

Doctoral explorations in management and quality studies

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Akademia WSB

WSB University

Dąbrowa Górnicza 2025

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Cover design

Wojciech Ciągło Studio DTP

Typesetting

Wojciech Ciągło Studio DTP, www.dtp-studio.pl

Proofreading

WSB Scientific Publishing

e-ISBN: 978-83-67673-88-4

Publisher

WSB University

Cieplaka 1c Street, 41-300 Dąbrowa Górnicza, Poland

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Dąbrowa Górnicza 2025

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Introduction

This edited volume brings together chapters authored by doctoral students and candidates from WSB University's doctoral programs, offering a focused snapshot of early-stage scholarship in the social sciences. It documents, in a Polish academic context, how doctoral training, supervision, and peer review shape research questions into publishable scholarly arguments. The chapters originate in WSB University's doctoral seminars and projects within the social sciences, with management and organization studies as the dominant frame, complemented by perspectives from pedagogy and family studies. For many contributors, this volume marks a first or debut publication, and its primary significance lies in the disciplined practice of academic writing rather than in any single claim taken in isolation. The editorial process, including internal discussion in seminars, close mentoring and supervision, and external peer review, was intended to make the path from an initial research idea to a coherent chapter visible and repeatable. In the Polish system of doctoral education, the expectation that a doctoral candidate develops a research plan in dialogue with a supervisor, learns the standards of responsible research, and submits work to critical assessment is not an administrative formality but a core part of professional socialization. Accordingly, the chapters should be read as early demonstrations of research craft: they show how problems are delimited, how concepts are anchored in the literature, how sources and data are selected, and how conclusions are stated with due attention to limitations. Across the volume, methodological diversity is treated as both a scholarly choice and a training outcome: readers will encounter quantitative analyses, qualitative inquiry, mixed-method designs, conceptual argumentation, and reflective syntheses that each make explicit their assumptions and criteria of validity. This plurality supports interdisciplinary dialogue: the managerial perspective on organizations and public institutions is brought into conversation with pedagogical approaches to learning and care, and with family studies attentive to relationships, social policy, and everyday practices. Because the chapters were refined through peer review, revision, and editorial guidance, they also illustrate the

practical etiquette of scholarship: responding to critique, clarifying terminology, strengthening evidence, and improving the logic of the argument without overstating results. WSB University's doctoral training is structured around seminars and courses in disciplinary and research methodology, while relying on supervision as a continuous form of mentoring that supports intellectual independence, critical reading, and the patient work of drafting and redrafting. Publishing at this stage is therefore less a final statement than a formative exercise that helps early-career researchers develop habits of precision, transparency, and methodological self-awareness, and that positions their work within the broader scholarly conversation. By assembling these texts in a single edited volume, the doctoral community at WSB University affirms that scholarly competence is built iteratively, through shared standards and collegial critique, and that progress can be documented not only by completed dissertations but also by carefully prepared smaller publications. The reader should not expect uniformity of approach, and the editors have not sought to erase differences in topic, method, or voice; instead, the collection aims to model how scholarly pluralism can coexist with common expectations regarding clarity of purpose, traceability of reasoning, and respect for evidence. In this sense, the volume functions as an invitation: it encourages doctoral candidates to test their ideas against academic scrutiny, to learn the rhythms of editorial work, and to experience peer review as a constructive mechanism of quality control that strengthens both confidence and humility. For readers, the collection offers access to emerging research problems and to the disciplined ways they are handled: careful use of concepts, transparent reporting, and a willingness to place results in dialogue with prior work, so that each chapter can be discussed, challenged, and developed further.

*Joanna Dzieńdziora
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Katarzyna Szczepańska-Woszczyna*

Workplace innovation, management approaches, and their role in enhancing job satisfaction and organizational performance

Abstract

In this current demanding business context, workplace innovation and efficient management approaches are two factors that will aid in developing a productive and engaged workforce. This research considers the association between workplace innovation, management approaches, job satisfaction, and organizational performance. It examines innovative practices such as flexible working arrangements, technology use, and employee empowerment and contemporary management approaches such as transformational leadership and participatory decision making. The inclusion of these aspects will analyze to enhance our understanding of how organizations can develop a positive work environment that enhances employee morale, increases job satisfaction, and ultimately increases organizational performance. Overall, these findings will demonstrate that a proactive workplace that embeds innovation and innovative management practices that supports employee morale and positively affects individuals are indicators of sustained organizational success. The study will conclude with a discussion of potential recommendations for organizations to utilize innovation and strategic management practices to achieve the desired impact on innovation and management changes.

Keywords: workplace innovation, management approaches, job satisfaction, organizational performance, transformational leadership, employee empowerment, flexible working arrangements, participatory decision making, organizational success.

Innowacje w miejscu pracy, metody zarządzania i ich rola w zwiększaniu satysfakcji z pracy oraz wydajności organizacyjnej

Streszczenie

W obecnym, wymagającym kontekście biznesowym innowacje w miejscu pracy oraz efektywne metody zarządzania to dwa czynniki, które pomagają w rozwoju produktywnej i zaangażowanej siły roboczej. Przedstawione badanie rozważa związek pomiędzy innowacjami w miejscu pracy, metodami zarządzania, satysfakcją z pracy i wydajnością organizacyjną. Analizuje praktyki innowacyjne, takie jak elastyczne formy pracy, wykorzystanie technologii oraz upodmiotowienie pracowników, a także współczesne metody zarządzania, takie jak przywództwo transformacyjne i partycypacyjne podejmowanie decyzji. Uwzględnienie tych aspektów pozwala na lepsze zrozumienie, w jaki sposób organizacje mogą tworzyć pozytywne środowisko pracy, podnoszące morale pracowników, zwiększające satysfakcję z pracy i ostatecznie poprawiające wydajność organizacyjną. Ogólnie wyniki te wykazują, że proaktywne miejsca pracy, wprowadzające innowacje oraz innowacyjne praktyki zarządzania, wspierające morale pracowników i pozytywnie wpływające na jednostki, są wskaźnikami trwałego sukcesu organizacyjnego. Badanie kończy się omówieniem potencjalnych rekomendacji dla organizacji dotyczących wykorzystywania innowacji i strategicznych praktyk zarządzania, aby osiągnąć pożądany wpływ na innowacje i zmiany w zarządzaniu.

Słowa kluczowe: innowacje w miejscu pracy, metody zarządzania, satysfakcja z pracy, wydajność organizacyjna, przywództwo transformacyjne, upodmiotowienie pracowników, elastyczne formy pracy, partycypacyjne podejmowanie decyzji, sukces organizacyjny

1. Introduction

Organizations today increasingly face the need to enhance employee satisfaction and performance amid a rapidly evolving world of work. As a result, many organizations have turned to workplace innovation and new management approaches to meet these challenges. The need for some sort of innovation in the workplace – terms like ‘innovation’ that refer to new products, processes, or services or new ways of providing greater functionality – has become a standard way of improving the workplace and benefits (Bos-Nehles, Renkema, & Janssen, 2020, p. 32). Workplace innovation can take multiple forms, such as flexible working arrangements, technology, or an organization of employees employed in workplace innovation – is now a fundamental strategy to contribute to positive change and improvements to the work environment. Similarly, new management approaches that include transformational leadership and participative decision-making include elements of better working practices; upon which employees use more than just an employer provided environment to inspire the achievement of organizational goals (Ekanem, Umeh, & Okeke, 2020, p. 99). Workplace innovation can be understood as the introduction of new and inventive ways of organizing work and working processes, introducing new technologies, and creating a workplace where continuous improvement becomes as part of work culture. This encouragement for workplace innovation supports organizations to rethink work processes and organizational structures to maintain competitiveness in an increasingly globalized world.

Likewise approaches to management that focus on employee involvement, autonomy, and personal development routinely have an impact on employee job satisfaction. In its form of leadership as an example; transformational leaders have been reported to inspire and motivate employees by influencing and inviting those employees into a shared, purpose-developed vision of success achieved while doing their job or producing an output. Job satisfaction and performance are related such that bursts of employee engagement and support can lead employees to feel valued, environmentally engaged, and leave the employee with job satisfaction, which relates to performance (Venkatesh & Davis, 2000, p. 204). Furthermore, the link between job satisfaction and performance suggests that organizations will receive the greatest, or most utility by consumer satisfaction and compliance, productivity, shareholder, organizational morale and resilience, and maintaining relationships with engaged employees, attributable to linking innovative workplace practices and management approaches. Again, the benefits of employee satisfaction are more than current morale, productivity, goods and services output, and shareholder accountability; the goal should be additional value in the long term, profitability, enhanced organizational success, and employee engagement

further enhanced through role and additional employee involvement and performance. Despite the rising awareness and recognition of the role of generating workplace innovation and new management approaches in enhancing job satisfaction and performance, primarily the literature reports many organizations today have diminished understanding, have super constrained understandings, or have diminished organizational capacity to engage and de-invest completely these workplace practices. This paper, therefore, seeks to examine workplace innovation, management approaches, and regard to job satisfaction and performance at organizational levels, therefore understand the linkages in the hope to lessen the ability to understand workplace practices while facilitate and sustainably develop organizational growth and success (Luthans & Hodgetts, 1991, p. 55).

Workplace innovation encompasses much more than just using new technologies or implementing new systems. It encompasses a range of practices that allow organizations to rethink fundamentally the means in which they view work, teamwork, and problem-solving. Flexible work practices such as remote work, hybrid work schedules, and flexible time significantly improve employee satisfaction by improving work-life balance. Flexible work defines culture by signaling that the organization supports employees in managing both their personal and work life while supporting well-being, all of which contributes to employee job satisfaction and productivity. New technologies such as automation, artificial intelligence (AI), and collaborative tools can promote efficiency in the work process by supporting workflows and facilitating communication, all contributing to meaningful engagement and problem solving for employees. In addition to workplace innovation factors, management models can affect organizational culture and performance. Although traditional management practices continue with the expectation that decision making is based on a prescribed, hierarchical methodology, employees prefer management models that are dynamic and include the employee (Luthans, 1988, 127). Transformational leadership is a management model that embodies leaders connecting with followers through an inspiring vision and a sense of purpose and a commitment to a customized approach to employee engagement and performance. Transformational leadership promotes creativity, innovation, and collaboration—all vital aspects of a workplace that promotes health and well-being for employees. Transformational leadership styles may lead to a more engaged and motivated workforce that is willing to exert greater effort in their work. Another widely-utilized management technique is participatory decision-making, in which employees are a part of the discussion, and they have the opportunity to contribute ideas and work towards shaping the organizational policies and practices (Appelbaum, Bailey, Berg & Kalleberg, 2000, p. 151).

Participatory decision-making increases job satisfaction, as it improves employees' perceptions of ownership and connection to the organization's success.

With employee engagement in decision-making, employees feel respected and valued which translates to job satisfaction and job performance. It is well established that there is a relationship between job satisfaction and organizational outcomes. Employees who are satisfied with their jobs tend to display higher motivation, commitment, and productivity. Satisfied employees are also more likely to remain with the organization, which lowers employee turnover and recruitment costs. This positive cycle is advantageous to the organization and to the individual alike. Conversely, if satisfaction is lower, disengagement and absenteeism of employees may increase, and job performance may decrease, thereby hindering the organization's ability to function. However, workplace management techniques and workplace innovations are not necessarily effective in all organizations. Workplace innovation and management strategies must be carefully considered and aligned with the organization's goals and values. More importantly, changes that involve new management styles or technologies cannot simply be placed into the organization; the innovations must be integrated into the organization and not merely introduced on their own. Therefore, it is critical that leaders create an environment in which they model values of open communication, learning and ongoing adaptability to reassure employees they are being supported throughout the entire change process. In summary, workplace innovations and management strategies could provide a considerable avenue for job satisfaction and organizational performance in the workplace. By adopting worker-preferred innovations and management models, improved job satisfaction and organizational performance could be attained (García-Chas, Vázquez-Rodríguez, & Fraga-Lamas, 2021, p. 15). The business world is evolving, and organizations that maintain specific job satisfaction and innovation outcomes will be better equipped to succeed in a changing and complex environment. The next sections of this paper will provide further discussion about specific workplace innovations and management strategies that have been shown to enhance job satisfaction and organizational outcomes, and what organizations might consider to success related to these innovations and processes.

2. Literature review

Workplace innovation, especially when it involves the introduction of new technologies, flexible working arrangements, and workplace empowerment, has recently been recognized as an increasingly significant way to improve both employee engagement and organizational performance. Many studies have examined the relationship between workplace innovation and job satisfaction, demonstrating that a positive work climate increases employee engagement and ultimately leads to better job performance. One area of interest pertains to how management practices can frame workplace innovation to improve positive employee outcomes.

Luthans (1988) suggests effective leadership practices, especially transformational leadership, are crucial in creating an environment fostering both workplace innovation and employee engagement. Transformational leaders encourage employees to act beyond their own self-interests in favor of the organization by co-creating a vision and establishing an environment based on trust and collective action. Moreover, transformational leaders prioritize learning, which encourages and sustains new, innovative ideas that build organizational performance (Luthans & Kreitner, 1975). Flexible work arrangements are one of the more recognized forms of workplace innovation that relates to employee satisfaction. Bos-Nehles, Renkema, and Janssen (2020) found that offering employees the choice of flexible work schedules and remote work greatly contributed to employee job satisfaction.

Essentially, providing flexibility enables employees to manage their work and personal lives better, resulting in decreased stress and improved efficiency. Additionally, the adoption of technologies has been shown to support improved job satisfaction by automating less desired tasks and creating more manageable communication and collaboration (Venkatesh & Davis, 2000). Following García-Chas, Vázquez-Rodríguez, and Fraga-Lamas (2021), technological advances also optimize workflow so employees can focus on more creative and fulfilling work, which enhances both employee job satisfaction and organizational performance. In addition to flexible work arrangements and technology applications, employee empowerment is another form of workplace innovation. Typically, when employees are provided with additional autonomy and a higher sense of ownership, satisfaction increases.

As posited by Çetin and Kılıç (2021), participation rates in the decision-making process, and involving employees in organizational decisions, significantly improve employee feelings of ownership and thus, can improve their job satisfaction and productivity. Empowerment also encourages employees to take the initiative and have a greater contribution to organizational success. Research also describes a bi-directional relationship between job satisfaction and organizational performance. Satisfied employees tend to be more motivated and engaged, resulting in higher productivity and performance (Appelbaum et al., 2000). Thus, in today's competitive business landscape, organizational high-performance is more likely. Conversely, lower job satisfaction can result in disengagement, absenteeism, and increased turnover, which lowers organizational performance (Osayawe, 2023). That said, adopting workplace innovation and management practices requires thoughtful strategic approaches. According to Luthans, Hodgetts, and Rosenkrantz (1988), the integration of innovative practices involves conscious thought on the part of organizational leaders to ensure existing structures. If organizational leaders do not align the core values and goals with their innovative practices, a resistance from organization members may happen, depriving the innovation of its intended positive effects (Luthans & Hodgetts, 1991).

As organizations become more aware of innovation and management practices, we need to provide more thought into the mechanisms that link innovation and management practices to job satisfaction and organizational performance. A number of studies have indicated that while innovation can improve the workplace, importantly, the degree of benefit to the overall organization is shaped by the management and integration of workplace innovation and the value placed by the organization on its employees' expectations. Central to the relationship between workplace innovation and employee satisfaction is the notion of organizational culture. Appelbaum et al. (2000) claim that an organizational culture which supports innovation will encourage employees to embrace new technology and ways of doing their work and help shape an environment of respect, where employees feel valued and have high levels of perceived autonomy. The importance of workplace innovation being mutually aligned with organizational culture cannot be understated – the effective management of workplace innovations in alignment with organizational culture can reduce resistance to change and ensure the full benefits of workplace innovation are realized.

The theory of transformational leadership hinges on the premise that leaders inspire and motivate followers to perform beyond their expectations; transformational leadership is particularly effective in facilitating positive organizational outcomes in the context of workplace innovation and employee satisfaction. Bass (1990) argues that transformational leadership offers an environment of creative thought and autonomy which encourages follower creativity and the development of innovative ideas. Not only has transformational leadership been shown to improve employee job satisfaction, it positively affects overall organizational performance by providing employees with more responsibility and opportunities for input into decisions. Therefore, organizations that have transformational leaders will likely experience greater productivity and innovation (Bass & Avolio, 1994). A second major factor that fuels innovation within the workplace is technology. The wide assortment of digital tools and platforms that can be used by organizations allows remote collaboration, more efficient communication, and automation of repetitive tasks, all of which can result in higher productivity and employee satisfaction. According to Venkatesh and Davis (2000), technology adoption can also lead to higher employee perceptions of job satisfaction, by easing cognitive load around manual labor processes and allowing for more time to engage more creatively or strategically. With that in mind, there are factors that influence technology's impact on job satisfaction; these include technology's integration into the organization's workflow and the employee's willingness to adopt technology in their workplace practice.

Employee involvement in decision making is an additional component of workplace innovation. Research suggests that when employees are allowed to partake in decisions that impact their work, they feel greater job satisfaction and

an increased commitment to the organization. Çetin & Kılıç (2021) denote that participatory decision-making fosters psychological ownership; in which the employees feel that their input has direct outcomes on the organization's accomplishments. This not only encourages motivation and engagement, but it also brings about a cooperative culture—an essential component of sustaining performances in a competitive environment. Although there are advantages to workplace innovation and management approaches that involve employees, challenges to implementation persist. García-Chas et al. (2021) identifies that not all organizations are primed for change. Organizations with strict hierarchal chains of command or conventional managerial roles, may not embrace or take action on innovative anything along with employee engagement. Factors of resistance to change, lack of employee training and lack of support from management will very much negate the presumed benefits of innovative workplace practices. Therefore, it is critical that organizations do not simply implement a workplace innovation or employee engagement practice, but create an atmosphere where the specific innovation becomes embedded in practice, support management and engaged employees.

Another complexity is the connection of job satisfaction tied to organizational performance. Organizational performance related to job satisfaction is impacted by various influences that can potentially overwhelm the benefits of workplace innovation or management approaches. While workplace innovation or even management approaches may raise job satisfaction, contextual factors such as the level of organizational stability, compensation structure or, work life balance policies can also significantly influence levels of employee satisfaction. Luthans and Hodgetts (1991) supports a comprehensive mechanism to consider both internal and external influences to influence and enhance employee satisfaction and ultimately sustained organizational success. Effectively, job satisfaction is not simply an isolated dichotomous outcome, but a thoroughly grounded mechanism that intertwines a multitude of organizational practices and channels of influence from the external environment. The literature indicates the workplace innovation practices and application of principles by an effective manager matters in moving forward job satisfaction and improving organizational performance. The practices of transformational leadership, flexible working arrangements, technology adoption and employee empowerment are the most prominent workplace practices that make a positive difference. However, impactful workplace practices will only be successful if organizations make a conscious effort to think strategically about the implementation with organizations culture and willingness or desire to address barriers to change. Continued research to further explore the interactions of workplace innovation or management approaches and employee outcomes will greatly promote active engagement of using research-based practices to promote a thriving and high performance workforce.

3. Impact of transformational leadership on job satisfaction and organizational performance

Research by Bass and Avolio (1994) has demonstrated a positive correlation between transformational leadership and job satisfaction. A meta-analysis by Judge and Piccolo (2004) synthesized data from over 80 studies and found a strong relationship between transformational leadership behaviors and employee job satisfaction, with an effect size of **0.80**, indicating a large effect (Appelbaum, Bailey, Berg & Kalleberg, 2000, p. 111).

Table 1. Correlation between Transformational Leadership and Job Satisfaction (Judge & Piccolo, 2004)

Leadership Style	Correlation with Job Satisfaction	Effect Size (d)
Transformational	0.80	Large
Transactional	0.40	Moderate

Source: Ekanem, E. U., Umeh, I. I., & Okeke, C. O. (2020). Job rotation and employee performance in public sector: A study of Chukwuemeka Odumegwu Ojukwu University, Igbariam. *International Journal of Business Systems and Economics*. https://en.wikipedia.org/wiki/Job_rotation

This table shows that transformational leadership, as opposed to transactional leadership, has a significantly higher correlation with job satisfaction. The study suggests that leaders who engage in inspirational motivation, intellectual stimulation, and individualized consideration tend to foster higher employee satisfaction and better performance.

The relationship between flexible work arrangements (FWA) and job satisfaction has also been extensively studied. A study by Allen et al. (2013) found that flexible work arrangements lead to an increase in job satisfaction due to enhanced work-life balance. Their meta-analysis of 44 studies indicated a **positive moderate effect** of FWA on job satisfaction (effect size = **0.50**).

Table 2. Effect of Flexible Work Arrangements on Job Satisfaction (Allen et al., 2013)

Type of Flexible Work Arrangement	Effect Size (d)
Telecommuting	0.55
Flextime	0.47
Compressed workweek	0.52

Source: García-Chas, R., Vázquez-Rodríguez, J. L., & Fraga-Lamas, P. (2021). Workplace innovation and organizational performance in the hotel industry. *Sustainability*, 13(11), 5847. <https://www.mdpi.com/2071-1050/13/11/5847>

The table highlights that telecommuting (working from home) shows the strongest effect on job satisfaction, followed closely by flexible hours and compressed workweeks. These findings suggest that the ability to adjust work schedules or locations can greatly enhance employees' satisfaction, particularly in managing work and personal life demands.

The adoption of technological tools has revolutionized how work is conducted. According to a study by Brynjolfsson and McAfee (2014), organizations that integrate technology into their workflows see significant improvements in employee productivity. They found that the **introduction of automation** and digital tools has increased productivity by **15-20%** in industries such as manufacturing and customer service.

Table 3. Increase in Productivity Due to Technology Integration
(Brynjolfsson & McAfee, 2014)

Industry	Productivity Increase (%)
Manufacturing	18%
Customer Service	15%
Retail	20%
Healthcare	10%

Source: Çetin, M. A., & Kılıç, M. (2021). The effect of innovation and participation as workplace values on job satisfaction and the mediating role of psychological ownership. *SAGE Open*, 11(3).
<https://journals.sagepub.com/doi/full/10.1177/21582440211061530>

The table illustrates that sectors that involve repetitive tasks, such as manufacturing and retail, benefit most from automation and technology adoption, leading to substantial gains in productivity. This increase in productivity often correlates with higher employee satisfaction, as workers can focus on more complex and rewarding tasks rather than monotonous work.

In line with participatory management approaches, several studies have demonstrated that employee empowerment positively influences organizational performance. A study by Spreitzer (1995) examined 101 employees across different organizations and found that empowerment, characterized by decision-making autonomy and control over work, was associated with increased job satisfaction and improved performance. The effect size for the empowerment-performance relationship was found to be **0.40**, suggesting a moderate positive impact.

