four methods form a base that supports and boosts the momentum to pierce through-to the AI space. The suggested path is adhering to the approach of “Applied Behavioral Science” . on one side. On the other side ensure the existence of a psychological contract between employers and employees who are struggling to cope with the complexity of adapting to the complex AI technology.

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### Introduction

The digitization of HR is accelerating and transforming the way day-to-day HR activities are managed. This change will help eliminate manual intervention and other time-consuming administrative processes, while improving productivity and efficiency and building operational resilience. HR has a role to play in managing employee wellbeing. In addition to fostering a positive, toxin-free work environment and culture, HR covers the overall physical, mental and emotional health of employees. HR, through its practitioners and managers, has become an essential instrument for managing and improving employee well-being. Digital HR transformation is revolutionizing business operations. Its key benefits include optimizing HR efficiency, improving employee experience, and data-driven decision-making. Tools such as AI and analytics are transforming recruiting and talent management processes, ensuring compliance, and guiding strategic implementation. Digitalization in human resources (HR) and human capital management (HCM) is the process of using technology to automate and streamline HR processes. This can help companies improve efficiency, make better decisions, and create a better employee experience.

The Finance strategist has explained that human capital refers to the economic value of an employee's skills and experience. This counts things like education, training, intelligence, health and even qualities like loyalty and punctuality that come value to an employer.

Human functions are how called HCM: Its a way to address the challenges of managing an organization's biggest investment: it's people. HCM helps organizations improve their business outcomes by investing in their employees as human capital.

### What is Human Capital?

Human capital is the knowledge, skills, experience, and health that people develop over their lifetimes that can help them become productive members of society. It is an intangible asset that cannot be listed on a company's balance sheet but is considered valuable to business growth.

The success of the implementation of AI requires a strategy and cooperation between various stakeholders, and business leaders play a decisive role in the success of these initiatives. Managers need to understand the advantages of AI, potential risks, and how they are commercial strategies, as AI cannot support leadership. It is therefore essential that leaders can identify and address ethical issues related to the use of AI, including ensuring data protection, avoiding algorithmic discrimination, and communicating transparently about the use of AI technologies.

Consider the ethical implications of AI: issues related to data privacy, bias, and transparency. Leaders must ensure that AI systems are developed and used responsibly, with appropriate controls and safeguards in place. Understand that implementing AI initiatives also drives organizational change.

Human Capital Management, as its the biggest investment in the organization, employees' learning and performance can go up by investing in upgrading and chiseling their skills and talent. By not investing in Human Capital can result in missing out on various opportunities and higher profitability.

### What is Human Capital Management?

Human Capital Management needs to be harnessed in today's fast paced life. The basic binding element is the firming up of the HCM in the organization is when the employees feel comfortable and secured at their work-station and feel a sense of belonging and involvement. (One of the authors' experience of three decades in management education, research & consulting,) has observed through her transactions with professional experts met during her career, with some of the alumni who have

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turned into successful entrepreneurs ), the researchers have come to comprehend one truth : that workforce in organizations do not automatically align to or have a sense of belonging to the employing organization.

Organization's interventions initiated by its leaders make an impact on the workforce Leadership in the organization face the challenge of making employees feel safe and secured at their work stations. A psychological contract possible gets established when the employees are not admonished for their mistakes, and when they experience a compassionate hand holding to improve and accomplish their tasks with energy and involvement.

With the advent of artificial intelligence, adopting newer systems/technological infra structure in organization is inevitable yet complex. Issues of resistance of employees in adopting the newer systems and technology, upgrading AI/IT competence of employees to get on top of the game would require the leader to be agile, technology savvy and be prepared to face the challenge of adopting it without blocking the energy of people /process/systems. The researchers were interested to understand which of the different interventions of leaders create a sense of belonging, psychological safety & unrestricted flow of performance energy.

The paper reviewed literature in Behavioral Science, Psychological contract and challenges of embedding artificial intelligence in organizational setup.

### **Context-Digital Era**

The digital era is one in which digital technology is used in almost every aspect of life. It has transformed the way people communicate, conduct business, and interact with their environments.

Living with digital technologies and understanding them are two very different beasts. To be successful in this new digital age, companies need to embrace digital technologies in all things around. They must champion this idea and focus on ways to improve it further to create even more value for their business and their customers.

In the company's digital technology era, management must help

them intersect and develop. Trusted suppliers in technical technology help you navigate trucks well and guarantee that you and your employees will benefit from this new era. Here are some of the challenges leaders face when managing their employees in the digital age.