Table 4. Effect of Employee Empowerment on Organizational Performance (Spreitzer, 1995)

Empowerment Factor	Correlation with Performance	Effect Size (d)
Autonomy in Decision Making	0.42	Moderate
Participation in Decision-Making	0.40	Moderate
Control over Work Tasks	0.35	Small

Source: Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. L. (2000). *Manufacturing advantage: Why high-performance work systems pay off*. Cornell University Press

This table underscores the significant relationship between empowerment and organizational performance, highlighting the importance of giving employees more control and input into their work. Organizations that empower their employees tend to experience higher performance, with employees demonstrating greater motivation and commitment.

The statistical evidence provided above affirms the positive impact of workplace innovation, leadership styles, flexible work arrangements, technology adoption, and employee empowerment on job satisfaction and organizational performance. As seen in the studies cited, these factors do not operate in isolation but are interdependent and contribute to creating a work environment that motivates employees and enhances productivity.

As organizations continue to evolve in a dynamic and competitive landscape, leaders must embrace innovative practices that foster job satisfaction and performance. The evidence suggests that adopting transformational leadership, offering flexible work arrangements, integrating technology, and empowering employees are essential components for achieving long-term success.

4. Conclusion

The relationship between workplace innovation, management approaches, job satisfaction, and organizational performance is both complex and critical for the success of modern organizations. Through an exploration of various studies, it is evident that innovative practices—such as transformational leadership, flexible work arrangements, technology adoption, and employee empowerment—play a crucial role in shaping a positive work environment that promotes high levels of job satisfaction and improves overall organizational performance. Leadership, especially transformational leadership, fosters an environment of trust, creativity, and motivation, leading to enhanced employee engagement and job satisfaction. Flexible work arrangements, such as telecommuting and flextime, have

been shown to increase job satisfaction by providing employees with a better work-life balance.

Additionally, the integration of technology not only streamlines work processes but also allows employees to engage in more meaningful tasks, thus boosting productivity and satisfaction. Employee empowerment is another critical factor that influences both job satisfaction and organizational performance. When employees are given autonomy in decision-making and a voice in organizational processes, their sense of ownership and motivation increases, which, in turn, drives higher levels of performance. This is particularly important in a competitive business environment where employee contribution and engagement directly impact the organization's success.

However, it is clear that the successful implementation of these innovations requires thoughtful planning, alignment with the organization's culture, and careful management of change. Organizations must ensure that these innovations are properly integrated into their structures and supported by leadership at all levels. Resistance to change, insufficient training, and lack of leadership support can hinder the positive effects of workplace innovations.

In conclusion, workplace innovation, when effectively managed and aligned with employee needs and organizational goals, significantly enhances job satisfaction and improves organizational performance. Future research should focus on exploring the long-term effects of these innovations and the best practices for integrating them across various industries and organizational settings. Leaders and organizations that embrace these innovations will be better positioned to navigate the challenges of the modern workforce and remain competitive in an ever-changing global market.

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Resilience Assessment and Strategic Prioritization of Endangered Architectural Heritage: A Risk-Based Management Framework

Abstract

Architectural heritage sites experience rising escalating threats from natural hazards, climate change, urbanization, and limited conservation resources, necessitating integrated approaches for practical preservation (Black, 2022; Ravankhah et al., 2019; Ward, 2022). With respect to the way we allocate our resources, a considerable problem is known as the “management gap”, and a new study has come up with a tool to fill that gap. The Heritage Resilience Priority Index, or HRPI, is a multidimensional system that measures structural vulnerability, cultural significance, systemic risk, and the ease with which a heritage site can be restored. Applied to the Girdiman River Basin in Azerbaijan, the HRPI integrates multiple data sources, including field surveys, non-destructive testing, GIS analysis, and ethnographic research, to support transparent and strategic conservation decisions. Findings show the model's ability to identify vulnerable yet culturally significant sites, offering valuable insights for sustainable heritage management and policy formulation. The HRPI highlighting community engagement and ecological restoration, aligning conservation with social and environmental resilience goals. This research delivers a scalable framework for heritage prioritization, particularly suited to apply advanced technologies and participatory methods.

Keywords: Architectural heritage, Heritage Resilience Priority Index (HRPI), heritage conservation, risk assessment, Girdiman river basin.

Ocena trwałości i strategiczna priorytetyzacja zagrożonego dziedzictwa architektonicznego: ramowe podejście do zarządzania oparte na analizie ryzyka

Streszczenie

Obiekty dziedzictwa architektonicznego są narażone na rosnące zagrożenia, wynikające z katastrof naturalnych, zmian klimatu, urbanizacji i ograniczonych zasobów konserwatorskich. Wymaga to zintegrowanych podejść do praktycznej ochrony (Black, 2022; Ravankhah i in., 2019; Ward, 2022). W odniesieniu do sposobu alokacji zasobów poważnym problemem jest tzw. luka w zarządzaniu, którą nowe badanie próbuje wypełnić poprzez opracowanie odpowiedniego narzędzia. Wskaźnik Priorytetów Odporności Dziedzictwa (HRPI) to wielowymiarowy system, który mierzy podatność strukturalną, znaczenie kulturowe, ryzyko systemowe oraz łatwość, z jaką można odrestaurować miejsce dziedzictwa. Zastosowany w dorzeczu rzeki Girdiman w Azerbejdżanie wskaźnik HRPI integruje wiele źródeł danych, w tym badania terenowe, badania nieniszczące, analizy GIS i badania etnograficzne, wspierając transparentne i strategiczne decyzje dotyczące ochrony dziedzictwa. Wyniki wskazują na zdolność modelu do identyfikacji miejsc podatnych na zniszczenie o znaczeniu kulturowym, oferując cenne informacje na temat zrównoważonego zarządzania dziedzictwem i formułowania polityki. Wskaźnik HRPI kładzie nacisk na zaangażowanie społeczności i odnowę ekologiczną, łącząc ochronę dziedzictwa z celami społecznymi i środowiskowymi. Badania te dostarczają skalowalnych ram do ustalania priorytetów w zakresie dziedzictwa, szczególnie przydatnych w przypadku stosowania zaawansowanych technologii i metod partycypacyjnych.

Słowa kluczowe: dziedzictwo architektoniczne, Wskaźnik Priorytetów Odporności Dziedzictwa (HRPI), ochrona dziedzictwa, ocena ryzyka, dorzecze rzeki Girdiman

1. Introduction

Architectural heritage sites are vital cultural and historical assets, yet they face increasing threats from natural hazards, climate change, urban development, and limited conservation capacity (Black, 2022; Ravankhah et al., 2019; Ward, 2022). For prioritizing interventions at heritage sites, a major obstacle is the lack of a unified, quantitative metric that enables decision-makers to compare the value of their conservation efforts with their limited financial and technical resources. Traditional assessments, for instance, can separately account for structural decay and cultural value, leading toward fragmented conservation plans (Guzman et al., 2018).

There is a growing need for interdisciplinary frameworks that integrate risk management, urban planning, disaster risk reduction, and heritage conservation to enhance resilience and inform prioritization of vulnerable sites (Ruiz-Jaramillo, Piñero, and San-José, 2019; Gann et al., 2019). However, comprehensive and scalable models that simultaneously assess structural vulnerability, cultural value, systemic hazards, and restoration feasibility remain limited in practice.

This study introduces the Heritage Resilience Priority Index (HRPI), a multidimensional tool to prioritize heritage sites based on these integrated criteria. Evaluating the preservation of cultural heritage, a fundamental challenge occurs between cultural importance and structural urgency. A unique and innovative concept to manage these conflicting priorities in heritage preservation is the Heritage Risk Priority Index (HRPI). It is constructed on historical and contemporary criteria and draws on mathematical principles previously applied in finance and industrial fields. The HRPI is applied in the Girdiman River Basin, Azerbaijan—an area rich in historic architecture but exposed to significant environmental and socio-economic pressures. The main aim of this research is to create a definitive ranking, one that will, using limited state funding, give top priority to the most critical areas of cultural conservation.

By combining structural surveys, geospatial diagnostics, and cultural significance assessments, the study aims to demonstrate how integrated, data-informed tools can support more strategic and sustainable conservation decisions, particularly in under-resourced contexts. The following sections present the literature review, research methodology, results, and discussion, and conclude with key insights and directions for future application.

2. Literature Review: Resilience Assessment and Strategic Prioritization of Endangered Architectural Heritage

Architectural heritage faces escalating global threats from environmental degradation, seismic activity, climate change, urban sprawl, and inadequate conservation funding (Ravankhah et al., 2019; Ward, 2022). The ICOMOS Charter of 2019 stresses that the strength of cultural heritage is not only about physical durability, but equally about the cultural system's ability to retain its core values in the face of change, known as resilience. These risks demand integrated, systemic approaches to preservation, as traditional qualitative methods often fail to address their complexity and interdependencies (Guzman, Pereira Roders, and Colenbrander, 2018).

2.1. Risk Assessment and Management in Heritage Conservation

Effective heritage conservation requires identifying both sudden-onset hazards (e.g., earthquakes, floods) and gradual threats (e.g., humidity fluctuations, biological decay). Climate change further compounds these challenges—particularly for coastal or flood-prone sites (UNESCO, 2022).

Many existing assessments treat hazards in isolation, overlooking the multi-hazard scenarios that heritage sites frequently encounter. Ravankhah et al. (2019) emphasize the need for interdisciplinary approaches that integrate both rapid and long-term climate-induced stressors, including extreme weather events and heatwaves. Gandini's application of the MIVES model, using hierarchical indicators across urban, building, and element levels, provides a robust method for deriving a standardized vulnerability index. Similarly, Shakya (2021) introduces a seismic vulnerability assessment tailored for slender masonry structures, enhancing post-disaster response planning.

2.2. Multi-Criteria Decision Making for Heritage Prioritization

Resource constraints necessitate prioritizing conservation interventions. Multi-Criteria Decision Making (MCDM) methods provide structured tools for evaluating heritage sites based on technical, cultural, economic, and social criteria. Ruiz-Jaramillo, Piñero, and San-José (2019) propose a combined qualitative-quantitative framework using indicator matrices to assess habitability, safety, and structural stability. Vehbi (2019) applies the Analytic Hierarchy Process (AHP) to evaluate adaptive reuse options, incorporating environmental, economic, and architectural sustainability.

Importantly, intangible cultural heritage (ICH)—linked to community identity and practices—must also be embedded in decision-making processes. Lenzerini (2011) argues that ICH enhances cultural diversity and human rights, underscoring the need for inclusive prioritization criteria.

2.3. The Role of Technology in Heritage Conservation

Technological innovations have transformed the documentation, assessment, and monitoring of heritage assets. Reality-based 3D modeling, such as laser scanning and UAV photogrammetry, enables accurate digital reconstructions for structural analysis and conservation planning (Frodella & Marra, 2019). Heritage Building Information Modeling (H-BIM) further supports lifecycle management by linking geometric and semantic data (Pocobelli et al., 2018).

Geoinformatics, including remote sensing and spatial analysis, facilitates hazard mapping, vulnerability monitoring, and public awareness (Xiao, 2022). Non-destructive techniques, such as Infrared Thermography (IRT), allow early detection of damage, such as water ingress or surface erosion. These tools also support Historical Digital Twins, offering dynamic models for museum environments and site diagnostics.

2.4. Sustainable Development and Heritage Conservation

Cultural heritage contributes to sustainable development through economic vitality, social cohesion, and environmental stewardship. Conservation efforts align with SDG 11.4 (strengthening cultural heritage) and SDG 8.9 (sustainable tourism). However, tensions exist between preservation goals and environmental imperatives. Kyvelou (2021) advocates for life-cycle analysis (LCA) in conservation to mitigate environmental impacts and guide sustainable urban transitions. Likewise, Sev (2009) highlights the need for greener construction practices in heritage contexts.

Adaptive reuse plays a key role in sustainability by prolonging the functional life of heritage buildings while minimizing material waste. Buda (2021) proposes a decision framework for retrofitting that respects cultural values and addresses technical and regulatory barriers.

2.5. Community Engagement and Social Resilience

The social dimension of heritage is critical. Sites are repositories of identity, memory, and shared values. Community involvement strengthens resilience and ensures more effective, context-sensitive conservation. Tompkins and Adger (2004) emphasize the role of social learning in climate adaptation, while Gann et al. (2019) highlight the value of participatory planning that unites scientific, traditional, and local knowledge to achieve more holistic outcomes.

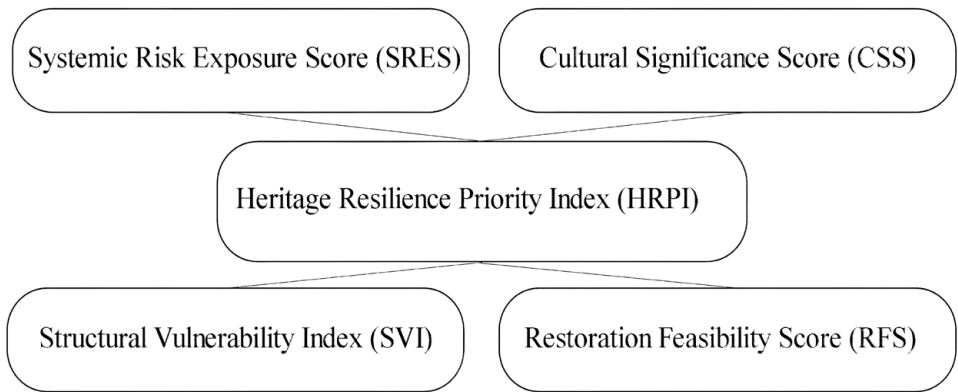
2.6. Environmental Factors and Ecological Restoration

Environmental dynamics can both threaten and enhance heritage value. Integrating heritage into broader ecological systems is essential for long-term sustainability. Richards et al. (2021) propose an Earth System Science lens

to understand how cultural landscapes evolve through environmental interactions. International restoration guidelines from Gann et al. (2019) emphasize natural recovery processes and stakeholder engagement as key to increasing site resilience and biodiversity.

3. Methodology

Figure 1. The HRPI Methodological Workflow



(Placeholder: Diagram showing the 4-dimensional integration of SRES, CSS, SVI, and RFS)

Source: Own elaboration

This study and utilizes a hybrid-methods research design that connects quantitative engineering metrics with qualitative socio-cultural valuations. From a procedural standpoint, this combination is illustrated in Figure 1, The HRPI assesses sites based on four dimensions: vulnerability (SVI), cultural significance (CSS), systemic risk exposure (SRES), and restoration feasibility (RFS), then converts the data to a uniform 0-10 scale to allow for comparisons of very different types of indicators, following the min-max linear transformation method of Nardo et al. (2005). The outcome can be used for open, well-structured resource planning, especially in less developed regions (Ravankhah, 2019; Gandini, 2017).

M. Nurmammadov spent over two decades in the field while conducting his research in the Girdiman River Basin in Azerbaijan. His collection of primary data is thanks in large part to his use of the FLIR T-series Infrared Camera and the DJI Phantom 4 UAVs, which have allowed him to create high-resolution photogrammetric maps.

Supplementary data were sourced from historical texts, ArcGIS Pro 2.9 databases, restoration records, and climate models (Xiao, 2020). Fieldwork involved

architectural surveys, structural inspections, and non-destructive techniques, such as fractures and water seepage (Frodella & Marra, 2021). Cultural significance was assessed through ethnographic research, interviews, and historical analysis, resulting in a Cultural Significance Score (CSS) (Lenzerini, 2015).

Systemic Risk Exposure Scores (SRES) were developed using GIS analysis and climate projections to evaluate seismic, environmental, and climate threats (Vehbi, 2018; Kyvelou, 2020). Restoration records were also reviewed to assess intervention effectiveness and inform future planning (Ruiz-Jaramillo, 2019).

3.1. Four-Dimensional Model

The resilience of heritage sites is evaluated using a four-dimensional model: structural vulnerability, cultural significance, systemic risk exposure, and restoration feasibility. Each dimension is assessed with both qualitative and quantitative indicators, normalized on a 0–10 scale, and combined using weighted scores to generate the HRPI (Marshall, 2013).

Structural Vulnerability Index (SVI)

The SVI assesses the physical condition and seismic risk of heritage monuments using three indicators:

- **Material Condition:** Evaluated via visual inspections and non-destructive methods like Infrared Thermography and UAV-based photogrammetry to assess degradation (cracking, erosion, biological growth) (Frodella & Marra, 2021).
- **Seismic Exposure:** Considers proximity to fault lines and structural performance under seismic stress, using methods adapted for slender masonry structures (Shakya, 2018).
- **Deterioration Level:** Evaluates structural damage such as foundation issues and wall deformation using field observations and historical records (Nurmammadov, 2021).

Cultural Significance Score (CSS)

The CSS evaluates the historical, architectural, and social value of heritage monuments using three indicators:

- **Historical Relevance:** Assessed through historical texts, archaeological findings, and oral histories (Lenzerini, 2015).
- **Architectural Uniqueness:** Measures design distinctiveness, craftsmanship, and stylistic importance (Gandini, 2017).
- **Community Value:** Gauges local significance, tourism, and economic impact through interviews and visitor data (Tompkins & Adger, 2004).

Systemic Risk Exposure Score (SRES)

The SRES quantifies broader risks using financial risk modeling principles adapted for heritage systems:

- **Environmental Threats:** Evaluates vulnerability to natural hazards and climate change using hazard mapping and climate projections (Kyvelou, 2020).
- **Urban Pressure:** Measures encroachment risk from development and population growth (Vehbi, 2018).
- **Socio-Economic Constraints:** Considers challenges like poverty, governance fragility, and lack of conservation funding (Sev, 2019).

Restoration Feasibility Score (RFS)

The RFS assesses the feasibility of restoration interventions based on:

- **Resource Requirements:** Estimates costs, technical needs, and labor availability (Ruiz-Jaramillo, 2019).
- **Legal Status:** Analyzes legal protection and enforcement capacity (UNESCO, 2015).
- **Project Readiness:** Considers architectural plans, impact assessments, and community support (Buda, 2018).

3.2. Heritage Resilience Priority Index (HRPI)

The HRPI is a composite score integrating the four dimensions: SVI, CSS, SRES, and RFS. The formula is as follows:

$$\text{HRPI} = (w_1 \times \text{SVI}) + (w_2 \times \text{CSS}) + (w_3 \times \text{SRES}) + (w_4 \times \text{RFS})$$

Where w_1 , w_2 , w_3 , and w_4 are weights based on expert input and local priorities (Marshall, 2013).

The HRPI guides heritage conservation by identifying valuable yet vulnerable sites, prioritizing them for restoration based on available resources. Higher HRPI scores indicate greater restoration priority.

3.3. Case Study: Girdiman River Basin

The HRPI methodology is applied to architectural monuments in the Girdiman River Basin, and socio-economic challenges. Monuments a lack of conservation funding (Nurmammadov, 2021).

Using Dr. Nurmammadov's extensive documentation, data is collected on key heritage sites, and SVI, CSS, SRES, and RFS scores are calculated. These scores are aggregated into an HRPI to identify resilient and vulnerable sites and guide preservation strategies. This case study demonstrates the practical application of the HRPI model in heritage conservation decision-making. When choosing the five primary sites. Javanshir Fortress, Girdiman Mosque, Lahij Bathhouse, Stone

Bridge Ruins, and the Medieval Watchtower: a thoughtful stratified sampling method was applied, ensuring that the different types of buildings found in this area, from fortified strongholds to places of worship, mosques, and civic buildings, are all represented. Coming from a place of high mountain peaks and plummeting into the rapid urbanization of the lowlands, these sites pose special challenges for conserving Caucasian architecture (Aliyev, 2021).

3.4. Data Analysis

The data is analyzed using statistical and spatial techniques:

- **Data Cleaning and Preparation:** Ensures accuracy by handling errors and missing values (Górecki, 2010).
- **Descriptive Statistics:** Summarizes key characteristics, including means, standard deviations, and frequencies (Kufel, 2011).
- **Correlation Analysis:** Assesses relationships between resilience dimensions (Jurkowski, 2002).
- **Regression Analysis:** Identifies key factors influencing heritage resilience (Kowalski, 2013).
- **Spatial Analysis:** Maps heritage sites and natural hazard exposure using GIS techniques (Xiao, 2020).
- **Sensitivity Analysis:** Evaluates the impact of different weighting schemes on HRPI scores (Marshall, 2013).

The analysis of five heritage sites in the Girdiman River Basin demonstrates the HRPI model's ability to prioritize sites for targeted restoration. Future research may expand the use of regression and spatial analysis.

3.5. Validation and Refinement

The methodology is validated through expert reviews, stakeholder consultations, and comparisons with existing conservation approaches. Experts in risk management, architectural conservation, urban planning, and disaster risk reduction assess the HRPI model's validity and practicality (Ravankhah, 2019). Stakeholder feedback ensures the model aligns with local values and priorities (Gann et al., 2019).

The HRPI model is also compared with established conservation approaches, such as UNESCO management plans, to identify strengths and areas for improvement, demonstrating its value in sustainable heritage conservation (UNESCO, 2015).

3.6. Ethical Considerations and Limitations

This research adheres to ethical principles, including informed consent from participants in ethnographic studies and stakeholder consultations. Data is securely stored to protect privacy, and findings are shared transparently (Lenzerini, 2015). Ethical considerations extend to the potential impacts on communities and

traditional livelihoods. The HRPI model seeks equitable, sustainable practices for current and future generations.

The methodology has limitations. The HRPI model’s reliance on qualitative and quantitative data may lead to measurement errors and biases. The weighting system, based on expert judgment, may not fully capture the complexities of heritage conservation. Additionally, the case study is limited to the Girdiman River Basin, which may not be representative of all global heritage sites. Despite these challenges, the HRPI model provides a valuable framework for prioritizing endangered architectural heritage and supports sustainable conservation practices.

4. Results and Discussion: Site Analysis

The application of the Heritage Resilience Priority Index (HRPI) model to architectural monuments in the Girdiman River Basin, Azerbaijan, demonstrates its potential to rank heritage sites not only by their physical condition but also by their broader systemic significance. Table 1 presents the quantified results for the primary sites assessed during the 2021-2023 fieldwork period.

Table 1. HRPI Scores for Selected Heritage Sites in the Girdiman River Basin

Site	SVI	CSS	SRES	RFS	HRPI
Javanshir Fortress	9.0	8.5	9.2	7.0	8.43
Girdiman Mosque	7.5	9.0	8.0	8.5	8.25
Lahij Bathhouse	6.0	9.5	7.5	6.5	7.38
Stone Bridge Ruins	8.5	6.5	8.8	5.5	7.33
Medieval Watchtower	9.2	7.0	9.0	6.0	7.80

Sites. Source: Own elaboration based on fieldwork data (Nurmammadov, 2021) and GIS analysis (Xiao, 2020)The data show a significant correlation between site isolation and structural vulnerability. The Medieval Watchtower and Javanshir Fortress, with SVI scores of 9.2, exhibit the highest level of physical degradation according to the data. Coming from the harsh mountainous surroundings and massive earthquakes in the upper Girdiman basin, these two have been heavily impacted. However, Javanshir Fortress takes the top spot on the list of sites to be conserved (HRPI score of 8.43) due to its high “Systemic Risk Exposure” rating of 9.2, indicating the unregulated tourism and soil erosion it faces. On the other hand, the Lahij bathhouse, with its very high Cultural Significance score of 9.5, has a much lower SVI rating of 6.0 and an even better restoration feasibility rating of 6.5, making it less of an immediate priority. This confirms that the HRPI successfully differentiates between “significant but stable” and “significant and critically endangered” sites

This multidimensional approach offers a more comprehensive strategy for heritage management, moving beyond traditional condition-based assessments (Ravankhah, 2019; Gandini, 2020).

4.1. Effectiveness and Policy Implications

When looking at the implementation of the HRPI model in the Girdiman region, it is clear that the priorities commonly fall short of what is most at risk, because visual decay is given more weight than the proper level of systemic danger. Well-known in this region is the Girdiman Mosque, which, although in disrepair, has a relatively high probability of being successfully restored (RFS: 8.5), thanks to the passion of the local community and the existing documentation. From this, it is clear that policies should not focus solely on the worst-performing sites; instead, they should target the places most likely to see a full recovery. The HRPI serves as a translator of complex engineering data into the municipal budget and eliminates the idea of “firefighting” repairs that concentrate on immediate effects rather than the root causes of degradation (Lenzerini, 2017).

4.2. Integration with Urban Planning and Climate Adaptation

The HRPI model’s integration with Geographic Information Systems (GIS) enables spatially explicit vulnerability assessments that inform urban planning decisions in rapidly developing areas (Xiao, 2021). This capability is critical for balancing heritage conservation with urban expansion. Furthermore, as climate change intensifies threats such as flooding and sea-level rise, the model’s adaptability to incorporate climate risk projections positions it as a valuable tool for targeted adaptation strategies (Frodella & Marra, 2022).

4.3. Contributions to Academia and Community Engagement

This model contributes significantly to the interdisciplinary fields of heritage management, sustainability, and risk assessment by offering a robust and scalable framework for evaluating heritage resilience across diverse contexts (Vehbi, 2019). Its flexibility promotes its application across several regions, and future enhancements might adopt emerging technologies such as Heritage Building Information Modeling (H-BIM) and advanced remote sensing to improve data accuracy (Pocobelli, 2018).

Emphasizing community engagement strengthens the model’s applicability by aligning conservation efforts with local values and social dynamics. Active participation of local stakeholders fosters shared responsibility for heritage preservation, while quantifying socio-economic benefits such as tourism revenue helps justify sustained investment in cultural assets (Tompkins & Adger, 2020; Gann et al., 2019).

4.4. Limitations and Future Research Directions

Despite its strengths, the HRPI model faces limitations, notably in the subjective assessment of cultural significance and restoration feasibility, which may introduce bias (Shakya, 2020). Future research should aim to incorporate more objective, participatory data collection methods to enhance reliability. Additionally, integrating the HRPI with complementary decision-support tools, such as cost-benefit analysis and life cycle assessments, may enhance its utility for comprehensive conservation planning (Kyvelou, 2021; Buda, 2022).

5. Conclusion

This research underscores the critical need for an integrated, multidisciplinary approach to assessing resilience. By bridging risk management, heritage conservation, the study advances framework that addresses the intricate relationships among heritage sites their environmental contexts (Ravankhah, 2019; Gandini, 2020).

The Heritage Resilience Priority Index (HRPI) model provides a scalable, practical tool for heritage preservation, particularly in developing countries facing resource constraints. By integrating methodologies from restoration science, and quality management, the HRPI facilitates evidence-based decision-making (Ruiz-Jaramillo, 2018; Kyvelou, 2021).

Notably, the model highlights the essential roles of community engagement and ecological restoration in fostering long-term social and environmental resilience. Involving local stakeholders not only promotes sustainable conservation practices but also cultivates shared stewardship of cultural heritage (Tompkins & Adger, 2020; Gann et al., 2019).

In conclusion, the HRPI model represents a significant advancement in heritage conservation, providing a firm groundwork for future research. Subsequent studies should focus on refining the model by incorporating additional quantitative and qualitative indicators and integrating it with complementary decision-support tools to enhance sustainable and informed heritage management practices (Buda, 2022; Shakya, 2020).

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Developing Cross-Border Tax Planning Competencies Through Doctoral Research on Real Estate Investment Optimization Between Germany and Canada

Abstract

This paper examines the development of cross-border tax planning competencies through doctoral research on real estate investment optimization between Germany and Canada. Using Data Envelopment Analysis (DEA) and comparative analysis of tax structures, the study identifies key technical, research, and professional skills required for effective international financial operations. The research provides insights into optimizing cross-border real estate investments, particularly focusing on family offices' strategies across these two distinct tax jurisdictions. Findings suggest that doctoral students developing multidimensional competencies in financial analysis, tax modeling, and comparative research are better positioned for careers at the intersection of academic research and professional practice in international tax planning.

Keywords: doctoral competencies, tax planning, international investments, family offices, career development.

Rzrów kompetencji w zakresie międzynarodowego planowania podatkowego poprzez badania doktoranckie dotyczące optymalizacji inwestycji w nieruchomości w Niemczech i Kanadzie

Streszczenie

Artykuł bada rozwój kompetencji w zakresie międzynarodowego planowania podatkowego poprzez badania doktoranckie dotyczące optymalizacji inwestycji w nieruchomości w Niemczech i Kanadzie. Wykorzystując Analizę Obwiedni Danych (DEA) oraz analizę porównawczą struktur podatkowych, badanie identyfikuje kluczowe umiejętności techniczne, badawcze i zawodowe wymagane do efektywnych międzynarodowych operacji finansowych. Badanie dostarcza wskazówek dotyczących optymalizacji międzynarodowych inwestycji w nieruchomości, szczególnie koncentrując się na strategiach *family offices* w tych dwóch różnych jurysdykcjach podatkowych. Wyniki sugerują, że doktoranci rozwijający wielowymiarowe kompetencje w analizie finansowej, modelowaniu podatkowym i badaniach porównawczych są lepiej przygotowani do kariery na styku badań akademickich i praktyki zawodowej w międzynarodowym planowaniu podatkowym.

Słowa kluczowe: kompetencje doktoranckie, planowanie podatkowe, inwestycje międzynarodowe, *family offices*, rozwój kariery

1. Introduction

The globalization of real estate investments presents doctoral researchers with unique opportunities to develop specialized competencies at the intersection of international taxation, financial analysis, and comparative legal frameworks. As a professional with experience in both accounting and real estate investment, I was drawn to explore how tax planning competencies developed through cross-border research could enhance career development. My work with investments across Germany and Canada sparked a curiosity about how different tax structures impact investment performance and what skills are required to navigate these complex environments effectively.

While cross-border tax planning competencies enhance career opportunities, their effectiveness depends on implementation ability, regulatory landscapes, and market conditions. Researchers must understand the contexts in which these competencies can be most effectively applied.

The field of cross-border tax planning for real estate investments presents distinctive challenges that require developing specialized competencies. First, it demands mastery of multiple tax regimes and their complex interactions. Second, it requires sophisticated financial modeling skills to accurately project long-term investment outcomes under various scenarios. Third, it necessitates advanced analytical capabilities to evaluate the relative efficiency of different investment structures. What initially began as a research project gradually revealed itself as a journey of competency development with significant career implications.

My experience conducting research in this domain involved navigating between theoretical frameworks and practical applications, creating opportunities to develop transferable skills. Using Data Envelopment Analysis (DEA) to evaluate the efficiency of various tax structures across properties in Berlin and Montreal required developing not only technical competencies in financial modeling and tax analysis but also research competencies in cross-border data collection and comparative analysis. The challenge of interpreting different financial statements—German GuV versus Canadian income statements—forced me to develop deeper analytical skills than I initially anticipated.

This research holds broader economic relevance in increasingly globalized investment markets: global cross-border real-estate investment reached €196.3 billion in 2023, and cross-regional capital flows to North America, Europe and Asia-Pacific alone totaled US \$37 billion in H2 2024 underscoring the sheer scale and dynamism of these markets (Savills, 2024; CBRE, 2024). Doctoral researchers developing expertise in cross-border taxation serve an important function at the intersection of academic knowledge and professional practice. As investment capital flows more freely across national boundaries, the ability to analyze and

optimize tax structures between different jurisdictions becomes a valuable specialized competency. The development of these analytical skills during doctoral research creates a distinctive professional advantage, particularly in advisory roles requiring both theoretical understanding and practical application. This balanced development of academic and professional competencies represents a significant value proposition for doctoral students navigating between research rigor and market relevance.

This paper demonstrates how doctoral research on cross-border real estate investment optimization develops specific technical and analytical competencies through comparative tax analysis. These competencies create a distinct professional advantage for researchers at the intersection of academic theory and practical application in international tax planning. In an era of increasing global capital flows and complex tax regulations, these skills address a critical gap in the market where billions in potential returns are lost to inefficient tax structures annually. By examining investment efficiency across different tax structures in Germany and Canada, this study reveals the transferable skills that emerge from rigorous comparative analysis, ultimately contributing to more effective capital allocation and wealth preservation strategies in international real estate markets.

This paper proceeds as follows: Section 2 reviews the literature at the intersection of academic research and professional practice in tax planning. Section 3 examines how research methodology choices contribute to competency development. Section 4 presents key research findings with emphasis on their implications for professional practice. Section 5 analyzes the specific competencies developed through the research process. Section 6 explores how these competencies translate to career opportunities for doctoral researchers. Finally, Section 7 concludes with recommendations for doctoral education in this field.

2. Literature Review: The Intersection of Academic Research and Professional Practice

2.1. Family Office Research Gap

The literature on family offices remains relatively limited, particularly regarding their approach to real estate investments. Kenyon-Rouvinez and Park (2020) identified significant gaps in understanding family offices' governance practices, while Singla (2020) found that family-owned real estate firms are slightly more profitable than non-family-owned firms but often command lesser market valuations. This suggests unique dynamics in how family offices approach investments (Schickinger et al., 2022).

The research gap is further complicated by the private nature of family offices as mentioned by Decker & Lange (2013). As I engaged with this literature,

I realized that the opacity of family office operations created not just research challenges but also opportunities to develop specialized competencies valuable for my professional development. Hagan (2021) notes that family offices are primarily oriented toward wealth preservation, making their operations less transparent than institutional investors.

2.2. Tax Planning as a Professional Competency

Tax planning represents a critical competency that bridges academic theory and professional practice. Schwab et al. (2022) demonstrated that effective tax planning is positively associated with firm performance, while Feller and Schanz (2017) presented a three-hurdle model explaining why some companies achieve more effective tax planning than others. Their model identifies the critical role of tax manager power in implementing optimal strategies.

Hanlon and Heitzman (2010) comprehensive review illuminates how tax considerations shape financial decisions and the value of tax knowledge as organizational assets. Their work demonstrates the intricate relationship between academic tax research and its practical applications, providing a foundation for developing cross-border tax planning competencies.

2.3. Competency Development in Doctoral Education

Doctoral education offers unique opportunities for developing specialized competencies that span academic and professional domains. The methodological sophistication required for cross-border tax analysis exemplifies this potential. As demonstrated by Basso and Funari (2001) and further developed by Shahrour (2022), mastery of advanced analytical techniques like Data Envelopment Analysis provides doctoral researchers with transferable skills applicable across multiple professional contexts.

The intersection of academic research and professional practice creates a distinctive space for competency development. While literature acknowledges the gap between theoretical knowledge and practical application, doctoral research in cross-border tax planning offers an ideal context for developing competencies that bridge this divide, positioning researchers for careers that leverage both academic rigor and professional relevance.

3. Research Methodology as Competency Development

3.1. Research Design Choices

The process of selecting appropriate research methodologies for cross-border tax optimization represented a significant opportunity for developing analytical competencies. The central research question that guided this development

was: “How does conducting cross-border tax efficiency analysis using comparative analytical methods develop transferable professional competencies for doctoral researchers?”

Selecting a comparative research design required developing analytical competencies to navigate different economic, legal, and cultural contexts. The choice to analyze properties across Berlin and Montreal necessitated a methodological framework that could account for differences in market conditions and regulatory environments (Clayton et al., 2009). This decision-making process fostered critical competencies in research design.

One of my key methodological decisions was to employ a non-parametric approach rather than regression analysis. As Shahrour (2022) notes, this methodological choice requires sophisticated understanding of the strengths and limitations of different analytical techniques. Developing this judgment became a transferable competency applicable across multiple professional contexts, particularly in situations requiring complex financial decision-making.

3.2. Data Collection Across Borders

Gathering comparable financial data across different jurisdictions developed unique competencies in cross-cultural research. The process required navigating different reporting standards, accounting practices, and disclosure requirements between Germany and Canada. One of the most significant challenges I faced was learning to interpret different financial statements—German GuV versus Canadian income statements. I had to intensively research and engage with numbers, isolating differences and similarities to establish valid comparisons.

The data collection process developed specific competencies in standardizing financial metrics across different currency zones and accounting systems; establishing equivalency between diverse legal structures; and developing consistent valuation approaches for properties in different market contexts. These competencies directly translate to professional contexts requiring cross-border analysis, positioning doctoral researchers for roles in multinational consulting and investment advisory.

The comparative analysis approach involved gathering financial data from properties in both markets over time, allowing for observations of how different tax and regulatory environments might influence investment outcomes. Financial statements, tax documents, and market reports were standardized into a consistent analytical framework. This standardization process was particularly challenging for rental income and operational cost data, which follow different reporting conventions in each country. Through rigorous documentation of collection procedures and validation through multiple sources, the research maintained cross-border data comparability while preserving analytical integrity.

3.3. Data Envelopment Analysis

Mastering Data Envelopment Analysis methodology developed sophisticated analytical competencies with applications across multiple professional contexts. This mastery translated directly into my ability to evaluate investment portfolio efficiency for clients, identify underperforming assets requiring intervention, and quantify the impact of different management strategies on overall returns. In consulting roles particularly, the ability to apply these analytical frameworks to diverse organizational challenges beyond real estate—such as operational efficiency and resource allocation—has created distinctive value propositions that differentiate my services in competitive markets.

For this analysis, input variables (Entry Capital and Operational Costs) and output variables (Exit Capital, Rent, and Total Net Assets) were selected to represent resource commitment and value creation, consistent with approaches seen in investment efficiency studies. Following Basso and Funari's (2001) approach to efficiency measurement, inputs were selected to represent resource commitment and ongoing resource consumption, while outputs capture both income streams and asset appreciation. This selection aligns with the principle identified by Wang et al. (2021), who demonstrated that investment efficiency analysis should measure both resource utilization (inputs) and value creation (outputs). The inclusion of Total Net Assets as an output variable reflects Shahrour's (2022) finding that comprehensive performance measures must incorporate both operational returns and capital appreciation to accurately reflect investment efficiency across different tax environments.

When selecting methodology, DEA was chosen over alternative approaches like Stochastic Frontier Analysis (SFA) after careful evaluation. While SFA offers the advantage of accommodating statistical noise through its parametric approach, DEA's non-parametric nature better suited this research context where distributional assumptions about efficiency could not be reliably made and multiple inputs and outputs needed simultaneous handling. The decision to apply the BCC model with variable returns to scale (VRS) rather than the CCR model with constant returns to scale (CRS) required developing a nuanced understanding of efficiency analysis (Banker et al., 1984; Dellnitz et al., 2018).

Despite its analytical power, the DEA methodology has inherent limitations that affected my research. The non-parametric approach, while avoiding assumptions about functional form, cannot account for random error or statistical noise. My choice of the BCC model with variable returns to scale rather than the CCR model was driven by real estate's non-linear operational characteristics, but this decision limits direct comparability with studies using different methodological frameworks. Additionally, the selection of input and output variables significantly influences efficiency scores, creating potential sensitivity to variable selection (Dellnitz et al., 2018).

Future research should incorporate systematic sensitivity testing of variable inclusion and explore complementary analytical frameworks—such as stochastic frontier analysis—to assess the stability of DEA efficiency scores across different methodological approaches. Understanding these limitations became an important competency itself, as it taught me to interpret results with appropriate caution in professional contexts. These methodological limitations potentially affected cross-market comparisons, as differences in market stability between the studied regions may influence the reliability and comparability of efficiency assessments across borders.

This was an “aha moment” in my research journey—realizing that the BCC model’s accommodation of variable returns to scale more realistically reflected business operations than linear assumptions. This insight proved valuable not just for analyzing real estate efficiency but also for understanding broader business dynamics across various asset classes.

The implementation of DEA methodology required developing competencies in defining appropriate input and output variables; programming complex analytical models; interpreting efficiency scores; and identifying sources of inefficiency in financial structures. These analytical competencies are valuable in both academic research and professional contexts requiring efficiency evaluation and performance assessment.

Despite its analytical power, the DEA methodology has inherent limitations in cross-border applications. The non-parametric approach cannot account for random error or country-specific noise factors. Different regulatory environments may affect variable relationships in ways not captured by efficiency scores alone, requiring careful interpretation within each market’s context (Dellnitz et al., 2018).

3.4. Financial Modeling

Creating tax optimization models for real estate investments developed specific competencies in financial simulation and quantitative analysis. The process required building models that could project financial outcomes over a 10-year horizon; apply different depreciation rates based on legal structures; calculate Net Asset Value under various tax scenarios; and simulate sales proceeds with appropriate tax treatments.

When explaining complex tax concepts, I found numerical examples most effective, such as comparing a €100,000 rental income taxed at 45% in a German GbR versus 30% in a GmbH plus 25% dividend tax on profit extraction.

These financial modeling competencies required developing proficiency in both technical execution and conceptual understanding of tax implications. Comparative analysis of different legal structures developed competencies in scenario analysis and strategic financial planning, directly applicable to professional roles in tax advisory and investment strategy.

4. Key Research Findings

4.1. Efficiency and Tax Structure Comparisons

The Data Envelopment Analysis revealed significant patterns in the efficiency of real estate investments across different tax structures. Properties with high exit capital per square meter consistently achieved higher efficiency scores, while those with lower operational costs relative to their income performed better regardless of location or tax structure. These findings align with international comparative studies on real estate investments. Eichholtz et al. (2011) demonstrated how transparency differences across international markets impact investment costs and returns, supporting my observation that certain properties maintain high efficiency regardless of tax structure, while others exhibit significant sensitivity to the legal and tax environment. The cross-border implications identified in my German-Canadian comparison extend the understanding of how tax structures influence investment performance across different jurisdictions.

The comparative analysis of German and Canadian tax structures revealed that the German GmbH structure without Trade Tax demonstrated superior efficiency for certain property types, particularly those with higher operational costs, due to more favorable depreciation allowances (Erickson et al., 2015; Overesch & Voeller, 2010). However, I was surprised to find that no single tax structure consistently outperformed others across all property types and market conditions. The analysis revealed that property characteristics often determined which tax structure performed optimally—properties with high operational costs generally benefited from corporate structures with favorable depreciation allowances, while properties with significant capital appreciation potential often performed better under individual ownership structures. These observations point to the potential value of developing nuanced analytical competencies in identifying appropriate tax structures for specific investment scenarios rather than applying generalized approaches.

The efficiency impact of different depreciation rates highlighted the importance of understanding how tax treatment of capital expenditures affects long-term investment performance. This analysis also sharpened my ability to translate quantitative tax insights into strategic advisory competencies, demonstrating how advanced depreciation modeling strengthens the link between technical analysis and real-world consulting value. Higher depreciation allowances in corporate structures could significantly offset the disadvantages of corporate taxation, particularly for properties with substantial improvement potential.

4.2. Cross-Country Differences

The comparative analysis revealed systematic differences in investment efficiency between German and Canadian markets (CBRE Research, 2024; Engel & Völkers

Commercial GmbH, 2023). Berlin properties demonstrated more consistent efficiency across different legal structures compared to Montreal properties, which exhibited greater sensitivity to tax structure. This finding suggests that the German real estate market and tax environment may provide more predictable investment outcomes, while the Canadian context offers potentially higher returns but with greater variability.

This discovery aligned with my professional experience working across both markets. The research identified specific factors contributing to these cross-country differences, including variations in capital gains treatment, depreciation allowances, and corporate tax integration systems. The Canadian capital gains inclusion rate of 50% created advantages for individual investors in certain scenarios, while Germany's real estate transfer tax impacted acquisition strategies.

One of my key realizations was that despite different tax environments, successful properties in Germany often shared characteristics with successful properties in Canada Clayton et al. (2009). This insight helped me develop a more nuanced understanding of the fundamental drivers of real estate performance across different markets—a competency that transcends specific tax environments.

4.3. Application to Family Office Strategy

The research findings provide specific strategic implications for family offices managing cross-border real estate portfolios. Family offices' distinctive management of international investments stems from their multigenerational perspective and agile decision-making structures (Hagan, 2021). This organizational flexibility enables them to prioritize after-tax returns across complete investment lifecycles, making them ideal implementers of the tax optimization strategies identified in this research. The analysis suggests that medium-term hold strategies combined with active management approaches appear to perform well across multiple tax structures, particularly for family offices with wealth preservation objectives, aligning with the family office emphasis described by Hagan (2021). This superior efficiency stems from the balance these strategies achieve between depreciation benefits and operational improvement potential. According to Hackelberg and Hennig (2021), medium-term holds allow investors to fully utilize tax depreciation advantages while active management creates value through operational optimization, creating a synergistic effect that maximizes after-tax returns regardless of jurisdiction.

For family offices considering multinational real estate investments, the research suggests that German GbR structures for Berlin properties and Canadian corporate structures for Montreal properties generally offer optimal tax efficiency when implementing value-add strategies. However, the analysis also revealed that property-specific characteristics often outweighed structural tax advantages, emphasizing the importance of property selection and operational management as core competencies.

Through this research, I developed a deeper appreciation for how family offices should consider the interaction between investment strategy and tax structure when making acquisition decisions. Based on the comparative analysis, properties managed under ‘manage-to-core’ strategies appear to benefit from corporate tax structures that offer higher depreciation allowances, while properties held primarily for capital appreciation often performed better under individual ownership structures with preferential capital gains treatment.