### **Challenges of Leaders in Managing employees in Digital Era**

**Hybrid Work culture:** Leaders of a hybrid work culture face many

challenges, including communication and collaboration, building company culture, on boarding new employees, managing office space, technology choices, and managing employees in different time zones.

**Managing workforce:** Managing a workforce in the digital age can be challenging for leaders for a variety of reasons, including navigating a hybrid workforce, navigating change developing a digital culture, prioritizing cyber security, communicating effectively , maintaining consistency, and managing context collapse.

**Employee happiness:** Employee happiness can be a challenge for leaders in the digital age, but there are ways to overcome it: by adapting to changing expectations, creating a

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good work culture, embracing digital technologies, keeping up with technological advances, and addressing data privacy and Cyber security concerns.

**HR Analytics:** HR-analysts are valuable tools to enhance organizational efficiency, maintain employees, and enhance employment processes. It also helps to make decision-making based on data to improve the process and maintain flexibility in a rapidly changing environment. HR-analysts can be a problem for the digital leaders due to specific factors, such as data confidentiality, data integration, skills, changes in changes, security, security, cooperation, visualization, etc.

**Digital HR:** Digital HR can be a challenge for leaders in managing the workforce in the digital era for a variety of reasons including adapting to change, integrating new technologies, creating a digital culture, managing data, addressing ethical and legal issues, identifying workforce shifts, and balancing efficiency and innovation. Essentially, digital HR is about transforming HR services and processes using social, mobile, analytics, and cloud technologies.

**Sustainable HRM:** Sustainable HRM is a set of strategies and practices that help organizations achieve their financial, social and environmental goals. In the digital age, resilient HRM can help organizations meet the challenges of digitalization. Such as: employee stress, employee development, employee participation, employee training, environmental awareness, etc.

**HR Governance:** Managing HR in the digital age can be challenging for managers as digital technologies have multiple impacts on employees and the workplace, including data management, employee engagement, talent acquisition, compliance, diversity, equity and inclusion, sustainable HR, inclusion, ethics and legal aspects. To address these challenges, HR leaders can evaluate their current HR processes and identify areas where digital HR can have the greatest impact. You can create a program with multi-channel strategies and platforms to manage your employee experience.

**HR & Data security:** HR Leaders in the digital era face many challenges in data security and employee privacy, including: data breaches, regulatory compliance, employee consent, managing large volumes of data, maintaining employee engagement, cross functional cooperation, etc.

To manage and protect employees' data, some important best practices are as follows:

Developing and communicating clear policies and processes

Using encrypted forms or systems to collect data

Limiting access to employee data

Performing regular data audits

Using secure storage solutions

Implementing document comparison software

Regularly training HR Professionals and all staff on data privacy practices and policies.

**AI and HR:** Managers should focus on developing new skills and improving existing skills. In the new trade environment controlled by artificial intelligence, they must not only discover the understanding of data and the use of information but should also

develop skills in interpersonal communication in order to compete with new technologies. However, there are still several challenges HR leaders face, including rapid technological advancements

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, regulatory compliance, data overload, talent acquisition and retention, cybersecurity threats, ethical dilemmas, managing a remote workforce, globalization, and digital transformation.

**Work life Balance:** HR managers face major challenges such as global competition, personal family values and an aging workforce. Digital work is changing the traditional boundaries between work and non-work. As a result, individuals may manage boundaries differently and experience different degrees of work-life balance.

**Performance driven workforce:** In the digital age, managing a performance-driven workforce can be challenging for managers for a number of reasons, including monitoring and supervision, lack of direct feedback, communication and collaboration, technical changes, employee needs, technology solutions, and employee change fatigue. To overcome these challenges, here are some important ways to manage these challenges: setting clear goals, reviewing and updating assessments, engaging a digital workplace services partner, implementing a digital workplace, and adapting more frequent, flexible, and data-driven assessment methods.

**Organizational Learning:** Organizational learning has become a challenge for leaders in the digital age due to new challenges brought on by technology and easy access to information, however, there are strategies leaders can use to address these issues, including continuous learning, digital literacy, creating safe spaces, program delivery, and digital adoption platforms.

**HR Meta:** Meta says that by leveraging technology and agility, HR professionals can play a key role in cultural change and digital transformation. Challenges facing HR leaders in the digital age include adapting to technological changes, attracting and retaining top talent, ensuring regulatory compliance, managing employee experience, integrating disparate systems and processes, and responding quickly and securely to requests for information Exchange.