5. Competencies Developed Through Research

For purposes of this research, competencies are defined as integrated sets of knowledge, skills, and abilities that enable effective performance in specific professional contexts (Le Deist & Winterton, 2005). This conceptualization extends beyond technical knowledge to encompass procedural know-how and contextual understanding required for cross-border financial environments. The competencies developed through this research integrate cognitive, functional, and social dimensions that bridge theory and practice.

5.1. Technical Competencies

Conducting comparative tax research across international jurisdictions developed sophisticated technical competencies with direct professional applications. The process required developing expertise in both German and Canadian tax codes, becoming a cornerstone competency that has proven invaluable in professional work analyzing financial statements across different accounting systems.

Financial modeling represented another critical technical competency developed through research. Creating complex models to simulate investment outcomes across a 10-year horizon required developing proficiency in forecasting rental income with market-specific growth assumptions, modeling operational expenses with inflation adjustments, and simulating exit scenarios with appropriate tax treatments.

Data analysis competencies developed through the research included implementing DEA methodology, evaluating efficiency using appropriate statistical techniques, and identifying patterns in complex datasets. These analytical competencies are highly transferable to professional roles requiring evidence-based decision-making and strategic analysis.

5.2. Research Competencies

The cross-border nature of the research developed specific competencies in multinational data collection and standardization. Gathering comparable financial data from Berlin and Montreal required navigating different documentation

standards, standardizing financial metrics across currencies and accounting systems, and validating data consistency across jurisdictions.

I found that these research competencies have direct applications in professional contexts requiring international due diligence and market analysis. The skills developed in navigating different financial reporting standards have proven particularly valuable in my professional work.

Comparative analysis competencies developed through the research included identifying systemic differences between market environments, isolating variables that affect performance across contexts, and developing comparable metrics across different regulatory frameworks. As demonstrated by Clayton et al. (2009), comparative analysis skills are particularly valuable in globalizing real estate markets.

5.3. Professional Competencies

The research process developed distinctive professional competencies in coordinating with stakeholders and navigating complex regulatory environments. Working with real estate investment data required developing skills in communicating complex tax concepts to non-technical stakeholders, balancing academic rigor with practical relevance, and translating research findings into actionable investment strategies.

Navigating different regulatory environments developed competencies in interpreting legal and tax codes across jurisdictions, identifying compliance requirements for cross-border investments, and recognizing regulatory risks and opportunities. These regulatory navigation competencies developed through doctoral research position researchers for professional advisory roles.

5.4. Critical Assessment of Competencies

While these competencies create valuable career advantages, they also have limitations. Technical tax competencies require continuous updating as regulations evolve, creating a perpetual learning requirement. Research competencies developed in academic contexts sometimes require significant adaptation for industry applications, where time constraints and client expectations differ from scholarly standards. Finally, the international perspective gained through comparative analysis, while valuable, must be balanced against the need for deep expertise in specific jurisdictions, as generalized knowledge alone is insufficient for certain specialized roles.

6. Career Implications for Doctoral Researchers

6.1. Academic Career Path

The competencies developed through cross-border tax planning research create distinctive advantages for doctoral researchers pursuing academic careers. The

methodological sophistication required for comparative tax analysis provides a foundation for developing innovative research programs that bridge theoretical frameworks and practical applications. As Hanlon and Heitzman (2010) demonstrated, tax research offers rich opportunities for interdisciplinary scholarship connecting finance, accounting, law, and economics.

The technical competencies developed through implementing DEA and financial modeling directly translate to teaching capabilities in advanced quantitative methods courses. The ability to explain complex analytical techniques in accessible terms enhances teaching effectiveness, particularly in professional degree programs where students seek to connect theoretical knowledge with practical applications.

Furthermore, the cross-border nature of the research provides advantages in increasingly internationalized academic environments. Universities increasingly value faculty who can bring global perspectives to their teaching and research (Delfim & Hoesli, 2019). The ability to analyze investment strategies across different regulatory environments positions doctoral researchers for academic roles requiring international expertise.

6.2. Industry Applications

For doctoral researchers interested in industry roles, the competencies developed through cross-border tax research create valuable opportunities in specialized financial sectors. Family offices increasingly seek professionals with sophisticated analytical capabilities who understand both theoretical frameworks and practical applications. The comparative tax expertise developed through this research creates opportunities in multinational financial institutions and roles such as International Tax Manager, Cross-Border Investment Advisor, and Family Office Strategist. These competencies also extend to compliance and risk management positions, where analyzing regulatory implications across jurisdictions represents a crucial professional advantage.

6.3. Consulting Potential

The combination of academic rigor and practical application developed through doctoral research creates distinctive advantages for consulting careers. The ability to conduct sophisticated efficiency analysis while translating findings into actionable investment strategies addresses a common gap in professional services—connecting theoretical models with practical implementation.

My research experience has revealed that the DEA methodology and the BCC VRS model provide transferable analytical frameworks applicable to governance structures across multiple asset classes, not just real estate. This versatility creates opportunities for consulting roles focusing on organizational efficiency and strategic optimization.

Specialized tax consulting represents a particularly promising career path for researchers with cross-border tax expertise. The complex interaction between different tax regimes creates demand for advisors who can navigate multiple jurisdictions while optimizing investment structures. Family office advisory services offer additional consulting opportunities for researchers with international tax expertise, as family offices increasingly seek specialized advisors who understand their unique objectives and constraints.

7. Conclusion

7.1. Summary of Key Competencies

My research on cross-border tax optimization for real estate investments has demonstrated the development of multidimensional competencies with significant career implications. The technical competencies developed include sophisticated tax analysis across different jurisdictions, financial modeling capabilities for long-term investment horizons, and advanced data analysis skills using methodologies like Data Envelopment Analysis.

The research competencies developed through cross-border data collection and comparative analysis further enhance career positioning. The ability to standardize financial metrics across different accounting systems and draw valid conclusions from international comparisons represents a distinctive capability valuable across multiple career paths.

Professional competencies in stakeholder communication, regulatory navigation, and strategic implementation complete the multidimensional skill set developed through this research. The ability to translate complex technical findings into actionable investment strategies positions doctoral researchers for roles bridging academic expertise and professional practice.

7.2. Value Proposition for Doctoral Students

The multidimensional competencies developed through cross-border tax research create a distinctive value proposition for doctoral students navigating increasingly competitive career landscapes. As both academic and professional environments become more internationalized, the ability to analyze opportunities across different regulatory frameworks represents a critical differentiator.

Fellow doctoral researchers may recognize the challenge of developing practical skills while maintaining academic rigor. Through this research journey, I discovered that these seemingly competing demands can reinforce each other, creating a distinctive professional advantage. The ability to develop evidence-based strategies addressing complex challenges creates value across diverse career paths.

7.3. Recommendations for Doctoral Education

Based on my research experience, several recommendations emerge for doctoral education in finance and real estate. First, doctoral programs should incorporate more cross-border comparative elements, providing opportunities for students to develop competencies in navigating different regulatory environments. These comparative perspectives enhance both academic understanding and professional application.

Second, doctoral education should explicitly connect methodological training with professional applications. While rigorous methodological preparation remains essential, students benefit from understanding how analytical techniques translate to professional contexts. Incorporating professional case studies and applied research opportunities helps students develop competencies that bridge academic rigor and practical relevance.

Third, doctoral programs should cultivate communication competencies across different audiences. The ability to translate complex technical findings into accessible insights represents a critical skill for career advancement. Programs can develop these competencies through presentation opportunities targeting both academic and professional audiences.

7.4. Future Directions

As investment landscapes continue to evolve, doctoral researchers must anticipate emerging competency requirements. Environmental, Social, and Governance (ESG) considerations increasingly influence investment decisions, creating demand for competencies in sustainable investment analysis. Researchers developing capabilities in evaluating ESG impacts across different regulatory environments will be well-positioned for emerging opportunities.

One unexpected outcome of my research journey was discovering how these competencies could be transferred to other areas of research and broader perspectives. The ability to enrich oneself academically while developing professional capabilities creates opportunities beyond the specific focus of doctoral research.

Technological advances in data analytics and artificial intelligence create additional competency requirements for future researchers. Doctoral researchers who complement specialized domain knowledge with technological fluency will create distinctive value propositions in evolving career landscapes, positioning themselves at the intersection of academic expertise and professional practice.

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Attitudes and Motivation of Emergency Medical Services Personnel Toward Academic Degree Controversies in German EMS: A Comparison of Position Statements and Survey Data from EMS Professionals

Abstract

The academic advancement of emergency medical services (EMS) personnel in Germany has been the subject of controversial debates since 2023. While medical associations warn against the substitution of physician-led emergency care, non-physician organizations see academic degrees as a boost to professionalization. Objective: This study examines the attitudes, motivations, and study preferences of EMS personnel regarding planned academic degrees and paramedic study programs. Methods: An anonymous online survey (N = 555) collected sociodemographic data, attitudes toward academic advancement, motivational reasons, and preferred study formats. Results: 52.4% support academic degrees, 26.5% reject them, and 21.1% are undecided. Dual and part-time study programs are particularly popular. The main motives are the expansion of medical skills, better patient care and the further development of the profession. Conclusion: The majority is open to academic advancement but prefers flexible, practice-oriented study models. The debate remains controversial, particularly regarding the substitution of physician roles. Nationally standardized curricula and scientific support are necessary for successful professionalization. Limitations concern representativeness and the ongoing data collection process.

Keywords: emergency medical services, academic advancement, motivation, professionalization, paramedic, emergency medical technician, survey, position statements, Germany, emergency medicine, substitution

Postawy i motywacja ratowników medycznych wobec kontrowersji związanych z akademizacją w niemieckich służbach ratowniczych: porównanie oświadczeń i ankiety przeprowadzonej wśród ratowników medycznych

Streszczenie

Akademizacja personelu służb ratowniczych w Niemczech jest przedmiotem kontrowersyjnej debaty od 2023 roku. Podczas gdy stowarzyszenia medyczne ostrzegają przed zastąpieniem służb ratownictwa medycznego, organizacje niemedyczne postrzegają akademizację jako impuls do profesjonalizacji. W badaniu przeanalizowano postawy, motywację i preferencje pracowników pogotowia ratunkowego dotyczące planowanej akademizacji i programów studiów dla ratowników medycznych. Metodologia: Dane społeczno-demograficzne, postawy wobec akademizacji, powody motywacji i preferowane formy studiów zostały zebrane w anonimowej ankiecie internetowej (N = 555). Spośród respondentów 52,4% popiera studia, 26,5% jest im przeciwnych, a 21,1% jest niezdecydowanych. Szczególnie popularne są studia dualne i nie-stacjonarne. Główne motywy to poszerzenie umiejętności medycznych, lepsza opieka nad pacjentem i dalszy rozwój zawodu. Większość jest otwarta na akademizację i preferuje elastyczne, praktyczne modele studiów. Debata pozostaje kontrowersyjna, szczególnie w odniesieniu do zastępowania usług medycznych. Ogólnokrajowe standaryzowane programy nauczania i wsparcie naukowe są niezbędne do pomyślnej profesjonalizacji. Ograniczenia dotyczą reprezentatywności i trwającego procesu badania.

Słowa kluczowe: ratownictwo medyczne, awans akademicki, motywacja, profesjonalizacja, ratownik medyczny, technik ratownictwa medycznego, ankieta, deklaracje stanowisk, Niemcy, medycyna ratunkowa, zastępstwo

1. Introduction

The German EMS system combines physician leadership with non-physician qualifications: Emergency Medical Technicians (520 hours of training) and Paramedics (3-year dual education). On September 7, 2023, the “Government Commission for Modern Hospital Care” (Federal Ministry of Health, 2023) first recommended academic degrees (“Bachelor Paramedic,” “Master Advanced Care Paramedic”) and the substitution of physician roles. This marks a turning point, as the “Notfallsanitäter” [Paramedic] (Federal Republic of Germany, 2013) has until now been the highest non-physician qualification. The recommendation sparked controversy: While medical societies discuss medical risks, the German Professional Association for Emergency Medical Services (DBRD e.V.) advocates for strengthening the paramedic role (without taking an explicit position on academic advancement).

The Bertelsmann Foundation refined the debate on October 9, 2024, with a position paper on “Realigning Competencies” (Gruhl, 2024). Existing degree programs for paramedics (Emergency Services Research, 2025a, 2025b) show neither uniform content nor clearly defined competency expansions. Partial academic advancement therefore requires standardized curricula and part-time offerings for existing personnel.

The author is currently investigating EMS personnel’s attitudes toward academic advancement and their study motivations. This article presents an interim status after a 10-day online survey on SoSci Survey (Leiner, 2025).

2. Theoretical Background

The debate about academic advancement in German EMS was initiated by the Ninth Position Statement of the Government Commission (2023), which recommends reforming qualification structures. Paramedics are to receive expanded competencies, such as invasive procedures and medication administration, through general delegation; emergency physicians are to be deployed only in complex cases (Government Commission, 2023).

Professional responses are controversial. The German Medical Association and Marburger Bund reject paramedic prescribing authority, citing patient safety risks and existing staff shortages (AG Acute and Emergency Medicine, 2023; Hofmann & Macke, 2020; Marburger Bund, 2023b). The Marburger Bund reaffirmed this stance in recent resolutions (Marburger Bund, 2023a).

The German Interdisciplinary Association for Intensive and Emergency Medicine (DIVI) is open to reform but calls for differentiated discussions on curriculum content and competency expansions (DIVI, 2023). The Federal

Association of EMS Medical Directors (BV-ÄLRD) advocates using existing opportunities and supports academic development primarily for leadership roles (Lechleuthner, Krakowa & Merbs, 2023).

The Bertelsmann Foundation recommends degree programs as a complement to vocational training to promote assessment competencies and independent patient management (Gruhl, 2024). The Pro Emergency Services Alliance sees academic advancement as an opportunity for professionalization but warns against premature substitution of physician roles and calls for nationally standardized curricula (Hölter, 2024).

The current vocational paramedic training (Federal Republic of Germany, 2013) is dual, comprises 4,600 hours, and requires a secondary school diploma (EQF Level 3), whereas university admission typically requires EQF Level 4 (BMFTR, 2025). This makes it difficult for working professionals to access academic qualifications.

EMS personnel's attitudes are ambivalent. The German Professional Association for Emergency Medical Services (DBRD e.V.) has no official position, while discussions on social media reveal uncertainties about funding, recognition, career prospects, and balancing work and studies.

These professional, structural, and individual factors illustrate the complexity of the academic advancement debate and form the framework for this study on the acceptance of partial academic advancement in EMS.

3. Research Subject and Research Question

The debate about academic advancement in EMS is controversial, with the perspective of practicing paramedics having received little consideration so far. This study aims to capture EMS personnel's attitudes toward planned academic advancement and paramedic degree programs, their motivations for or against pursuing a degree, and preferred study formats (e.g., part-time, full-time). The central research question is:

“How do EMS personnel's positions compare to professional societies' stances on the academic advancement of the profession, and what factors influence their willingness or refusal to pursue academic studies?”

The focus on motivation and study preferences is justified by their relevance for the successful implementation of academic offerings. The theoretical basis is the Theory of Planned Behavior (Ajzen, 1991), which considers attitudes, subjective norms, and perceived behavioral control as predictors of study decisions.

4. Methodology

To identify research gaps regarding academic advancement of paramedics in Germany, a systematic internet and database search was conducted, including current AI-supported research tools (e.g., Perplexity AI, 2025). Based on this, a quantitative online survey was conducted using the GDPR-compliant platform SoSci Survey (Leiner, 2025). The survey was directed at EMS personnel in Germany and was conducted over 70 days (April 22, 2025–June 30, 2025). Participation was voluntary, anonymous, and based on informed consent; participants were fully informed about goals, procedures, and data protection. Data processing was exclusively encrypted and complied with the principles of data minimization and purpose limitation under Art. 5 GDPR (Paschou, 2021). Ethics approval was not required due to anonymization, voluntariness, and lack of intervention.

Recruitment used various channels, including social media (Facebook, Instagram, LinkedIn), professional associations like the German Society for Emergency Services Research (DGRe), and universities. The results presented here reflect an interim status after ten days (data as of May 2, 2025).

The standardized questionnaire included sociodemographic information and dichotomous and open-ended questions about reasons and content preferences. Instrument development was iterative, with three pretest phases totaling 65 access attempts, 42 complete pretest runs, and 16 feedback responses leading to 70 optimization suggestions. These were used to improve clarity, validity, and reliability (Moosbrugger & Kelava, 2020).

Data analysis was descriptive, using JASP (JASP Team, 2025) and MS Excel (Version 2505). Mode, median, and standard deviation were calculated. Normal distribution was tested using the Shapiro-Wilk test and graphically via quantile and Q-Q plots. Results are presented in absolute numbers and percentages to ensure traceability.

This methodological approach enables systematic, transparent, and data protection-compliant collection of EMS personnel's attitudes and preferences regarding academic advancement of the profession.

5. Results

Position statements on the Government Commission's recommendation present a heterogeneous picture. Physician representatives frequently express concerns about academic advancement of paramedics [Notfallsanitäter] and the introduction of the "Paramedic" qualification, particularly regarding medical responsibility and substitution of emergency physicians in the field. The German Medical Association (BÄK) and Marburger Bund clearly reject academic advancement and

substitution (AG Acute and Emergency Medicine, 2023; Marburger Bund, 2023a, 2023b). The Professional Association of EMS Medical Directors (BV-ÄLRD) is skeptical about substitution but sees new opportunities for paramedics in management, education, and training (Lechleuthner et al., 2023). The German Association of Emergency Physicians (BAND) rejects substitution of physician roles by academically qualified non-physician professionals but sees potential in administrative, educational, and logistical leadership roles. For patient care responsibilities, BAND calls for affiliation with medical faculties to ensure medical training (BAND e.V., 2023). The German Interdisciplinary Association for Intensive and Emergency Medicine (DIVI) welcomes quality improvement in EMS and considers a paramedic degree program worth discussing but maintains that emergency physicians remain indispensable (DIVI, 2023).

The Pro Emergency Services Alliance, which includes the German Professional Association for Emergency Medical Services (DBRD) and the German Society for Paramedic Science (DGRe), generally supports the Government Commission's 9th recommendation but criticizes the strong focus on substituting physician roles and calls for standardized paramedic degree curricula to ensure comparable competencies (Hölter, 2024). The German Society for Emergency and Prehospital Medicine (DGRN) supports academic advancement as an important step toward professionalization and quality improvement in prehospital emergency medicine but emphasizes the need for practical relevance and indispensable collaboration with emergency physicians (Kill, 2023). DGRe published an evidence-based position statement clearly supporting partial academic advancement (DGRe e.V., 2023).

5.1. Descriptive Presentation of Interim Results

The study was accessed 1,284 times between April 22 and May 2, 2025; 635 interviews were started, of which 555 are evaluable (N=555). Participants included 407 men, 145 women, and 3 diverse individuals. Ages ranged from 19 to 69 years, with a mean of 35.1 years and a median of 33 years. Age distribution showed normal distribution with significant deviations (Shapiro-Wilk test $W=0.945$, $p < .001$). Table 1 shows age distribution compared to Destatis data (Destatis, 2025).

Table 1. Age Distribution in EMS: Destatis / Survey

Age Groups	Under 30	30–39	40–49	50–59	60+
Destatis (%)	37.76	25.51	19.39	13.27	4.08
Umfrage (%)	37.30	32.25	20.00	8.65	1.80

Source: Own elaboration

Participants’ qualifications were distributed as follows: 74.16% paramedics [Notfallsanitäter], 9.55% emergency medical technicians, 8.29% paramedic trainees, 2.52% with completed Bachelor’s in Paramedicine, and 4.68% emergency medical assistants, emergency physicians, or others. Many had additional qualifications, including 209 with instructor certification, 64 with educational Bachelor’s or Master’s degrees, 45 with management degrees, and 79 with other qualifications of at least 300 hours.

Regarding attitudes toward paramedic/paramedic degree programs: 291 participants supported academic degrees, 147 rejected them, and 117 were undecided. Preferred study formats varied, with only 85 fundamentally opposed to academic studies. Participants could select multiple study variants; Table 2 shows the distribution.

Table 2. Type of degree program

Study Format	No Degree	Full-time Postgraduate	Full-time Primary	Integrated Training	Dual Part-time	Part-time with Attendance	Part-time without Attendance	Other
Participant Votes	85	241	95	127	238	306	97	5

Source: Own elaboration

There was a clear preference for dual and part-time programs with attendance components; full-time postgraduate studies were also considered suitable by 51.28% of voters (n=470).

Regarding motivations (456 participants, 1,325 responses), expanding medical competencies (194 responses), better patient care (165), and advancing EMS (164) dominated. Other frequent motives included professionalization (132), better pay (130), and alternative roles outside field operations (116). Another 424 responses were distributed among personal development, independence from emergency physicians, better career opportunities, knowledge gain, and exit strategies from EMS.

6. Discussion

Academic advancement of EMS personnel has been controversially debated since the Government Commission’s Ninth Statement (2023). Analysis of current position statements and empirical data reveals divergent opinions shaped by professional, organizational, and political interests.

Professional Associations' Positions

Medical associations like the German Medical Association (BÄK) and Marburger Bund reject academic advancement if it includes substitution of physician roles by academically qualified paramedics. They emphasize medical responsibility, patient safety, and clear competency boundaries (AG Acute and Emergency Medicine, 2023; Marburger Bund, 2023b). The Federal Association of EMS Medical Directors (BV-ÄLRD) is skeptical about substitution but recognizes potential for management and education roles (Lechleuthner et al., 2023). The German Association of Emergency Physicians (BAND) sees opportunities for administrative leadership but calls for affiliation with medical faculties (BAND e.V., 2023). The German Interdisciplinary Association for Intensive and Emergency Medicine (DIVI) considers paramedic degree programs worth discussing but stresses the emergency physician's indispensable role (DIVI, 2023).

Non-physician professional societies like the German Society for Emergency and Prehospital Medicine (DGRN), the German Society for Emergency Services Research (DGRe), and the Pro Emergency Services Alliance support academic advancement as a step toward professionalization and quality improvement. They call for practice-oriented degree programs embedded in an integrative care concept with maintained collaboration with emergency physicians (DGRe e.V., 2023; Hölters, 2024). The Pro Emergency Services Alliance criticizes the one-sided focus on substitution and calls for nationwide curriculum standardization. DGRe advocates autonomous patient care through academic degree programs, supported by empirical data. The Bertelsmann expert panel also supports partial academic advancement and expanded competencies (Gruhl, 2024).

EMS Personnel's Acceptance and Motivation

The survey (N = 555) shows that 52.4% of respondents support academic degrees, 26.5% oppose them, and 21.1% are undecided. Dual and part-time programs with attendance components are particularly in demand. Main motivations include competency expansion, better patient care, and advancing EMS. Other reasons include professionalization, higher earnings, and alternative career fields. This demonstrates many EMS professionals' willingness to pursue academic qualifications.