### Artificial Intelligence

Artificial intelligence (AI) is a set of technologies that enable computers to perform a variety of complex functions, such as displaying, understanding, and translating spoken and written language, analyzing data, and making recommendations.

Artificial intelligence (AI) is a technology that enables computers and machines to mimic human learning, understanding, problem-solving, decision-making, creativity, and autonomy.

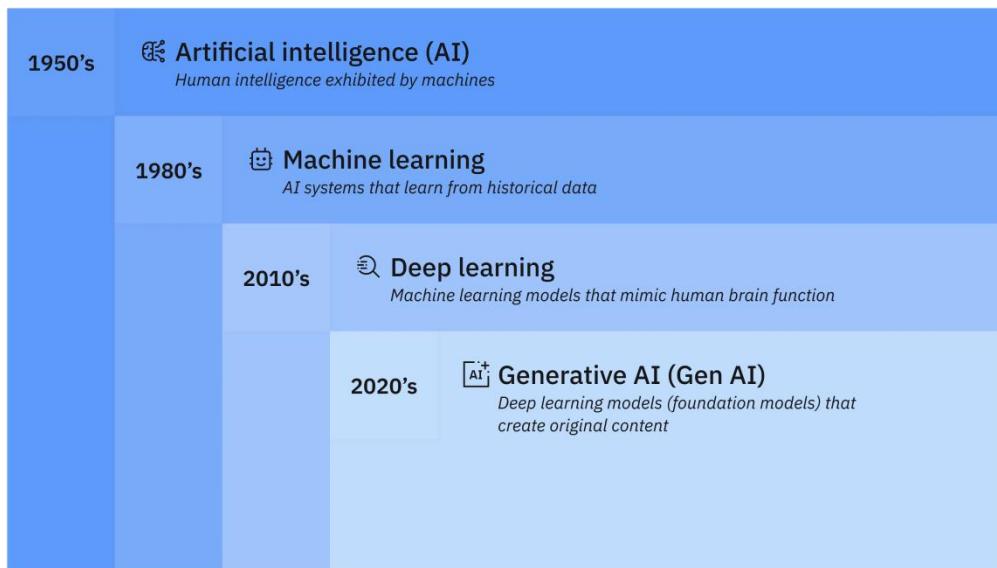
Artificial intelligence (AI) is technology that enables computers and machines to simulate human learning, comprehension, problem solving, decision making, creativity and autonomy. Applications and devices equipped with AI can see and identify objects. They can understand and respond to human language. They can learn from new information and experience. They can make detailed recommendations to users and experts. They can act independently, replacing the need for human intelligence or intervention (a classic example being a self-driving car).

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But in 2024, most AI researchers and practitioners—and most AI-related headlines—are focused on breakthroughs in generative AI (gen AI), a technology that can create original text, images, video and other content. To fully understand generative AI, it's important to first understand the technologies on which generative AI tools are built: machine learning (ML) and deep learning.

### Machine learning

A simple way to think about AI is as a series of nested or derivative concepts that have emerged over more than 70 years:



Source: <https://www.ibm.com/topics/artificial-intelligence>

Directly underneath AI, we have machine learning, which involves creating models by training an algorithm to make predictions or decisions based on data. It encompasses a broad range of techniques that enable computers to learn from and make inferences based on data without being explicitly programmed for specific tasks.

There are many types of machine learning techniques or algorithms, including linear regression, logistic regression, decision trees, random forest, support vector machines (SVMs), k-nearest neighbor (KNN), clustering and more. Each of these approaches is suited to different kinds of problems and data.

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### **The Impact of Artificial Intelligence on Leadership**

The rapid advancement of artificial intelligence (AI) technologies is transforming the nature of leadership in organizations across industries. As AI systems become increasingly integrated into various aspects of organizational operations, leaders must adapt to this new landscape and develop the skills and strategies needed to harness the power of AI while mitigating its risks and challenges.

Drawing on a comprehensive review of the latest research and thought leadership, we argue that the successful adoption of AI in organizations requires a fundamental shift in leadership competencies and mindsets. Leaders must develop digital literacy and AI fluency, cultivate the ability to lead diverse, distributed teams, and effectively manage human-machine collaboration. They must also leverage AI technologies to streamline processes, enable data-driven decision making, and enhance team communication, collaboration, and performance.