Challenges and Implications

Despite positive approaches, challenges remain. Medical associations warn of diluted medical standards and unclear responsibility cascades that could endanger patient safety. Non-physician organizations emphasize the need for practice-oriented, comparable degree programs. DGRe's career loyalty studies show staff shortages and dissatisfaction among trainees, requiring improved working

conditions and development opportunities (Elsenbast, Böhm & Hofmann, 2024; Hofmann & Macke, 2020).

Short-term, utilizing existing competencies under §2a NotSanG could provide relief. Long-term, scientifically supported implementation of academic degree programs is needed to sustainably promote professionalization.

7. Conclusion

The study reveals a nuanced picture of opinions on academic advancement in EMS. A majority of surveyed EMS personnel (52.4%) support academic degrees—particularly flexible, dual, and part-time models—to expand medical competencies and improve patient care. Medical associations, however, warn of potential quality and safety risks, while non-physician organizations advocate professionalization and competency expansion.

The outlook emphasizes that an integrative approach with nationally standardized, modular, and practice-oriented curricula and clearly regulated interprofessional collaboration is beneficial to address long-term working conditions and staff shortages in EMS. At the same time, the study's limitations—such as ongoing data collection, non-representative sampling, cross-sectional perspective, and simple literature search—must be considered. Long-term effects of academic advancement remain open and should be systematically investigated in future studies.

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Minimizing Operational Disruptions During ERP Migration: The Role of a Quality Transition Process

Abstract

The article explores the critical role of Enterprise Resource Planning (ERP) systems in unifying diverse business processes within organizations to achieve streamlined operations and consistent data management. Recognizing the growing necessity for organizations to upgrade or replace legacy ERP platforms, the article addresses the complex challenges inherent in ERP migration projects. These challenges include potential operational disruptions, risks to data integrity, and temporary declines in productivity, which can significantly affect business continuity and stakeholder confidence.

The primary objective of the article is to investigate how a structured, quality-driven transition process can effectively minimize these risks and disruptions during ERP migration. It aims to identify best practices and key success factors that contribute to a resilient and efficient migration, ultimately enhancing organizational performance and sustainability.

The article employs a comprehensive literature review combined with an analysis of quality management principles, ongoing improvement methodologies, and risk management frameworks relevant to ERP transitions. It synthesizes insights from case studies, industry reports, and academic research to develop a holistic understanding of effective migration strategies. The approach emphasizes stakeholder engagement, regulatory compliance, and continuous monitoring as integral components of a successful transition.

Findings highlight that applying quality management principles such as thorough planning, process standardization, and continuous feedback loops significantly reduces operational disruptions during migration. The incorporation of risk management practices enables early identification and mitigation of data integrity threats and compliance issues. Moreover, involving key stakeholders across departments fosters ownership, facilitates knowledge transfer, and supports adaptive problem-solving. The article identifies essential success factors, including clear communication, robust training programs, phased implementation, and the use of performance metrics to track progress and outcomes.

The article concludes that a quality-focused ERP migration process not only mitigates the common pitfalls associated with system transitions but also positions organizations for long-term innovation and competitive advantage. By embedding best practices and success factors into the migration lifecycle, companies can achieve a smooth transition that enhances operational efficiency, ensures regulatory adherence, and strengthens organizational resilience. Stakeholder involvement emerges as a pivotal element in building a sustainable migration framework that supports ongoing improvement and responsiveness to evolving business needs.

Keywords: Enterprise Resource Planning (ERP), quality transition, operational disruptions, migration challenges, continuous improvement, organizational efficiency.

Minimalizowanie zakłóceń operacyjnych podczas migracji ERP: rola procesu przejścia jakościowego

Streszczenie

Systemy planowania zasobów przedsiębiorstwa (ERP) odgrywają kluczową rolę w integracji różnych procesów biznesowych w organizacjach, umożliwiając usprawnienie działania i spójność danych. Migracja z istniejącego systemu ERP na nową platformę wiąże się jednak ze znacznymi wyzwaniami, często prowadząc do zakłóceń operacyjnych, ryzyka naruszenia integralności danych i spadku produktywności. Niniejszy artykuł analizuje, w jaki sposób wysokiej jakości proces transformacji, wspierany najlepszymi praktykami i kluczowymi czynnikami sukcesu, może złagodzić zakłócenia i wspierać odporną migrację, która zwiększa wydajność organizacji. Stosując zasady zarządzania jakością, techniki ciągłego doskonalenia i praktyki zarządzania ryzykiem, firmy mogą zapewnić płynny proces transformacji, zachować zgodność z przepisami i poprawić ogólną wydajność. W literaturze opisano również skuteczne praktyki, kluczowe czynniki sukcesu oraz znaczenie zaangażowania interesariuszy w tworzenie silnego i zrównoważonego procesu migracji, który wspiera długoterminowe innowacje i przewagę konkurencyjną.

Słowa kluczowe: planowanie zasobów przedsiębiorstwa (ERP), jakościowy proces przejścia, zakłócenia operacyjne, wyzwania migracji, ciągłe doskonalenie, efektywność organizacyjna

1. Introduction

In the bustling world of modern business, the Enterprise Resource Planning (ERP) system is a vital tool that connects various departments within an organization, integrating finance, human resources, supply chain, manufacturing, and customer relationship management into a cohesive framework. As competition intensifies and globalization complicates operations, companies increasingly rely on ERP systems to streamline processes and enhance collaboration (Davenport, 1998).

These systems act as the central nervous system of an enterprise, facilitating the flow of information and ensuring that all functions work together effectively. By breaking down silos, ERP systems empower employees with unified data, improving accuracy and decision-making. The result is a transformed organization that operates with clarity and cohesion, ready to tackle the challenges of a dynamic business environment (O'Leary, 2000).

ERP systems have become essential for contemporary organizations, designed to enhance operational efficiency and interdepartmental collaboration. In a fast-paced world characterized by rapid technological changes, these systems provide a pivotal solution for integrating diverse functions and processes, ultimately fostering a coherent operational framework (Davenport, 1998; O'Leary, 2000).

This paper explores the fundamental aspects of ERP systems, including their historical evolution, functionality, benefits, and challenges, while also providing an overview of the academic discourse surrounding the migration of these systems. The transition to a new ERP system, however, is a complex endeavor that can significantly impact an organization's operations. A poorly executed migration can lead to inefficiencies, data integrity issues, and employee dissatisfaction. Therefore, implementing a high-quality migration process is essential to mitigate these risks and ensure a successful ERP transition (Nah et al., 2001).

2. Historical of ERP Systems

The historical evolution of Enterprise Resource Planning (ERP) systems can be traced through several key phases, reflecting advancements in technology and changes in business practices. Below is a summary of the major milestones:

1950s-1960s: Early Computing and MRP: The origins of ERP systems can be found in the early use of computers in manufacturing. During this period, companies began using basic computing to assist with inventory management and production scheduling. The concept of Material Requirements Planning (MRP) emerged, allowing manufacturers to calculate material needs based on production schedules (Orlicky, 1975).

1970s: Development of MRP II: In the 1970s, MRP evolved into Manufacturing Resource Planning (MRP II), which integrated additional data such as labor and machine capacity into the planning process. This shift allowed for a more comprehensive approach to managing manufacturing resources (Muckstadt, 2000).

1980s: The Rise of ERP: The term “Enterprise Resource Planning” began to gain traction in the 1980s as software vendors started to develop integrated systems that encompassed not just manufacturing but also finance, human resources, and other business functions. This decade saw the introduction of systems that could handle cross-departmental processes, leading to greater efficiency (Davenport, 1998).

1990s: Expansion and Integration: The 1990s marked significant growth in ERP adoption, driven by advancements in technology and the increasing complexity of business operations. Companies sought integrated solutions to streamline processes and improve data accuracy. Major ERP vendors, such as SAP, Oracle, and PeopleSoft, emerged during this time, offering comprehensive software suites that could manage various business functions (Kumar & Van Hilleberg, 2000).

2000s: Cloud Computing and SaaS: The advent of cloud computing transformed the ERP landscape in the 2000s. Software as a Service (SaaS) models became popular, allowing organizations to access ERP systems via the internet without the need for extensive on-premises infrastructure. This shift made ERP solutions more accessible to small and medium-sized enterprises (Chou, 2013).

2010s: Mobile and Analytics Integration: As mobile technology advanced, ERP systems began incorporating mobile access, enabling employees to interact with the system from various devices. Additionally, the integration of advanced analytics and business intelligence tools allowed organizations to gain deeper insights from their data, improving decision-making processes (Hitt et al., 2013).

2020s: AI and IoT in ERP: The current era sees the integration of artificial intelligence (AI) and the Internet of Things (IoT) into ERP systems. These technologies enhance automation, predictive analytics, and real-time data processing, further optimizing business operations and enabling more agile responses to market changes (Wang et al., 2016).

Overall, the evolution of ERP systems reflects a continuous effort to enhance efficiency, improve data integration, and adapt to the changing needs of businesses in a globalized economy.

3. SAP ERP Architecture

In the rapidly evolving landscape of enterprise resource planning (ERP) systems, SAP has emerged as a pivotal player, offering robust solutions that cater to businesses of varied sizes and complexities. SAP ERP Architecture is a multifaceted

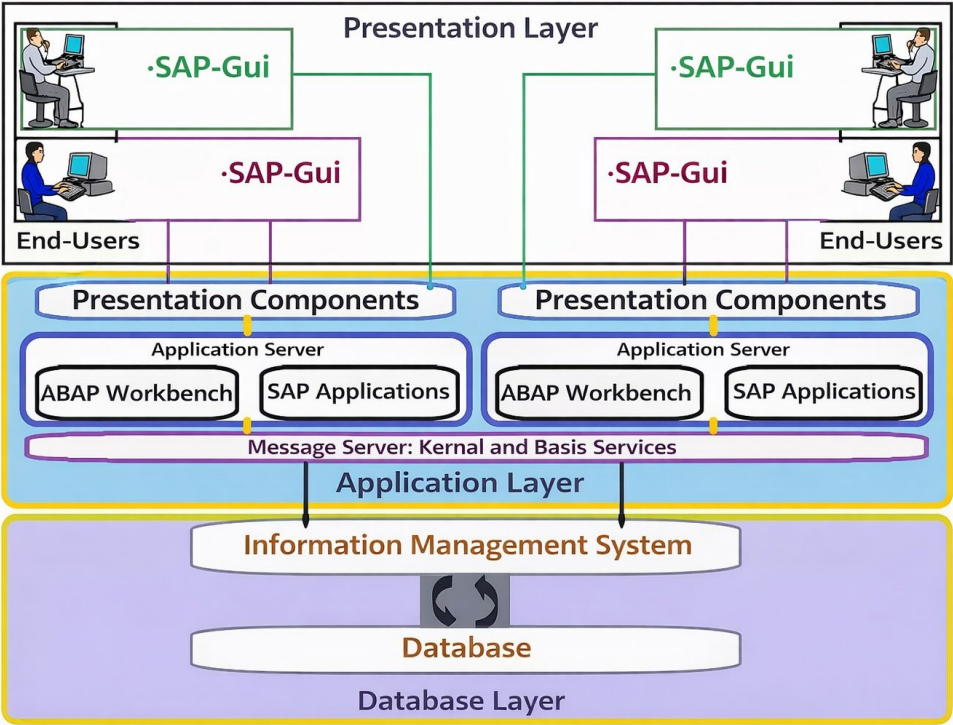
concept encompassing the design, organization, and interaction of the systems across various domains.

Generally, the system’s architecture can be classified into logical and physical (tiered) architecture and can be built on a multi-layered architecture comprising the presentation layer, application layer, and database layer. This can significantly influence the system’s scalability, flexibility, maintainability, adaptability, and effectiveness as the tiered layers facilitate the separation of user interfaces, business logic, and data management (Monk & Wagner, 2012).

3.1. The logical layer

The logical architecture typically consists of several key components that facilitate business processes. As depicted in Fig. 1, the logical architecture demonstrates how the system is organized to support functional business requirements, flexibility, scalability, and efficient processing of business operations within the SAP ecosystem and related end users.

Fig. 1. Logical Architecture of an SAP ERP System: Structural Overview



Source: SAP SE, 1995–2000

3.1.1. Database Layer:

The database layer is where all enterprise data required by the application layer, The database can utilize various database management systems (DBMS), such as DB2, SAP HANA, Oracle, or Microsoft SQL Server.

The SAP ERP Centralized Database layer serves as a single repository for all organizational data, including transactional data, master data, and configuration data are stored, managed, and retrieved, ensuring data integrity and accessibility (Klaus, Rosemann, & Gable, 2000). This centralized approach ensures that all departments such as finance, human resources, sales, and supply chain operate from the same set of accurate and up-to-date information. By consolidating data into one location, organizations can significantly enhance their operational efficiency.

One of the primary benefits of a centralized database is data consistency. With a single source of truth, the risk of data discrepancies is drastically reduced, leading to more reliable reporting and analysis (Markus et al., 2000). This consistency not only improves the quality of data but also supports better decision-making processes across the organization.

In addition to data consistency, a centralized database fosters improved collaboration among different departments. When various teams can easily share information, it enhances communication and cooperation, ultimately contributing to a more cohesive work environment. This collaborative atmosphere is essential for organizations aiming to respond quickly to market changes and internal challenges.

Furthermore, access to comprehensive and accurate data enables management to make informed strategic decisions. The ability to analyze real-time data can provide valuable insights into business performance and market trends, allowing leaders to adjust their strategies accordingly (Smith, 2020). This informed decision-making is critical in today's fast-paced business landscape.

Another significant advantage of a centralized database is the streamlining of processes. Centralization simplifies data entry and management, reducing redundancy and improving productivity. By minimizing the need for multiple data entries across different systems, organizations can allocate resources more efficiently and focus on core business activities.

Lastly, a centralized database aids in regulatory compliance. It helps organizations maintain compliance with various regulatory requirements by ensuring that data is consistently managed and easily auditable. This capability is increasingly important in a landscape where data privacy and security regulations are becoming more stringent (Doe, 2021).

The SAP ERP Centralized Database is, therefore, a crucial component that underpins the effectiveness and efficiency of enterprise resource planning within

an organization. By enhancing data consistency, collaboration, decision-making, process efficiency, and compliance, it plays a vital role in driving organizational success.

3.1.2. Application Layer

The application layer is the core of the SAP system, commonly known as the business logic layer. It encompasses the essential functionalities and processes of the ERP system, including financial management, human resources, and supply chain operations. The application layer may incorporate the SAP NetWeaver Application Server (AS), where ABAP programs or Java are executed. This layer handles business logic and acts as middleware, managing user requests from the presentation layer and facilitating communication with the database layer.

3.1.3. Presentation Layer

The Presentation Layer serves as the interface of the SAP system, enabling end-users to carry out their tasks and access the functionalities offered by the application layer through SAP GUI (Graphical User Interface), web browser interfaces, or mobile devices, depending on the deployment method. In an SAP system, the end user plays a vital role, as they are the individuals who engage with the system to complete their daily tasks and business processes. However, the end user is not regarded as a formal layer within the architecture of the SAP system; instead, they primarily interact with the system through the presentation layer.

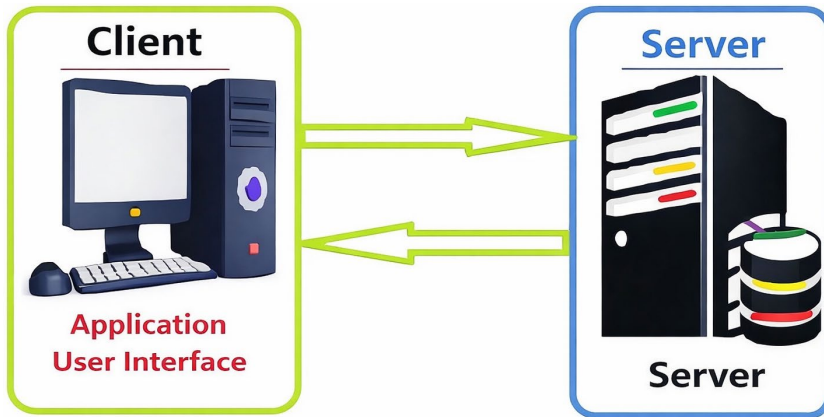
3.2. The physical layer

In contrast, the physical layer of ERP systems is generally designed to depict the arrangement of various physical components within a Client-Server Model, also referred to as a Multi-Tier or „N“-Tier architecture (Buschmann et al. 1996, Jour & Zhaolin, 2013). Within these models, the components of the ERP system are organized into layers or tiers, which allows for the optimization of the system's functionality to enhance scalability and flexibility in meeting the organization's business needs. The existence of multiple layers inherently indicates a separation of system resources, thereby improving security and reducing the risk of system failure. The architecture of these systems can vary, with common configurations including 1-tier, 2-tier, and 3-tier architectures.

3.2.1. The 2-tier

The two-tier architecture, as illustrated in Fig. 3, specifically consists of a client-server configuration in which the client manages presentation and application logic, while the server is tasked with data management and storage (Magal & Word, 2012).

Fig. 2. Physical Architecture of ERP Systems Illustrated: Two-Tier ERP Architecture Model



Source: Monk and Wagner, 2012

One of the key advantages of adopting a two-tier architecture in an SAP ERP system is its cost efficiency. As noted by Monk and Wagner (2009), organizations can lower operating expenses by minimizing the need for extensive hardware and software infrastructure. This approach is particularly beneficial for smaller subsidiaries or branches that may not require the full capabilities of a three-tier system.

Additionally, a two-tier architecture facilitates faster deployment and adoption. With fewer components to configure and manage, the installation process becomes simpler, thereby reducing the time and resources needed to bring the system online. This rapid deployment is especially advantageous for businesses in dynamic environments where flexibility and responsiveness are essential.

Scalability is another significant benefit of the two-tier architecture. As organizations grow and evolve, the architecture can be easily adjusted to accommodate increasing demands. This is made possible by its modular design, which allows for the addition or modification of components without necessitating a complete system overhaul (Magal & Word, 2012). This adaptability ensures that the SAP ERP system aligns with the organization's changing needs and goals.

Despite certain challenges, the two-tier architecture continues to be relevant for many modern enterprises, particularly those with distributed operations or those operating in rapidly changing markets. By offering a cost-effective and scalable solution, the two-tier architecture enables organizations to implement SAP ERP systems that align with their strategic objectives and operational requirements.

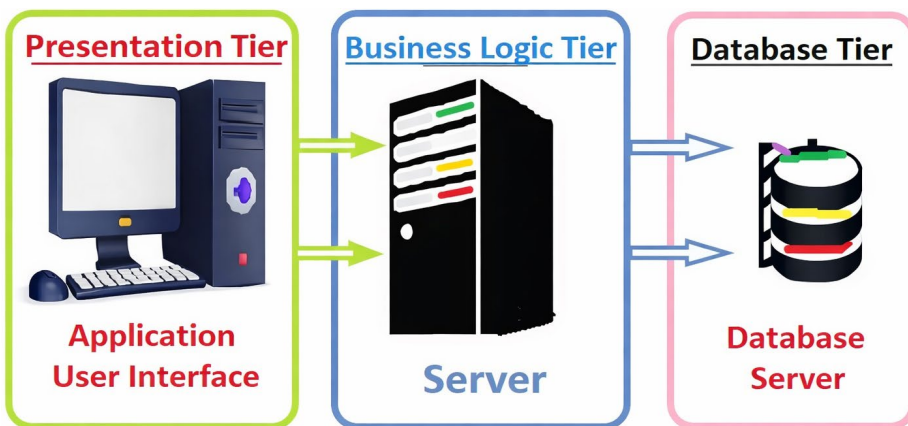
In the context of globalization, many companies have expanded their operations across various geographies, necessitating flexible and adaptable ERP

solutions. A two-tier architecture allows organizations to customize their SAP ERP system to meet the specific needs of each location, ensuring a consistent and comprehensive approach to business process management while accommodating local requirements (Monk & Wagner, 2009). Moreover, advancements in technology have addressed some of the traditional challenges associated with a two-tier architecture. Enhancements in network infrastructure and cloud computing have improved the performance and scalability of these systems, mitigating concerns about bottlenecks and efficiency. Additionally, improved security protocols and regular updates help protect against potential vulnerabilities, ensuring that a two-tier SAP ERP system remains secure and stable.

3.2.2. The 3-Tier

The three-tier architecture of SAP ERP is an organized structure that divides the system into three distinct tiers: the database tier, the business logic (or application) tier, and the presentation (or web) tier (Figure 2b). This configuration is designed to maximize efficiency, scalability, and maintainability while providing a clear framework for deploying and managing the ERP system.

Fig. 3. Physical Architecture of ERP Systems Illustrated: Three-Tier ERP Architecture Model



Source: Monk and Wagner, 2012

The presentation tier serves as the user interface, allowing users to interact with the system through a graphical interface. The application tier is responsible for processing business logic and executing transactions, while the database tier manages data storage, retrieval, and integrity (Magal & Word, 2012). This separation of tasks not only simplifies operations, but also improves system security and reliability. SAP ERP effectively manages workloads and prevents

system-wide errors by isolating each component within the appropriate hierarchy. The three-tier architecture also allows for modular updates and maintenance, allowing businesses to implement changes without disrupting overall operations. Implementing a three-tier SAP ERP architecture offers several benefits essential to modern businesses.

First, scalability is a key benefit for organizations looking to scale. As businesses grow, their information systems must accommodate increasing data volumes and user demands. The three-tier architecture allows for horizontal scalability, where additional servers can be integrated into the existing structure to handle increased workloads without performance degradation (Monk & Wagner, 2012).

Second, the architecture supports advanced data management capabilities. By separating data processing and storage, companies can ensure data consistency and integrity across all operations. This is especially important in industries where data accuracy is critical, such as finance and healthcare (Hestermann et al., 2009).

SAP ERP's three-tier architecture also facilitates enhanced system customization and integration. Enterprises can customize the application layer to meet specific operational requirements by integrating third-party applications and services to extend functionality. This adaptability is critical in a rapidly changing business environment where organizations must respond quickly to market changes and technological advances (Magal & Word, 2012).

The theoretical foundation of SAP ERP's three-tier architecture is rooted in distributed computing and the client-server model. Distributed computing improves processing power and resource sharing by using multiple interconnected systems to perform tasks (Tanenbaum & Van Steen, 2007). The client-server model, which divides tasks between providers (servers) and requesters (clients), is closely related to the hierarchical approach of the three-tier architecture. This model improves system efficiency by centralizing data processing and management, reducing redundancy, and providing a consistent user experience (Tanenbaum & Van Steen, 2007).