Looking to the future, we envision a model of AI-augmented leadership where human leaders and AI systems work together symbiotically to drive organizational performance, innovation, and positive social impact. To realize this vision, we call on leaders to invest in their own learning and development, champion the responsible and ethical use of AI, and foster a culture of continuous learning, experimentation, and adaptation. By doing so, leaders can position themselves and their organizations for success in an increasingly AI-driven world, while ensuring that the benefits of AI are harnessed in a way that promotes human well-being, fairness, and social responsibility.

### **The changing Role of Leadership in the AI Era**

Artificial intelligence (AI) has been around for a while. From the quick suggestions in search engines to the autofocus on our smartphones, to the greeting robots in shopping malls and cruise control in our cars, AI is increasingly becoming a part of our everyday lives. By integrating AI solutions into every aspect of their business, organizations can streamline operations, gain a competitive advantage, and ultimately accelerate growth. The opportunity for innovation and development in AI is enormous, and it will continue to change the world in many ways.

**Automation:** Automation is one of the most commonly cited benefits of AI technology, and it has had significant impacts on the communications, transportation, consumer products, and service industries.

**Smart Decision Making:** Artificial intelligence has always been used to make smarter business decisions. AI technologies can align data delivery, analyze trends, develop data consistency, provide forecasts, and quantify uncertainty to help you make the best decisions for your business. As long as AI is not programmed to mimic human emotions, it can remain unbiased in the matter and help you make the right decisions that support business performance.

**Solving complex Problems:** From basic machine learning to advanced deep learning models, advances in AI technology have made it possible to solve

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complex problems. From fraud detection and personalized customer interactions to weather forecasting and medical diagnosis, AI can help businesses across industries find the right solutions to address their challenges effectively. Greater efficiency in solving complex problems means increased productivity and reduced costs.

**Business Continuity:** Business forecasting using AI technology not only helps businesses make critical decisions but also prepares them for any emergency to ensure business continuity. Since risk management today relies heavily on data management and analysis, AI-powered tools can help organizations respond proactively to crises. Artificial intelligence and machine learning can also create scenarios that help businesses plan rapid disaster recovery strategies.

**Managing Repetitive tasks:** Completing repetitive business tasks not only takes time, but can also become monotonous and reduce employee productivity over time. AI-based robotic process automation tools automate interactions between various business systems, reducing tedious tasks for enterprises.

It mimics the behavior of people working in digital systems across HR, IT, marketing and sales to quickly complete any business process without the need for manual effort.

**Increased Business Efficiency:** Artificial intelligence can ensure the availability of services a day and provide the same performance and consistency throughout the day. Even if you correspond to repeated tasks, the AI tools are not tired or irritated. This can help to improve the efficiency of the business and reduce the stress on the employees, who can be re-assigned to perform more complex business tasks that require manual intervention.

### Obstacles of Artificial Intelligence

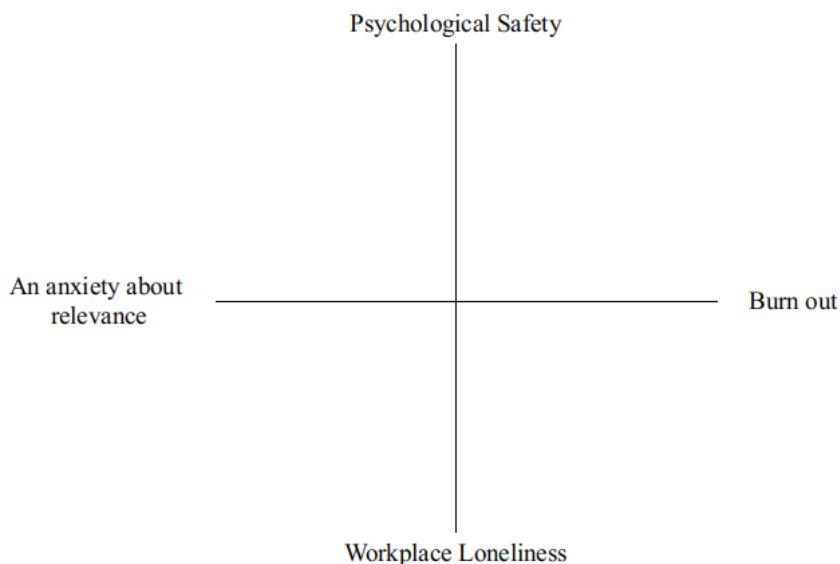
The pervasive influence of AI in organizations calls for leaders to develop new competencies and address unique challenges. The most urgent need is digital literacy and AI fluency. As Van Quaquebeke and Gerpott (2023) put it, "Leaders should find a way to use the AI in a way that will be beneficial and at the same time, they should be able to control the negative effects of AI to make sure that the AI is used in a responsible and sustainable way" (p. 268). This requires a thorough knowledge of AI technologies, their abilities, restrictions, and ethical aspects.