The literature on ERP systems consistently emphasizes the importance of architecture in achieving system goals. Magal and Word (2012) emphasize the role of architecture in supporting business processes and ensuring system stability. Their work emphasizes the need for a structured approach to ERP deployment, especially in large organizations with complex operational requirements. Monk and Wagner (2012) further explore the impact of architectural design on the performance and scalability of ERP systems. They argue that a well-defined architecture is critical to supporting growth and maintaining system efficiency. Their study highlights a three-tier architecture as a model that effectively balances these requirements. Hestermann et al. (2009) discuss the challenges and opportunities associated with ERP system architecture, particularly with regard to data

management and integration. They cite the three-tier architecture of SAP ERP as an exemplary model and advocate an architecture that supports seamless data flow and integration with external systems.

The three-tier SAP ERP architecture has been applied practically across a variety of industries. For example, in the manufacturing sector, companies have leveraged the architecture to optimize supply chain management and production planning. By integrating real-time data from various departments, companies can achieve more effective collaboration and responsiveness (Magal & Word, 2012). In the retail sector, the SAP ERP architecture supports inventory management and customer relationship management. The system's ability to handle high volumes of transactions and provide timely information about consumer behavior makes it invaluable to retailers looking to improve customer service and optimize inventory levels (Monk & Wagner, 2012).

Case studies detail the impact of a three-tier SAP ERP architecture on business performance. A notable example is a global automotive manufacturer that implemented SAP ERP to streamline operations across its global supply chain. The scalability and integration capabilities of the architecture enabled the company to achieve significant cost savings and delivery time improvements, ultimately increasing its competitiveness (Hestermann et al., 2009).

Despite the benefits, implementing a three-tier SAP ERP architecture is not without its challenges. One of the main challenges is the complexity of system set-up and maintenance. Enterprises must invest in qualified personnel and resources to effectively manage and optimize the architecture. In addition, integrating legacy systems can be challenging and requires careful planning and execution to ensure data compatibility and consistency (Monk & Wagner, 2012). Security is another important consideration, especially considering the increased risk of cyber threats in today's digital environment. While a three-tier architecture provides a level of security by separating components, enterprises must implement robust security measures to protect sensitive data and maintain system integrity (Hestermann et al., 2009).

3.3. SAP Web Architecture

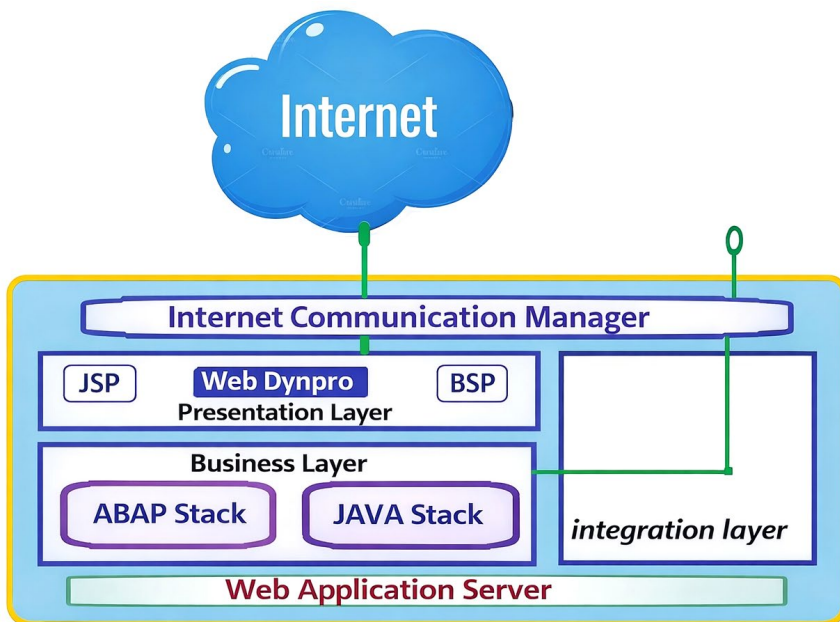
The digital transformation of businesses worldwide has necessitated robust and scalable software solutions that support complex business processes. Among the leaders in this domain is SAP, a global enterprise software giant known for its comprehensive suite of applications designed to streamline business operations. A pivotal aspect of SAP's offerings is its web architecture, which has evolved to meet the demands of modern businesses.

Both SAP ABAP and SAP Web architectures, as depicted in Fig. 4, are designed to support business processes and application development within the

SAP ecosystem. ABAP is more focused on traditional SAP environments, while SAP Web architecture leverages modern web technologies for enhanced user experiences.

SAP Web Architecture, however, has undergone significant changes since its inception, adapting to the rapidly evolving technological landscape. Initially, SAP's architecture was heavily reliant on client-server models, which required substantial infrastructure investments and offered limited scalability (Brehm, 2001). However, the advent of the internet and the increasing need for remote access to business applications prompted a shift towards web-based solutions. SAP responded with the introduction of the SAP NetWeaver platform, which facilitated the integration and development of web applications (Hoffmann & Woods, 2011).

Fig. 4. Web Application Server Layered Architecture Illustrated:
SAP NetWeaver Platform



Source: Monk and Wagner, 2012

The SAP NetWeaver platform marked a significant milestone in SAP's web architecture. It provided a comprehensive set of tools and services enabling the development, integration, and deployment of web applications across multiple platforms (Keller & Meinhardt, 2005).

A central element of NetWeaver is the SAP Web Application Server (SAP WAS), which serves as the foundation for numerous SAP applications by delivering

crucial services like load balancing, security, and data management (Hoffmann & Woods, 2011). The modular design of NetWeaver enables organizations to seamlessly integrate various systems, thereby improving their operational efficiency.

As businesses increasingly adopt cloud computing, SAP has expanded its web architecture to include cloud-based solutions. The introduction of SAP HANA and SAP Cloud Platform exemplifies this shift. SAP HANA, an in-memory database and application development platform, offers real-time data processing and analytics capabilities, which are crucial for businesses aiming to leverage big data (Plattner & Zeier, 2012). The SAP Cloud Platform extends these capabilities by providing a flexible environment for developing and deploying cloud-native applications (Hoffmann & Woods, 2011). These advancements have positioned SAP as a leader in providing scalable, secure, and efficient cloud solutions.

The significance of SAP Web Architecture lies in its ability to adapt to changing business needs and technological advancements. Its architecture supports a wide range of business processes, from supply chain management to human resources, thus enabling organizations to optimize their operations (Keller & Meinhardt, 2005). Additionally, the integration capabilities of SAP's web architecture facilitate collaboration across different departments and even with external partners, leading to improved decision-making and enhanced business agility (Brehm, 2001).

Furthermore, SAP's commitment to innovation is evident in its efforts to incorporate emerging technologies like artificial intelligence and machine learning into its web architecture. These technologies can be integrated into SAP applications to automate routine tasks, analyze large datasets, and derive actionable insights, further enhancing the value of SAP solutions for businesses (Plattner & Zeier, 2012).

3. The Dual Nature of Systems: Scalability and Flexibility

In the bustling heart of Silicon Valley, where innovation thrived and technology pulsed through the veins of every entrepreneur, two concepts loomed large in the minds of developers and architects: scalability and flexibility. These twin pillars of system design were not merely technical jargon; they were the very essence of success in an ever-evolving digital landscape.

Scalability, the first of these concepts, can be likened to the towering skyscrapers that shape the skyline, symbolizing a system's ability to grow and adapt to the ever-increasing influx of users and data that accompanies daily operations. As the sun rose on the horizon, casting a warm golden glow on the glass facades, software engineers convened in conference rooms to deliberate on their strategies for vertical and horizontal scalability.

Vertical scalability, also known as scaling up, involves augmenting existing resources by increasing the CPU, RAM, or storage capacity of a single server to enhance its performance (Smith, 2020). In contrast, horizontal scalability, or scaling out, requires a network of machines that work collaboratively to distribute the workload and improve overall system performance (Doe, 2021).

Yet, amidst the discussions of growth and performance, another concept flickered like a candle in the dark: flexibility. It was the ability of a system to adapt, morph, and change in response to shifting requirements and user demands. Flexibility was not just about growth; it was about resilience. It was the agile dance of a software system, capable of integrating new technologies without missing a beat (Johnson, 2022). Developers marveled at how flexibility allowed them to implement changes with ease, facilitating the seamless integration of new features and workflows (Lee, 2021).

As the day wore on, the distinctions between scalability and flexibility became clearer. Scalability was a race against time, focusing on maintaining performance levels as demand increased. It was measured by metrics—response times and throughput that dictated the system’s success (Brown, 2020). Flexibility, however, was a more subtle art, evaluated by the time and effort required to implement changes—a testament to a system’s adaptability in a world that refused to stand still (White, 2023).

In the conference room, a heated debate ensued. “We must prioritize scalability!” one engineer insisted, pointing to the growing user base that threatened to overwhelm their infrastructure. “Without it, we risk crashing under pressure.” Another countered, “But what good is scalability if we cannot adapt to the new features our users demand? Flexibility is key to our longevity.”

As the sun dipped below the horizon, casting long shadows across the room, it became clear that both scalability and flexibility were essential for modern systems. They were two sides of the same coin, each playing a critical role in ensuring that technology could not only grow but also evolve. In the dynamic world of IT and software development, understanding the interplay between these concepts was paramount for any organization aspiring to thrive.

4. Benefits of ERP Systems

The implementation of an ERP system can confer numerous benefits to an organization, ranging from improved operational efficiency to enhanced decision-making capabilities. One of the primary advantages of ERP systems is their ability to streamline business processes by eliminating redundancies and fostering cross-departmental collaboration (Gattiker & Goodhue, 2005). This approach not only leads to significant cost savings but also increases the flexibility

of the organization, allowing it to respond more effectively to changing market conditions.

Another key benefit of ERP systems is their ability to improve data accuracy and integrity. By centralizing information and minimizing manual data entry, ERP systems reduce the risk of errors and inconsistencies and ensure the reliability of an organization's data (Markus et al., 2000). This reliability supports informed strategic decision making, as managers have access to accurate and comprehensive data. Furthermore, ERP systems can significantly improve customer satisfaction by streamlining processes such as order fulfillment and inventory management (Mabert et al., 2003). By ensuring that the right products are available at the right time, ERP systems help organizations meet customer demands more efficiently, thereby enhancing overall customer experience and loyalty.

5. Implementation Challenges

Implementing an SAP ERP Centralized Database required careful planning and execution. Organizations must consider data migration strategies, user training, and change management to ensure a smooth transition. Additionally, ongoing maintenance and support are crucial to address any issues that may arise post-implementation (Kumar & Sharma, 2021). The framework should be designed to adapt to organizational growth and changing business needs, with the ability to add new modules or functionalities as required (Harris, 2019). The option for cloud-based deployment enhances accessibility and scalability, facilitating remote access and collaborative work environments (Parker, 2020).

Despite their numerous benefits, the implementation of ERP systems is fraught with challenges. One of the most significant hurdles is the high cost associated with ERP deployment, which includes not only the purchase of software licenses but also the expenses related to system customization, integration, and training (Al-Mashari et al., 2003). Consequently, organizations must carefully assess the potential return on investment before embarking on an ERP implementation project.

Another critical challenge is the complexity of ERP systems, which often necessitates substantial changes to existing business processes and organizational structures (Davenport, 1998). This can lead to resistance from employees who are accustomed to established workflows, necessitating a comprehensive change management strategy to ensure the successful adoption of the new system (Somers & Nelson, 2004).

Moreover, ERP implementation projects are notoriously prone to delays and cost overruns, often due to inadequate planning, underestimation of resource requirements, or unforeseen technical challenges (Barker & Frolick, 2003).

To mitigate these risks, organizations must adopt a structured and methodical approach to ERP implementation, involving thorough planning, clear communication, and ongoing monitoring and evaluation.

6. The ECC in SAP

ECC stands for ERP Central Component and ECC is a term confined to SAP only. ECC is a component of SAP's ERP software package. Each component may also be termed a module. Each module within the ERP suite is a managed and controlled function that businesses can perform; each supports the functionality of another. The main components, or modules, of an ERP system, therefore work together to provide a comprehensive view of the business.

Fig. 5. Key Components of a Centralized ERP Framework
Based on SAP Architecture



Source: SAP SE, 2020

SAP's ERP Central Component (ECC) is a comprehensive suite designed to integrate various organizational business processes. It serves as the core of SAP's ERP offerings, facilitating the seamless flow of information across different functional areas, such as finance, supply chain management, and human resources.

At its core, ECC comprises several key components.

The Financial Accounting (FI) module is essential for managing all financial transactions and reporting within an organization. It ensures compliance with accounting standards while providing real-time financial insights that aid decision-making. Complementing this, the Controlling (CO) module focuses on internal cost management, allowing organizations to effectively track and analyze costs associated with operations, projects, and overall profitability.

In the realm of sales, the Sales and Distribution (SD) component oversees the entire sales process, from order entry to delivery and billing. This module helps organizations streamline their sales operations, ultimately enhancing customer satisfaction. Meanwhile, the Materials Management (MM) module plays a critical role in overseeing procurement processes, inventory management, and logistics. It ensures that materials are available when needed and optimizes inventory levels to prevent excess stock.

For manufacturing organizations, the Production Planning (PP) component is vital as it facilitates production scheduling, capacity planning, and shop floor control. This module enables efficient management of manufacturing processes, ensuring that production runs smoothly. Additionally, the Human Capital Management (HCM) module supports various HR functions, including personnel administration, payroll, and talent management, which are crucial for effective workforce management.

To maintain operational efficiency, the Plant Maintenance (PM) component focuses on the upkeep of equipment and facilities. It minimizes downtime through effective maintenance planning. Lastly, the Quality Management (QM) module ensures that products meet established quality standards and regulatory requirements, integrating quality control processes throughout the supply chain to uphold product integrity.

ECC's integrated nature allows for real-time data access, enabling informed decision-making and enhancing overall business performance. By consolidating various business functions into a single platform, ECC reduces redundancies and fosters better communication and collaboration across departments. SAP ECC support is ending in 2027. This means users have three years to plan their next move, start your transition, manage any changes or delays, and complete the migration of your whole SAP estate. All of which you will need to do on time and within budget.

Though SAP ECC is the most commonly used ERP software, things will change as SAP ends its support for ECC 6.0 in 2027. As ECC is reaching the end of the line, the most practical way for businesses to benefit from SAP's exceptional solutions is to migrate to SAP S/4HANA.

7. Transitioning from ECC to S/4HANA

SAP ECC (Enterprise Central Component) is being phased out as part of SAP's transition to its next-generation ERP solution, SAP S/4HANA. The decision to discontinue support for SAP ECC by 2027 aligns with SAP's strategy to encourage customers to migrate to S/4HANA, which offers enhanced capabilities, improved performance, and a more modern architecture (SAP, 2021). SAP has been promoting S/4HANA as a more efficient and capable platform that leverages in-memory computing and advanced technologies, such as machine learning and artificial intelligence (SAP, 2021). By ending support for ECC, SAP aims to streamline its resources and focus on developing and enhancing its newer products. For businesses currently using SAP ECC, it is advisable to begin planning for migration to S/4HANA to ensure continued support and access to the latest features and updates (Smith, 2022).

These transformations are therefore vital for ensuring compliance and refining organizational processes (Kumar Singh, 2020). Additionally, such changes often arise in response to relentless technological advancements or competitive pressures (Juran Godfrey, 1999). Quality transformations invariably, play a crucial role during continuous improvement initiatives. Organizations may need to refine their quality management practices to enhance efficiency and effectiveness, often prompted by internal evaluations or external feedback (Garvin, 1988). The regulatory landscape within industries is in constant flux, and these changes can catalyze quality transformation. Organizations must adapt their quality management systems to comply with new legal requirements, ensuring compliance and mitigating risks (Besterfield et al., 2013).

As consumer expectations evolve, companies may need to adjust their quality management practices to align with these market demands. Such adaptations may involve the implementation of new technologies or methodologies aimed at enhancing product quality and customer satisfaction (Deming, 1986).

During crises, such as product recalls or quality failures, organizations can also leverage quality transformation to rebuild trust and enhance quality processes (Harrison, 2015). This transition not only rectifies past errors but also bolsters the organization's reputation among consumers.

8. The Nature of Qualitative Change in ERP Transition

In the business world, transitioning from one Enterprise Resource Planning (ERP) system to another is a significant undertaking that can lead to profound qualitative changes within an organization. It is very important to examine the implications of such a transition, particularly when it is approached with a focus on quality.

A quality-driven transition has the potential to enhance operational efficiency, drive innovation, and improve customer satisfaction. The necessity for quality transformation during an ERP migration is critical for several reasons.

Primarily, it supports the improvement of operational efficiency. A systematic approach to maintaining or enhancing business processes, ensuring data integrity, and optimizing organizational efficiency is essential for achieving overall effectiveness. Organizations often discover that adhering to higher quality standards leads to more streamlined processes. By identifying and eliminating waste, companies can reduce costs and increase productivity, thereby enhancing their operational framework.

Moreover, adopting new performance measurement methodologies not only refines internal operations but also enriches the customer experience. This is achieved by ensuring that products and services are delivered with greater reliability, as noted by Deming (1986). A continuous commitment to quality fosters a culture of ongoing improvement and innovation. Employees who are encouraged to employ superior methods to meet established quality benchmarks are more likely to generate innovative ideas, contributing to the development of new products, services, or processes. This innovation is crucial for maintaining a competitive edge in an ever-evolving marketplace (Juran, 1992).

The shift towards quality is also pivotal in meeting and exceeding customer expectations. Organizations that prioritize product improvement are better positioned to deliver exceptional value to their customers. Satisfied customers often become loyal advocates for the brand, which can significantly contribute to sales growth and profitability (Garvin, 1988). In the contemporary landscape, consumers are more informed than ever, prioritizing quality over quantity and seeking products and services that embody durability, reliability, and superior performance (Kotler & Keller, 2016). This evolution in consumer behavior underscores the necessity for organizations to uphold high-quality standards to remain competitive.

A focus on quality can also facilitate a differentiated market position, enhancing customer loyalty and bolstering brand reputation (Porter, 1985). In a competitive environment, this emphasis on quality is vital for attracting and retaining a loyal customer base. Furthermore, a commitment to quality often aligns with sustainable practices, as high-quality products tend to be more durable, generate less waste, and consume fewer resources (Elkington, 1998). The connection to sustainability is increasingly relevant in discussions surrounding responsible business practices.

In many sectors, compliance with quality standards is not only a matter of profitability but is often mandated by law. Embracing a quality-centric approach can assist organizations in meeting these regulatory requirements, mitigating

legal risks, and strengthening their market position. Adherence to these standards also fortifies relationships with stakeholders, including customers, suppliers, and regulatory bodies (ISO, 2015).

Ultimately, the pursuit of quality innovation plays a crucial role in the long-term sustainability of an organization. By maintaining a continuous focus on quality, companies can cultivate a strong brand reputation, enhance customer loyalty, and develop a sustainable business model capable of adapting to the dynamic market landscape (Porter & Kramer, 2011).

9. Minimizing Operational Disruptions

The transition from “SAP Enterprise Central Component” (ECC) to “SAP Business Suite 4 SAP HANA” (S/4HANA) presents organizations with several challenges and best practices that must be strategically addressed to facilitate a successful migration. This section discusses critical issues related to data quality, process re-engineering, change management, and related best practices.

A quality migration process is essential to minimize operational disruptions, as it involves a structured approach to address the various challenges organizations face during an Enterprise Resource Planning (ERP) migration (Holland & Light, 1999). By implementing a comprehensive migration plan, organizations can systematically outline each phase of the migration, define a schedule, allocate necessary resources, and assign clear responsibilities to team members, ensuring that all participants understand their roles and expectations (Aladwani, 2001). This pre-planning is complemented by a thorough risk assessment that identifies potential issues and develops mitigation strategies to address them before they escalate, thereby ensuring business continuity (Schmidt et al., 2015).

One of the foremost challenges encountered during the migration process is poor data quality. Inaccurate, incomplete, or inconsistent data can significantly impair reporting and decision-making capabilities post-migration (Huang et al., 2018). To mitigate these risks, organizations should conduct a thorough assessment of their data prior to migration, which should encompass a comprehensive data profiling and cleansing process (Gartner, 2020). A good migration process emphasizes the importance of data integrity, including rigorous data validation, cleansing, and testing to ensure that the information migrated to the new ERP system is accurate and reliable (Batini et al., 2009). This focus on data quality not only facilitates effective decision-making but also prevents failures due to data inconsistencies (Wang et al., 2016).

Additionally, organizations frequently depend on legacy processes that may not align with the optimized workflows of S/4HANA. Such misalignments can result in inefficiencies and user confusion (Buchholz et al., 2020). To address this, it is advisable for organizations to engage in process mapping and redesign efforts to ensure that existing workflows are in harmony with S/4HANA's best practices. This process may involve conducting workshops with stakeholders to identify areas for improvement (SAP, 2021).

Resistance to change is another prevalent challenge during system migration. Employees may exhibit reluctance to adapt to new systems and processes, complicating the transition (Kotter, 1996). To overcome this hurdle, it is crucial to implement a structured change management strategy. This strategy should encompass a robust communication plan, comprehensive training programs, and active stakeholder engagement to facilitate a smooth transition. Providing employees with the necessary skills and knowledge to adapt to the new system is vital; comprehensive training and ongoing support can significantly reduce confusion and resistance, common barriers to successful migration. A phased implementation of the new ERP system allows teams to adapt gradually, minimizing the risk of major disruptions during the deployment (Davenport, 1998). Continuous feedback mechanisms enable organizations to address issues in real-time, fostering an environment of open communication and responsiveness (Kotter, 1996). Incorporating change management practices helps guide employees through the transition process by informing them about the benefits and changes associated with the new system, ultimately increasing engagement and reducing resistance (Prosci, 2018).

In summary, addressing data quality, re-engineering processes, and managing change effectively are essential components for organizations migrating to SAP S/4HANA. By employing best practices in these areas, including a structured migration approach, organizations can minimize operational disruptions and enhance the likelihood of a successful transition. These high-quality migration process elements work synergistically to create a smoother migration experience, significantly improving the overall efficiency of the ERP implementation.

10. Conclusion

In conclusion, ERP systems serve as a transformative force in business management, providing organizations with essential tools for integrating and optimizing their operations. A critical component of this transformation is the SAP ERP Centralized Database, which underpins the effectiveness and efficiency of enterprise resource planning within an organization. By enhancing

data consistency, collaboration, decision-making, process efficiency, and compliance, this centralized database plays a vital role in driving organizational success.