Leaders should be capable of communicating the worth and the risks of AI to the different groups of people, thus, creating the trust and the transparency in the process of adopting AI.

The AI era is another challenge for the leaders who have to lead diverse and distributed teams. With the organizations being more and more globally dispersed and technology-enabled, the leaders have to acquire the skills to manage virtual teams efficiently.

Artificial intelligence provides numerous benefits such as reducing human errors, time saving capabilities, digital assistance, and unbiased decisions. But some obstacles are there like is there psychological safety?, ( due to the advent of these technologies interface with human technologies, its impact on employees , naturally goes down... does this pattern creates work place loneliness ?, is there an anxiety about becoming irrelevant?, and is there a burnout effect?

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Norbert Hettstedt (2024) has identified in research paper titled, The Impact of AI on Leadership that In the AI era, there is a marked change from the “directive” to the “facilitative” leadership styles. Instead of the top-down command and control approaches, the leaders should empower their teams to work with AI systems, thus creating a culture of experimentation and continuous learning.

The implication for leadership is to set a goal to establish a climate in which the employees are motivated to take the lead in their work, and to provide them with the means and the help to use AI efficiently.

There are some obstacles of Artificial Intelligence that leaders are facing.

Lets discuss them:

**Psychological Safety:** AI technologies that focus on monitoring employees can sometimes negatively impact psychological safety if employees feel their privacy is compromised without a good reason. Organizations need to be transparent about how and why they are using AI and to respect employee privacy concerns.

Tomás Bandeira(2021) has identified in their research paper titled *The future of Work Environment: The impact of Artificial Intelligence in the employee's levels of Psychological safety* that With the rise of automation, observed already in cars and factories, the next step becomes working side-by-side with us humans amongst our working environments.

This research focuses on the potential future of workplaces where humans work alongside AI, and how impactful these changes can be on the employees' psychological safety (PS) at the company they work at.

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It reviews different aspects in terms of how people perceive both humans and AI in terms of social and intellectual traits and how impactful these perceptions can be to their PS levels.

This study exposes participants to four different scenarios that consist in the addition of a new individual to their workplace.

Each scenario differs from the other based upon two aspects: the type of entity that is added to the workplace (Human vs. AI); the position of the entity relative to the employee at the company (Colleague vs. Leader). The results suggest that although there is no direct significant difference on psychological safety between both types of entities, there is an indirect influence as different perceptions of these entities have an impact on PS.

On the other hand, the position of the entity towards the self also has no significant impact on psychological safety however, leadership has an impact on PS irrespective of the type of entity. The findings aimed to identify the impact of a futuristic environment on the levels of Psychological safety of a people that currently work in a company's environment.

**Burn out:** When job demand exceeds job resources, burnout occurs. Burnout is an issue that must be detected and addressed before it reaches a critical stage. Managers and supervisors are responsible for identifying signs and symptoms of burnout and intervening before it hits the tipping point. For large teams, this can be a daunting task. According to the study, AI can make it difficult to know what is expected of employees, which can lead to a burnout. Workers may feel overwhelmed by the pressure to learn new AI tools and adapt to a new work landscape. (they may not have the know how or how to get updated on it one of the bigger risks of using technology and AI in the workplace is the role it could play in contributing to burnout — a state of complete and utter exhaustion on a physical, mental, and emotional level.

### **Workplace Loneliness:**

One of the bigger risks of using technology and AI in the workplace is the role it could play in contributing to burnout — a state of complete and utter exhaustion on a physical, mental, and emotional level. Employees using AI are more likely to experience loneliness and insomniac episodes and fall into bouts of heavy drinking, the study found. “The rapid advancement in AI systems is sparking a new industrial revolution that is reshaping the workplace with many benefits but also some uncharted dangers, including potentially damaging mental and physical impacts for employees,” says Pok Man Tang, lead author on the study and an assistant professor of management at the University of Georgia.

### **Need for being relevant :**

Employees who have not manage to embrace AI technologies quickly tend to feel alienated as they are not part of creating the AI momentum. Leaders need to hand hold such employees , involve them in the momentum of the quick processes exhilarated by the newer technologies.

### **Processes created by AI :**

Leading is more than just making choices. It's also about inspiring others, grasping feelings, and guiding a team to a shared goal. The key to good leadership is connecting with your team as people. AI now helps make decisions by studying lots of data. But managing and leading differ some. Managing often means doing tasks. Leading involves the harder work of influencing and inspiring. AI may someday take on more complex work. But leading demands qualities like empathy, creativity, and sparking others' best. Despite digesting facts well, AI still falls short on these human things.

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Leading relies on human bonds - trust, inspiration, emotional link- at its heart. Studies show most people don't yet trust AI in hiring. This scepticism highlights the gap between AI's analysis skills and ability to win us over. Artificial Intelligence can provide data insights, automate routine work, and improve choices. AI will not replace human leaders; it can assist them thus AI can enhance leadership process. AI swiftly studies vast amounts of data, offering new insights. By leveraging AI, leaders can spot trends to shape decisions. They can also better predict outcomes, allowing proactive over reactive leading.

There are some positive and negative impacts of AI on organizations.

To enhance positivity, varied efforts are taken by some leaders to address the issues. Leaders can encapsulate the efforts by including various dimensions like Behavioral science applications, Evolving Spirituality, Working out a psychological contract, creating learning culture, developing HPWS, giving AI Orientation, and ensuring an adventures ambience. ( how this has been brought about ?

Leaders then need to look at a framework that will help

**Psychological safety : (Could be dealt with developing Psychological contract).** Curtis Edward Pollard II(2024) has informed in paper titled, *“Automating Expectations: The impact of AI on Psychological Contracts”* that Psychological contracts (PCs) are a set of reciprocal promises, obligations, and expectations between two or more parties and often occur between employees and employers within the employee-employer relationship.

**Workplace Loneliness :( could be handled through Behavioral science applications):** Artificial intelligence (AI) is currently in a boom. Technological advances in AI have advanced natural language and vision processing to the point where driver less cars are a reality and speaking personalized assistants have become commonplace. Adoption of AI in human-centrist practices is still at a relatively early stage.

**Anxiety of being irrelevant (It need: to be sprayed away with Spirituality and other yogic methods):** HPWS- High performance work systems are a set of human resource practices that aim to improve employee engagement, commitment, and productivity. It can help organizations achieve a competitive advantage and improve business performance.

**Burnout : (to be ironed out with HPWS/ AI Orientation (\* if any example can be cited here.):** Carolyn Montrose, a career coach and lecturer at Columbia University in New York, admits that the pace of technological innovation and change can be daunting. “It’s natural to be concerned about the impact of AI because its evolution is fluid and there are many unknown factors in its application,” she says. But while new technologies bring anxiety, she says workers don't need to feel existential dread. People have the right to decide for themselves how worried they are -- “whether they want to worry about AI or choose to learn about it and be empowered to use it to

their advantage.” Scott Likens of PwC, who specializes in understanding issues related to trust and technology, agrees.

“Technological advances have shown us that yes, technology has the potential to automate or streamline workflows.” But with the right skillset, people can often grow alongside these advancements,” he says. “To alleviate concerns about the rapid adoption of AI, employees need to embrace the technology. Education and training are important for employees to learn about AI and

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what it can do for their specific roles, and to develop new skills. Employees should embrace AI and make plans to learn about it, rather than shying away from it." And it's good to remember, according to Likens, "This isn't the first time we've faced industry disruption -- from automation and manufacturing to e-commerce and retail -- we've found ways to adapt." It's true that the introduction of new technologies has often made some people nervous, but Montrose explains that many good things have come from past new developments: she says technological change has always been a key factor in the development of society.

Regardless of people's reaction to AI technology, Montrose adds, it's here to stay. And it can be a lot more helpful to remain positive and look forward. "If people feel anxious instead of acting to improve their skills, that will hurt them more than the AI itself," she says. Having envisaged the AI scenarios in organizations/markets/in ecosystem their needs to be some proactive interventions that leaders in organization need to foresee and facilitate human process.

### **Following human processes in organization is explored with the**

#### **steps:**

Communication

Trust, a sense of belonging

Sorting out conflicts

Creating efficient performance process

Interpersonal Relationship

Effective problem-solving process

### **Conclusion**

Today's HR world is in transition. Advent of sophistical technologies to handle the various functions of HR has brought in automation, speed in problem solving and decision making. HR is moving towards quick results and action thinking. HR analytics has eliminated cumbersome paperwork. This momentum has helped the transformation of HR causes. Nevertheless, as discussed in the paper, this fast momentum has created a need for experiencing up HR role holders 'mindset and create a mechanism.

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