However, successful implementation of ERP systems demands careful planning, significant investment, and a comprehensive change management strategy to address the inherent challenges. The academic literature highlights key factors that contribute to effective ERP implementation and its impact on organizational performance. As technology evolves, ERP systems are poised to become even more critical to organizational success, presenting new opportunities for innovation and efficiency. Organizations must remain proactive in leveraging the full potential of ERP systems to maintain competitiveness in a dynamic and interconnected landscape.

Information Technology plays a pivotal role in driving innovation and efficiency, influencing various sectors and societal interactions. While it brings numerous advantages, it also presents challenges that necessitate careful management. Understanding and utilizing IT effectively will be vital for individuals and organizations aiming to thrive in an increasingly digital world.

Moreover, the choice of ERP architecture is essential for organizations looking to optimize operations and adapt to changing market demands. By comprehending the strengths and weaknesses of different architectures, businesses can make informed decisions regarding their ERP implementations.

Ultimately, the significance of quality transition in ERP systems is paramount. It underpins operational efficiency, innovation, customer satisfaction, and long-term sustainability. Organizations that prioritize quality in their ERP migrations—through meticulous planning, effective data management, change management, rigorous testing, and a commitment to continuous improvement—will enhance their chances of successful transitions. The qualitative changes resulting from such a commitment can profoundly impact operational effectiveness and customer satisfaction, positioning organizations for success in an increasingly competitive environment.

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Digital Competences of Teachers: Analysis and Synthesis of Research from 2015–2025

Abstract

In the era of intensive digitisation of education, teachers' digital competences are a key factor in the quality of education and the adaptation of schools to the challenges of the information society. This article presents a systematic review of scientific literature from 2015–2025 on teacher digital competence (TDC): its definition, theoretical framework, level of development, barriers and enabling factors, as well as implications for education policy and professional development. The analysis shows the dominant models (including DigCompEdu, PDC, HeDiCom), points to the varying levels of teachers' competences and the insufficient integration of technology into teaching. It also points to the growing role of public programmes in Poland and the importance of systemic management of teachers' digital competences at the national, local government and school levels. The identified research gaps concern, among other things, the relationship between teachers' digital competences and student achievement, inclusion and the cost-effectiveness of development programmes.

Keywords: teacher digital competence, DigCompEdu, professional development, digitisation of education, empirical research, literature review.

Kompetencje cyfrowe nauczycieli: analiza i synteza badań z lat 2015–2025

Streszczenie

W dobie intensywnej cyfryzacji edukacji kompetencje cyfrowe nauczycieli są kluczowym czynnikiem jakości kształcenia oraz adaptacji szkół do wyzwań społeczeństwa informacyjnego. Artykuł prezentuje systematyczny przegląd literatury naukowej z lat 2015–2025 dotyczącej kompetencji cyfrowych nauczycieli (ang. *Teacher Digital Competence*, TDC): ich definicji, ram teoretycznych, poziomu rozwoju, barier i czynników sprzyjających, a także implikacji dla polityki edukacyjnej i doskonalenia zawodowego. Analiza ukazuje dominujące modele (m.in. DigCompEdu, PDC, HeDiCom), wskazuje na zróżnicowany poziom kompetencji nauczycieli oraz na niedostateczną integrację technologii z dydaktyką. Wskazano także rosnącą rolę programów publicznych w Polsce oraz znaczenie systemowego zarządzania kompetencjami cyfrowymi nauczycieli na poziomie państwa, samorządu i szkoły. Zidentyfikowane luki badawcze dotyczą m.in. związku kompetencji cyfrowych nauczycieli z osiągnięciami uczniów, inkluzji oraz efektywności kosztowej programów rozwojowych.

Słowa kluczowe: kompetencje cyfrowe nauczycieli, DigCompEdu, doskonalenie zawodowe, cyfryzacja edukacji, badania empiryczne, przegląd literatury

1. Introduction

Digital transformation is significantly changing all areas of life, including education, redefining the role of schools and teachers. The growing demands of the labour market and digital society make teachers' digital competences a prerequisite for the effective performance of their teaching, educational and care functions.

The last decade has seen a significant increase in the number of studies on the definition, diagnosis and development of teachers' digital competences, which are most often referred to in the literature as the ability to use technology for teaching purposes, to create and adapt digital resources, communication and collaboration in online environments, and accurately identifying students' needs in the digital learning process. The report "Digital Education in Europe" (2020) and analyses conducted in Polish studies (e.g. Janta 2020; Morańska 2023; Wójcik 2025) indicate that these competences cover both technical and pedagogical aspects, and their level significantly differentiates the effectiveness of remote and hybrid teaching. Their fundamental importance in the context of the transformation of education in the information society is also emphasised (Siadak 2016). The results of international studies (Basilotta-Gómez-Pablos et al. 2022; Pettersson 2018) and the DigCompEdu reference framework (Redecker 2017; Ghomi, Redecker 2019) confirm that teachers' digital competences are multidimensional and include both practical technological skills and reflective, didactic and ethical elements of teaching professionalism. As such, they are a key area of professional development for teachers in Europe. From a systemic perspective, teachers' digital competences are considered part of the human capital of the education sector and a prerequisite for the effectiveness of infrastructure investments in educational technologies (OECD 2023; Eurydice 2020; PARP 2020).

In the light of Polish educational programmes such as "Aktywna Tablica" (Active Blackboard) and "Laboratoria Przyszłości" (Laboratories of the Future), teachers' digital competences are a key condition for the effective use of ICT (information and communication technology) infrastructure and the implementation of teaching methods focused on activation and personalisation (Resolution of the Council of Ministers „Aktywna tablica”, Journal of Laws, item 1883). These conclusions are consistent with the diagnoses of industry circles pointing to a persistent gap between hardware investments and real change in teaching practices in schools (Cyfrowa Polska 2024). Reports by PARP (2020) and research by Królikowski and Mikulski (2023) emphasise the growing importance of skills related to educational technologies, including the use of robotics and interactive tools. Analyses of government

programmes and research reports (EdTech Poland 2022; IBE 2022) indicate that their effectiveness is strongly dependent on teacher preparation, which is also confirmed by a critical assessment by NIK (2024), emphasising the need for systemic support for teaching staff competencies. As a result, teachers' digital competences should be treated as the basis for the successful digital transformation of schools. Research conducted during the pandemic indicates that the level of teachers' digital competences was one of the main predictors of the quality of remote education and student well-being (Praszek et al. 2021; Smestad et al. 2023).

At the same time, research points to numerous barriers: uneven levels of digital competence among teachers and regions, limited access to high-quality training, and a lack of a systematic approach to competence management at school and education system level.

The aim of this article is to:

1. To analyse the definition and framework of teachers' digital competences.
2. To present a summary of empirical research findings on the level, conditions and barriers to teachers' digital competences.
3. Identify research gaps.
4. To formulate recommendations for education policy, education management and further research.

2. Research methodology

A systematic literature review with elements of thematic analysis was used. The procedure followed the main stages of PRISMA (identification, selection, qualification and synthesis of data). The analysis covered publications presenting models of digital competences, empirical research and strategic documents, reports of national and international institutions on teachers' digital competences.

The following scientific databases and institutional repositories were searched: Scopus, Web of Science, ERIC, CEJSH, Google Scholar, repositories: OECD, Eurydice, NIK, MEiN, IBE, PARP, EdTech Poland. Strategic reports and analyses were also included if they met the quality criteria and directly related to teachers' digital competences. The search covered the years 2015–2025, which corresponds to a period of intensive development of European digital competence frameworks (DigComp, DigCompEdu), groundbreaking changes in remote and hybrid education, and the implementation of large digitisation programmes in Poland and Europe. The review also included institutional reports, provided they were analytical in nature and contained empirical data or public policy frameworks (OECD, NIK, Eurydice).

2.1. Keywords

The search was conducted using a combination of keywords: *teachers' digital competences*, *TDC*, *digital skills for teachers*, *DigCompEdu*, *PDC*, *digital pedagogy*, *ICT in education*, *teachers' professional development*, *competence management*, *integration of educational technologies*.

2.2. Inclusion criteria

The analysis included the following publications: directly related to teachers' digital competences, published between 2015 and 2025, in Polish or English, peer-reviewed or constituting reliable reports from public institutions, containing models, definitions, empirical research or educational policy analyses.

2.3. Exclusion criteria

The following publications were excluded from the analysis: those relating exclusively to students' digital competences, those relating to educational technologies without reference to teachers' competences, those that were not peer-reviewed or were not scientific in nature, and those published before 2015.

2.4. Selection process

A total of 562 records were identified. After removing duplicates, 314 publications remained. Based on an analysis of titles and abstracts, 193 items were rejected. A total of 121 publications were selected for full-text analysis. Ultimately, 44 publications, models and reports that met the quality and content criteria were included.

3. Definition and significance of teachers' digital competences

There is no single, universally accepted definition of teachers' digital competences in international literature, which is due to their interdisciplinary nature. They include technological knowledge, pedagogical competences, as well as ethical, social and reflective attitudes.

According to the Polish definition adopted by the Ministry of Digital Affairs, digital competences are integrated resources of knowledge, skills and attitudes that enable functioning in a digital society (Ministry of Digital Affairs, gov.pl); in relation to teachers, they therefore include, among other things, planning and implementing teaching with the use of information and communication technologies, creating digital resources, communicating with students and critically evaluating media content. However, Polish studies (including Siadak 2016, Jabłonowska and Wiśniewska 2021) emphasise

that these competences go beyond the technical use of tools and are part of the organisational culture of the school and the professional identity of the teacher. In this context, the proposed distinction between “catalogued” (technical) and “relational” (communicative, reflective and critical) competences points to the need to develop both dimensions in parallel. At the same time, national studies reveal clear differences in the level of teachers’ digital competences between stages of education, types of schools and regions: although teachers declare a high awareness of the importance of digital competences, they also point to a lack of systemic support, stable improvement programmes and institutional management of digital competences. The teacher perspective (DigCompEdu) is complemented by the horizontal DigComp framework, which organises the digital competences of citizens and provides a background for the design of education policies and training (DigComp – National Contact Point).

At European level, the key reference point is the DigCompEdu framework, which distinguishes six areas: professional engagement, digital resources, teaching and learning, assessment, empowering learners and supporting the development of their digital competences. The DigCompEdu framework is made available and developed by the European Commission’s Joint Research Centre (JRC), which also publishes implementation materials and tools to support the adaptation of the framework in EU countries (DigCompEdu – JRC). The model assumes self-assessment of teachers’ competences at levels from A1 (beginner) to C2 (leader). Research shows that DigCompEdu is useful both as a diagnostic tool and for planning professional development. Systematic literature reviews confirm the lack of a single operational definition of teachers’ digital competences and the dispersion of terminological approaches between pedagogy, computer science and education policy (Pettersson 2018; Revuelta-Domínguez et al. 2022).

In addition to DigCompEdu, alternative frameworks are being developed, such as the Norwegian Professional Digital Competence (PDC) model, which emphasises reflectiveness, ethics and the integration of information and communication technologies with pedagogy, and the HeDiCom model, proposed for higher education, which emphasises innovation, creativity and interdisciplinary collaboration (Tondeur et al. 2023). The literature on teacher education emphasises that the development of professional digital competences requires the integration of ICT into teaching already at the stage of teacher education, and not just tool training (Instefjord, Munthe 2017). A comparison of the most commonly used digital competence frameworks is presented in Table 1.

Table 1. Models of teachers' digital competences – comparative table

No.	Model	Scope	Features	Application
1.	DigCompEdu	6 areas, 22 competences	EU reference model, levels A1–C2	Diagnosis, training, assessment
2.	Professional digital competences (PDC)	Technical competences, reflection	Emphasis on ethics and integration of information and communication technologies with pedagogy	Teacher training
3.	HeDiCom	Creativity, collaboration, innovation	Model for higher education	Universities

Source: Own elaboration based on: Redecker 2017; Instefjord, Munthe 2017; Tondeur et al. 2023

4. The evolution of digital competence management in the Polish education system

4.1. Policy frameworks and national strategies

The management of teachers' digital competences in Poland has shifted from project-based activities focused on equipment to a more systemic approach, in which teachers' competences have become one of the main objectives of education policy. Of key importance is the Digital Transformation of Education Policy (Council of Ministers, PCTE), which sets out objectives, indicators and priorities for the digitisation of schools, the development of digital competences and their monitoring, declaring a link between the measures and the DigCompEdu framework. This direction is part of the broader framework of the Integrated Skills Strategy 2030, which views teachers' digital competences as part of the lifelong learning system (Council of Ministers 2020). The basis for the adoption and implementation of the PCTE is Resolution No. 98 of the Council of Ministers of 12 September 2024, establishing public policy in this area (Resolution No. 98 RM, 12.09.2024).

The Integrated Skills Strategy 2030 broadens the perspective on lifelong learning, emphasising the development of digital competences of teachers and students in conjunction with other initiatives (OSE, POPC, training projects co-financed by European funds).

The digital competence development programme adopted in 2023 strengthens the training component by introducing mechanisms for the certification, standardisation and monitoring of teacher training and integrating the activities of various ministries responsible for education, science and digitisation (Council

of Ministers 2023). The formal and legal framework of the programme is set out in Resolution No. 24 of the Council of Ministers of 21 February 2023, establishing the „Digital Competence Development Programme” (Resolution No. 24 of the Council of Ministers, 21 February 2023).

4.2. The National Recovery Plan as an implementation lever

The scope of intervention, components and logic of financing training and infrastructure measures are set out in the National Recovery and Resilience Plan (NRRP 2022). The National Recovery and Resilience Plan is an important source of funding for investments in the development of teachers’ digital competences and the digitisation of schools. The elements relating to digitisation (C2) and education (A3) cover both teacher training and the modernisation of schools in terms of infrastructure, including AI/STEM laboratories. A significant portion of the NRRP funds has been allocated to training networks and regional competence centres, which creates the potential to build a sustainable support and mentoring system for the development of teachers’ digital competences – provided that the results are properly coordinated and monitored.

4.3. National programmes and development projects

In public debate and analyses promoting digital education, it is emphasised that the greatest challenge remains the transition from “tool skills” to the mature integration of technology into teaching (cyfrowekompetencje.pl). The development of teachers’ digital competences can be traced in successive waves of policy: from the “Digital School” programme, which focused on equipping schools, through “Active Blackboard” and “Laboratories of the Future”, to training projects such as “Lesson:Enter” and the activities of the National Education Network (OSE; Mobile Laboratories of the Future, IBE 2022). These programmes are assessed as a transition from an infrastructure-based approach to a „technology + competences” model, although there is still a gap between training and lasting change in practices (EdTech Poland 2022; ORE 2023; IBE 2025). Ministry communications emphasise the narrative of combining investments in equipment with building “competences of the future” and promoting good implementation practices in schools (MEiN 2023).

A common feature of newer initiatives is the increasingly clear combination of infrastructure investments with a training component, although reports by the Supreme Audit Office (NIK 2022) and other institutions indicate that these activities are still insufficiently linked to the sustainable development of teachers’ digital competences and systemic assessment.

5. Good practices and tools for managing teachers' digital competences

Effective management of teachers' digital competences is based on professional learning communities (PLCs), the use of self-assessment tools (DigCompEdu Check-In, SELFIE), joint lesson planning and peer observations. The effectiveness of PLCs in developing teachers' digital competences is confirmed by large-scale studies in STEM environments (Liu et al. 2025). Micro-qualifications and portfolios documenting the results of teachers' teaching activities in the school environment are becoming increasingly important. Good practices also include mapping the digital competences of schools and combining infrastructure investments with training modules, which reduces the risk of "technology without pedagogy".

6. Tools for diagnosing and monitoring teachers' digital competences

The most commonly used tools are DigCompEdu Check-In and SELFIE/SELFIE for Teachers, supplemented by proven scales for measuring teachers' digital competences, rubrics for assessing documented teaching outcomes, and tools for integrating feedback from teaching practice. In development practice, these tools are used as self-assessment tools to support the planning of individual improvement paths and progress monitoring (DigCompEdu – self-assessment tools 2023). Monitoring data from national programmes can be combined with self-assessment results and analysis of teachers' practices, although their effectiveness depends on a culture of cooperation, stable funding and the linking of digital competences to the assessment of teachers' performance. These tools are part of the European trend of moving from one-off evaluation to a model of continuous competence monitoring (Ghomi, Redecker 2019; SELFIE for Teachers 2021).

7. Empirical research results

Analysis of empirical research results indicates that teachers' digital competences focus primarily on operational skills, while pedagogical competences remain significantly less developed, especially in the area of didactic integration of technology. Deficiencies are particularly evident in the use of information and communication technologies for assessment, monitoring student progress and personalising the teaching process. Most studies place teachers at levels B1-B2 on the DigCompEdu scale, which means an average level of proficiency, covering mainly basic and partially developed forms of technology use. At the same time, there are significant regional differences between stages and types of schools. This diversity

is also confirmed by desk research data published in national statistical compilations on teachers' digital competences and their determinants (kompetencjcy-frowe.gov.pl). In many cases, the digital readiness and competences declared by teachers are not fully reflected in actual teaching practices, which indicates a significant discrepancy between self-assessment and confirmed professional activity.

A critical analysis of the quality of available research shows that a significant part of it is based solely on teachers' self-assessment, which limits the reliability of the results and may lead to an overestimation of competences. The problem of overestimated self-assessment of teachers' digital competences is widely reported in international literature (Aydin et al. 2024). There is a lack of data triangulation involving classroom observations, analysis of teaching artefacts or in-depth interviews. Furthermore, the literature is dominated by a quantitative approach based on relatively small samples, with a lack of experimental and quasi-experimental studies to assess the impact of specific development activities on competence levels. Another clear limitation is the lack of longitudinal studies that would allow for the observation of changes in competence over time and the assessment of the sustainability of the effects of training or support programmes.

8. Good practices

The literature and institutional reports emphasise that the development of teachers' digital competences is most effective when based on systemic solutions embedded in everyday school practice. One of the most frequently mentioned good practices is the functioning of professional learning communities (PLCs), which enable collaboration, sharing of experiences, and joint design and analysis of teaching activities. Mentoring and digital coaching also play an important role, providing teachers with ongoing support in integrating technology into teaching and developing professional reflectiveness. Another solution recognised as a factor conducive to sustainable competence growth is portfolios documenting teachers' actual activities related to the use of technology in school practice. In many countries, micro-qualifications and certification pathways are also becoming increasingly important, as they allow for flexible validation of acquired competences and link them to teachers' professional development. An important element of professionalisation also remains the triangulation of competence assessment, including self-assessment, peer observation and analysis of documented teaching results, which allows for a more reliable and multidimensional picture of the level of digital competences. Micro-qualifications are increasingly recommended as a mechanism for formalising the development of teachers' digital competences in Europe (OECD 2023; Erasmus+ NA 2025).

9. Challenges and barriers in managing teachers' digital competences

The key barrier remains the inconsistency of policies at the macro, meso and micro levels and the lack of linkage between strategic objectives and implementation tools and reporting systems. Research also points to administrative overload and lack of time as structural barriers (Morańska 2023; Królikowski, Mikulski 2023). Funding is mainly focused on infrastructure, with a lack of support for sustainable development (mentoring, PLC – professional learning community, micro-qualifications). Difficulties also include technological problems and resistance to change, leading to sporadic and ineffective use of information and communication technologies.

10. Comparison with international trends and research gaps

Poland is approaching the European model of “equipment + competence framework + CPD (continuous professional development) + diagnosis”, but the level of integration varies across regions. Many EU countries use a portfolio of competences and micro-qualifications mapped to DigCompEdu levels. The main research gaps include: insufficient research linking digital competences to student achievement, lack of longitudinal analyses, poorly recognised links between digital competences and inclusion and accessibility, and lack of cost-effectiveness assessments of development programmes.

Recommendations

At the system level, it is recommended to: adopt DigCompEdu/SELFIE as the main reference points for diagnosing teachers' digital competences, link programme funding to evidence of progress (documented effects of teachers' actions, observations, portfolios), the development of longitudinal research and the inclusion of micro-qualifications in formal teacher career development pathways.

At the local and school level, it is particularly important to develop PLCs (professional learning communities) and mentoring, triangulate the assessment of digital competences (self-assessment + documented effects of teachers' activities + peer observations), link infrastructure investments to CPD (continuous professional development) modules, i.e. a continuous, planned and reflective learning process for teachers, and implementing teacher portfolios as a basis for assessment and development planning.

The effectiveness of the digital transformation strategy in education will depend on the ability to combine technical investments with staff competence

development, a culture of cooperation and systematic data-based assessment – so as to avoid a scenario of ‘technology without pedagogy’ and realistically enhance the quality of education.

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Morality is changing – it is not declining: A conceptual-exploratory literature review

Abstract

This conceptual-exploratory literature review investigates the widespread assumption of moral decline among younger generations, in particular Generations Y, Z, and Alpha. Drawing on empirical studies, sociological theory, and value research, the paper argues that morality is not diminishing but rather undergoing a transformation. While traditional moral values persist, they are being expressed through changing norms and complemented by modern values such as autonomy, tolerance, and sustainability. The review reveals that intergenerational moral differences are often overstated and shaped more by perception than by empirical evidence. Furthermore, the desire among younger people to appear moral – especially in the context of social media – remains an underexplored dimension in empirical moral research. Methodological challenges, including operationalization difficulties and context-dependence, limit definitive conclusions about generational moral profiles. Ultimately, the findings suggest that morality is adapting to cultural, technological, and social developments and should be understood not as in decline, but as evolving within a pluralized moral landscape. Given the limited body of empirical studies on this topic, further research is urgently needed to substantiate and refine these insights.

Keywords: morality, values, generations, social change, culture

Moralność się zmienia – nie zanika: konceptyjno-eksploracyjne studium literaturowe

Streszczenie

Niniejsze konceptyjno-eksploracyjne studium literaturowe bada powszechnie występujące założenie o moralnym upadku młodszych pokoleń, w szczególności pokoleń Y, Z i Alfa. W oparciu o badania empiryczne, teorie socjologiczne oraz analizy wartości artykuł dowodzi, że moralność nie zanika, lecz ulega transformacji. Tradycyjne wartości moralne nadal istnieją, jednak wyrażane są poprzez zmieniające się normy i uzupełniane nowoczesnymi wartościami, takimi jak autonomia, tolerancja i zrównoważony rozwój. Przegląd literatury pokazuje, że różnice moralne między pokoleniami często są wyolbrzymiane i wynikają bardziej z percepcji niż z dowodów empirycznych. Ponadto potrzeba młodych ludzi, by uchodzić za osoby moralne – zwłaszcza w kontekście mediów społecznościowych – pozostaje niedostatecznie zbadanym wymiarem we współczesnych badaniach moralności. Wyzwania metodologiczne, w tym trudności z operacjonalizacją i zależność od kontekstu, ograniczają możliwość formułowania jednoznacznych wniosków na temat moralnych profili pokoleniowych. Wnioski sugerują, że moralność dostosowuje się do zmian kulturowych, technologicznych i społecznych i powinna być postrzegana nie jako zanikanie, lecz jako ewolucja w ramach zróżnicowanego krajobrazu moralnego. Z uwagi na ograniczoną liczbę badań empirycznych w tym obszarze dalsze prace badawcze są pilnie potrzebne w celu ugruntowania i doprecyzowania uzyskanych wniosków.

Słowa kluczowe: moralność, wartości, pokolenia, zmiana społeczna, kultura

1. Introduction

In public discourse, it is often claimed that younger generations such as Generation Y (approx. 1980–1994), Z (approx. 1995–2010), and Alpha (from approx. 2010 onwards) are experiencing a moral decline. However, these claims are not necessarily grounded in empirical evidence but are often shaped by normatively charged memory narratives. It could be argued that it is not the moral principles themselves that are in decline but rather the conceptions of what is considered morally good and the societal value attributed to certain moral principles that are undergoing change. This conceptual-exploratory literature review posits the thesis that (1) morality is not decreasing, (2) rather, a shift from traditional to modern moral values is occurring, and (3) it is primarily the norms through which moral values are expressed that change, not the underlying moral values themselves.

These theses will be discussed and critically examined in the course of the text through relevant literature, empirical studies, and theoretical concepts.

Moral values are fundamental components of any society and shape the behavior and decisions of its members. Over the centuries, different cultures have developed distinct moral values and norms that mediate and regulate these values. It is important to understand that societal values are subject to continuous change, influenced by cultural, technological, and economic developments (Inglehart & Baker, 2000). Norms derived from moral values can, in turn, lead to the evolution or reinterpretation of these values. Many authors argue for a universal moral framework that transcends cultures and historical periods (Haidt, 2013).

O.S.Curry et al. (2019) posed two central questions: (1) “What is morality?” and (2) “To what extent does it vary around the world?” They argue that there are seven cooperative behaviors that can be considered universal moral values. These include: (1) support for family, (2) loyalty to one’s social group, (3) reciprocity and cooperation, (4) bravery, (5) obedience to authority, (6) fair distribution of resources, and (7) respect for others’ property. According to the authors, these values can be identified in a wide variety of cultural contexts, although their specific expressions may differ significantly.

In public debates, many people generally recognize these values but claim them primarily for their own generation, accusing other generations of moral decline. For instance, Professor Z.Gülbay-Peischard (2025) criticizes Generation Z as “ignorant and lethargic,” whereas, conversely, activists like A.Klaar (2022) accuse older generations of underestimating the social and political engagement of youth and of doing too little for sustainability. Such accusations reflect a normative generational discourse, as described by K.Mannheim (1952) in his theory of generations: each generation defines itself through differentiation from the preceding one.

The perception of moral decline among younger generations is not a new phenomenon. Even Aristotle lamented the immorality of the youth of his time. Such judgments may reflect not objective developments but rather intergenerational misunderstandings and changes in the expression of moral values. M.Mead already emphasized in 1970 and 1978 that cultural transmission in modern societies – referring to the societies of the 1960s and 1970s – increasingly occurs horizontally (among peers) rather than vertically (from parents to children) – a development that may reinforce the impression of a break with tradition.

The aim of this article is to explore the tension between traditional and modern moral concepts from a conceptual-exploratory perspective. First, empirical studies examining actual differences or similarities between generations in terms of their moral values are reviewed. Based on this, two contrasting value models – traditional and modern – are outlined and discussed comparatively. Subsequently, the article addresses the transformation of moral norms, which may result in the same moral values being expressed differently across generations. Finally, the methodological challenges involved in studying generational moral differences and the societal implications of the presumed change are discussed.

2. Empirical perspectives on generational differences in morality

The societal discourse on the transformation of moral values is often conducted in normative terms, whereas empirical investigations into this field remain comparatively scarce and methodologically demanding. Nevertheless, several studies explicitly address the question of whether and how values differ between generations. These studies typically examine values in a general sense rather than moral values specifically; however, they still offer a differentiated insight into the issue.

One fundamental, albeit older, empirical study was conducted by S.T.Lyons, L.Duxbury, and C.Higgins (2007), who used the Schwartz Value Survey to analyze the core values of four generations (Millennials, Generation X, Baby Boomers, and Matures). Based on data from 1,194 Canadian office workers and undergraduate business students, the study found that younger generations tend to prioritize values such as self-actualization and openness to change, whereas older generations emphasize conservation values such as tradition, conformity, and security. While intergenerational differences reached statistical significance, the study also noted that these differences were gradual rather than fundamental – a finding that challenges the thesis of a radical value shift. At the time of the study, Millennials were the youngest generation and had not yet entered the workforce. It should be noted that the study did not capture the changes of the late 2000s and the entire 2010s. Consequently, the rapid and partly radical transformations driven by social

media were not considered. Furthermore, the study employed a cross-sectional design, which does not allow differentiation between value differences due to generational membership and those due to age.

To address the topic of value differences by age, the meta-analysis by D.Castilla-Estévez and D. Blázquez-Rincón (2021) is relevant. The authors examined a total of 122 studies within the framework of Moral Foundations Theory to explore potential correlations between age and individuals' moral foundations. They concluded that "correlation between age and all the moral constructs analysed exhibited pooled estimates of null or not relevant magnitude [...]." Only through analyses with multiple moderators (e.g., country and continent, gender distribution of samples, sample size, political ideology of participants) could some variation in the correlations of individual moral constructs be explained. Thus, age appears to have only limited explanatory power for differences in moral beliefs. Rather, the findings suggest a certain stability of core moral orientations across the lifespan. Unfortunately, the meta-analysis does not provide data on differences between specific generations.

Another study by J.M. Twenge et al. (2010) used data from high school seniors from the years 1976 (Boomers), 1991 (Generation X), and 2006 (Generation Y) to identify differences in work values. This approach enabled the authors to compare individuals of the same age from different generations, thereby avoiding the confounding effect of age on value change. Among the assessed dimensions of work values, only one – altruistic motivation for work, i.e., the extent to which individuals consider whether their work serves altruistic purposes – could be argued to relate to moral values. However, the authors found that this dimension remained constant across generations. The other dimensions assessed did not provide insights into moral values.

J. Weber and M.J. Urich (2021) conducted a study based on an international sample from eight countries, analysing personal values and moral judgment. However, the study focused exclusively on Millennials, making it less suitable for direct generational comparisons. Nevertheless, the authors found that it was not age or generational belonging but rather cultural and national contexts that significantly influenced personal values and moral reasoning. This finding relativizes the notion of a universal generational pattern and highlights the importance of broader societal conditions.

A study by T. Krawczyńska-Zaucha (2021) supplemented this perspective by comparing the values and ethical beliefs of multiple generations in Poland. While differences in the prioritization of certain values were observed, for example, the family was regarded as a central value across all age cohorts. This finding suggests a selective reweighting rather than a radical moral decline. It is important to note, however, that the study did not explicitly examine moral values but rather values in a general

sense. Furthermore, the authors emphasize that their findings are not representative of the Polish population and that their study is purely exploratory in nature.

Taken together, the empirical findings present a nuanced picture: although statistically significant differences exist between generations in the assessment and prioritization of moral values, these differences are neither absolute nor uniform. Instead, morality emerges as a dynamic, culturally embedded, and individually shaped construct that cannot be neatly categorized along generational lines.

None of the studies identified for this literature review explicitly explored the phenomenon of “wanting to appear moral/good,” which is particularly relevant for younger generations in the context of today’s social media culture and through social pressure. Whether this is due to researchers viewing the issue as irrelevant to value research or because the phenomenon is simply too recent remains unclear.

These findings support the central thesis of this article: (1) there is no fundamental decline in morality among younger generations. Some findings also support the theses that (2) a shift from traditional to modern moral values is occurring; and (3) it is primarily the norms through which moral values are expressed that are changing, not the underlying moral values themselves. These theses are supported by the studies of S.T. Lyons et al. (2007), D. Castilla-Estévez and D. Blázquez-Rincón (2021), and T. Krawczyńska-Zaucha (2021), although further research is necessary. A key question that remains unanswered by current empirical research is which values are specifically transforming or emerging as new. Initial insights suggest that conservative/preservative values are declining, while values related to self-actualization are increasing. However, concrete findings on specific moral values remain scarce.

The notion of a shift in moral values is nonetheless acknowledged both in society and in academic discourse – for example, by R. Inglehart and C. Welzel (2005), who document a transition from survival to self-expression values in their theory of value change.

The following chapter will therefore address moral values that can be classified as either traditional or modern.

3. Traditional and modern moral values

3.1. Traditional moral values

Traditional moral values are typically rooted in social and religious norms that have remained stable over long periods. They place individual actions within a broader societal context. These values often rely on collective identities such as family, religion, or nation and emphasize the fulfillment of duties toward these entities. The moral actor within this model appears as a serving subject within collective orders, subordinating personal desires to overarching communal

values. In this view, morality appears as a binding code of conduct reinforced and transmitted through social sanctions.

Honesty and integrity: In many traditional societies, honesty is regarded as the foundation of social trust. Especially in religious contexts, such as Christianity, this virtue is explicitly anchored in commandments (Long, 2013). Honesty was upheld by strict norms such as the taboo against lying or legal sanctions against fraud. Legal systems also emphasize the importance of truth and integrity, for example in the context of oaths or the criminalization of false statements. Moreover, honesty has a strong performative function, stabilizing social relationships and clarifying expectations (Goffman, 1959; Hoerster, 2024).

Loyalty and family: Loyalty to family and community ranks among the central moral values in traditional societies. It manifests in responsibilities toward older family members, the subordination of individual interests to collective ones, and the willingness to forego personal needs. In many cultures, the family was considered the core social unit within which moral behavior was shaped and assessed (Schwartz, 2006). However, this form of loyalty can also lead to tensions, especially when it conflicts with individual autonomy.

Modesty and restraint: In pre-modern societies, modesty and restraint were highly valued. Self-promotion, pride, or ostentatious displays of wealth were seen as immoral or even sinful. These values had both religious and social dimensions: individuals who drew too much attention to themselves could be perceived as threats to social cohesion (Parsons, 1964). In Confucian ethics, humility and self-restraint are central moral virtues (Confucius: *The Analects*, 2011).

Courage and justice: In traditional societies, courage was primarily recognized as bravery in war or emergency situations. Justice, on the other hand, was closely tied to adherence to established social roles and orders. In patriarchal or hierarchically structured societies, justice often did not mean equality but rather the fulfillment of one's duties. Nevertheless, this form of justice was considered morally legitimate within its historical context, underscoring the historicity of moral concepts.

3.2. Modern moral virtues

With modernization, industrialization, and especially digitization, the moral framework of many societies has shifted. This shift is accompanied by a new understanding of authority, responsibility, and community (Höffe, 2014). Modern morality is no longer primarily externally imposed but is instead organized in a highly self-reflective manner. While classical virtues often aim at obedience and conformity, modern morality also entails civil courage, critical thinking, and the demand for participation. The moral debate thus shifts from questions of normative order to questions of fair inclusion.

The moral actor in this model is a reflective subject who weighs their actions with regard to both individual and collective consequences (Hoerster, 2024; Höffe, 2014).

Individual freedom and autonomy: In modern societies, the ideal of individual self-determination is central. Autonomy is understood as an expression of moral maturity and is deeply rooted both legally and culturally (Dworkin, 2011). The strong emphasis on individual freedoms can sometimes conflict with traditional collective norms. At the same time, self-determination is increasingly morally justified in areas such as sexuality, gender identity, or life planning (Butler, 2004).

Equality and social justice: Modern societies strive to overcome traditional hierarchies. Equality before the law, gender equality, and anti-discrimination are considered moral imperatives (Rawls, 1999). Movements such as Fridays for Future, #MeToo, or Black Lives Matter demonstrate that many young people are actively engaged in social justice. These movements also reflect a politicization of private life through morality (Fraser, 1999), as they frame social inequality not only as a political but also as a moral issue.

Tolerance and diversity: Tolerance is a central modern moral value that appreciates cultural, religious, and sexual diversity. In contrast to traditional societies, which often emphasized homogeneous norms, modern societies not only accept but actively promote differences (Taylor, 1992). However, this can also lead to new conflicts, particularly where diversity is perceived as a threat to collective identity. Thus, tolerance becomes an ambivalent concept that can mean both integration and demarcation.

Sustainability and global responsibility: A relatively new moral value is the sense of responsibility toward future generations and the planet. Environmental ethics, climate protection, and sustainable consumption are increasingly viewed as moral obligations (Singer, 2011). Younger generations in particular display a heightened sensitivity in this regard. The idea that individual actions have global consequences contributes to an expanded moral horizon, which U. Beck (1986) describes as “cosmopolitan responsibility.” Although the philosophy of cosmopolitanism emerged much earlier, it was only in the 1980s that the discussion gained momentum through new interpretations in the social and cultural sciences.

3.3. Change in moral norms

While there are some moral values which can be broadly categorized as traditional or modern, it is essential to acknowledge that many core values appear to remain stable across generations (Inglehart & Baker, 2000; Krawczyńska-Zauchna 2021). What changes, however, is the manner in which these values are expressed, interpreted, and prioritized in different sociocultural contexts (Inglehart & Baker, 2000; Haidt, 2013). This dynamic points not to a moral rupture, but to a transformation in the normative frameworks through which morality manifests.

A striking example is the moral value of courage. In traditional contexts, courage was often associated with physical bravery, military service, or the willingness to sacrifice for one's family or nation. In contrast, younger generations increasingly interpret courage as civil courage – speaking out against injustice, engaging in climate activism, or advocating for marginalized groups (Fraser, 1999; Singer, 2011). Although the underlying value remains, its normative expression reflects broader societal shifts toward individual agency and social justice.

This change in expression is also shaped by evolving communication technologies and the rise of digital platforms, which alter how values are communicated and performed (Haidt, 2025). Thus, moral norms are not static but adaptively re-configured in response to new cultural and structural conditions. This perspective underscores the need to study not only what people value, but how they live those values in practice.

4. Methodological challenges and epistemological boundaries

Despite the studies mentioned, researching moral values across generations remains a methodologically and conceptually demanding endeavor. This is due not least to the fact that moral convictions are deeply rooted in individuals' self-understanding and cannot always be translated into stable, objective statements. Values are also context-, situation-, and language-dependent – and thus difficult to compare.

A central issue lies in operationalization: What indicators allow for reliable conclusions about moral orientation? To what extent do survey responses reveal actual moral behavior? And how can unconscious, implicit moral attitudes be adequately captured? These questions remain largely unresolved.

Furthermore, the assumption that generations constitute homogeneous groups with clearly delineated moral profiles is scientifically problematic. Empirical research often reveals significant variance within generational cohorts, while inter-generational overlaps are also observable. In addition, contextual factors such as educational background, social milieu, religious influences, or regional affiliation overlay and relativize generation-based attributions.

It is also important to consider that the interpretation of study results may itself be morally charged. The choice of research questions, the interpretation of data, and the media reception of empirical findings never occur in a value-free space. Consequently, scholarly engagement with morality is itself subject to societal interpretive struggles.

Moreover, studies investigating values – whether general or explicitly moral – have thus far largely ignored the issue of younger generations “wanting

to appear moral.” This research gap could prove central to future value studies, especially given the increasing significance of digital self-presentation and social comparison mechanisms.

5. Conclusion

The analysis suggests that the assumption of a general moral decline is untenable. Robust empirical data is lacking. Generational assumptions are more often based on memory narratives or expert opinions than on high-quality studies. Nonetheless, a certain transformation is widely perceived as real within society. A complex picture of moral transformation emerges, in which traditional moral values adopt new forms of expression and are complemented by modern values. Intergenerational conflicts often arise not from specific actions but from differing moral self-conceptions. Where older individuals lament a loss of orientation, younger people often perceive a gain in ethical sensitivity and moral pluralism.

Morality is not changing in the sense of a loss, but in the sense of adaptation to social, cultural, and technological developments. A basic moral framework appears to persist, even as it is interpreted in new ways. It is essential to understand this change not as a crisis but as an expression of social learning processes.

The debate about moral decline or transformation is less an empirically resolvable question and more an expression of society’s effort at self-assurance. While studies show differences in value orientation between generations – for example, regarding autonomy, tradition, or justice – these differences are often less dramatic than commonly assumed.

Rather than a moral collapse, a process of pluralization can be observed, one that does not dissolve moral orientation but instead transfers it into new contexts. The challenge lies in neither nostalgically romanticizing nor uncritically celebrating this change but in understanding it as an evolving expression of social morality. Scholarly reflection can contribute to this understanding – provided it acknowledges the limits of its measurability and reflects on the normative content of its own questions.

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The Role of Customer Feedback in Quality Improvement

Abstract

Customer feedback is a powerful tool for improving quality, helping businesses understand what works well and what needs to change. This study looks at how companies use feedback from customers—through surveys, reviews, and complaints—to refine their products and services. By analyzing real-world examples and existing research, it highlights the role of feedback in shaping better business decisions. The findings show that organizations that actively listen to their customers and adjust accordingly tend to have higher satisfaction rates, stronger customer loyalty, and a competitive edge. The study underscores the importance of creating strong feedback systems and using customer insights to drive continuous improvement in both service quality and overall operations.

Keywords: customer feedback, quality management, continuous improvement.

Rola opinii klientów w doskonaleniu jakości

Streszczenie

Opinie klientów to potężne narzędzie do poprawienia jakości, pomagające firmom zrozumieć, co działa dobrze, a co należy zmienić. W tym badaniu przyjrzymy się, w jaki sposób firmy wykorzystują opinie klientów – poprzez ankiety, recenzje i skargi – do udoskonalania swoich produktów i usług. Analiza rzeczywistych przykładów i istniejących badań kładzie nacisk na rolę opinii w kształtowaniu lepszych decyzji biznesowych. Wyniki pokazują, że organizacje, które aktywnie słuchają swoich klientów i odpowiednio się dostosowują, mają tendencję do wyższych wskaźników zadowolenia, silniejszej lojalności klientów i przewagi konkurencyjnej. Badanie podkreśla znaczenie tworzenia silnych systemów opinii i wykorzystywania spostrzeżeń klientów do napędzania ciągłej poprawy zarówno jakości usług, jak i całokształtu działalności operacyjnej.

Słowa kluczowe: opinie klientów, zarządzanie jakością, ciągłe doskonalenie

1. Introduction

In today's fast-paced business environment, companies must continuously improve their products and services to meet changing customer expectations. One of the most effective ways to achieve this is by listening to customer feedback. It provides valuable insights into what is working, what needs improvement, and where opportunities for growth lie. By analyzing this feedback, businesses can make informed decisions that enhance quality, improve customer satisfaction, and strengthen overall performance.

Customer feedback is essential for maintaining a competitive edge, especially in industries where customer satisfaction directly drives success, such as manufacturing, retail, healthcare, and services. Companies that actively seek and act on customer input demonstrate a commitment to quality and customer-centricity, which helps foster strong brand loyalty and long-term success. Additionally, leveraging feedback effectively can boost operational efficiency, reduce costs related to product defects or service issues, and enhance a company's reputation (Juran, 1992).

With the rise of digital technology, customer feedback has become more accessible and impactful than ever. Online reviews, social media platforms, and real-time feedback tools provide businesses with a wealth of insights to refine products and services. By incorporating artificial intelligence and data analytics into their feedback systems, organizations can identify trends, anticipate customer needs, and address quality issues before they escalate (Doyle, 2020).

International standards like ISO 9001 emphasize the importance of customer feedback in driving continuous improvement. These standards encourage businesses to establish structured processes for collecting, analyzing, and implementing customer insights to enhance quality. Adopting a customer-driven approach to quality management helps organizations build resilience, improve customer satisfaction, and maintain a strong market position (ISO, 2015).

This article explores the critical role of customer feedback in quality management, covering effective methods for collecting and analyzing feedback, integrating customer insights into business strategies, and the impact of quality standards like ISO 9001 on improving customer satisfaction. It also examines the challenges businesses face in using feedback effectively and provides best practices for leveraging customer insights to drive meaningful quality improvements.

2. Understanding the Importance of Customer Feedback in Quality Management

2.1. What is Quality Management?

Quality management is a systematic approach focused on ensuring organizations consistently meet or exceed customer expectations. It encompasses strategies, processes, and best practices aimed at improving the quality of products, services, and overall operations. At its core, quality management ensures consistency, compliance with industry standards, and fosters customer trust. A key principle of effective quality management is continuous improvement, where organizations refine processes based on customer feedback, performance data, and evolving market needs (Deming, 1986).

Quality management systems like ISO 9001 provide a structured framework that helps businesses consistently deliver value to customers. These systems ensure that all aspects of an organization—ranging from product development and production to service delivery and customer support—meet established standards. The success of a quality management system lies in its ability to identify areas for improvement and drive necessary changes (ISO, 2015). Quality management is crucial for sustaining customer satisfaction and ensuring long-term business success (Juran, 1992).

2.2. The Role of Customer Feedback in Quality Management

Customer feedback is a vital tool in quality management, allowing organizations to assess the effectiveness of their quality systems and pinpoint areas where products or services may not meet customer expectations. It offers valuable insights into both strengths and weaknesses, driving continuous improvement.

Customer feedback ensures that quality management practices stay aligned with customer needs. Research in the construction industry, for example, shows that feedback helps organizations identify gaps between expectations and actual outcomes, guiding targeted improvements (Zhang et al., 2018). This real-time information enables businesses to respond proactively, ensuring they remain customer-focused and adaptable to changing demands.

2.3. Benefits of Customer Feedback in Quality Management

2.3.1. Identifying Areas for Improvement

Customer feedback equips organizations with the necessary information to identify specific areas for improvement. Whether it concerns a product feature, the usability of a service, or the quality of customer support, feedback reveals where customers perceive gaps between their expectations and the actual offerings. These insights enable businesses to make informed decisions about what

aspects need refinement or enhancement, ensuring that their products and services continue to evolve in line with customer needs (Parasuraman et al., 1988).

2.3.2. Recognizing Successes and Best Practices

Customer feedback not only highlights areas for improvement but also helps organizations recognize their strengths and best practices. Positive feedback is just as valuable as negative feedback, as it underscores what customers appreciate most and motivates businesses to maintain and build on these strengths. For example, if customers consistently praise a product's ease of use or the friendliness of customer service representatives, organizations can prioritize these qualities in future product development and service interactions. By leveraging positive feedback, businesses can strengthen customer satisfaction and loyalty, driving long-term success (Reichheld, 2003).

2.3.3. Enhancing Customer Satisfaction

A fundamental objective of any quality management system is to enhance customer satisfaction. By actively gathering and responding to customer feedback, organizations demonstrate their commitment to meeting customer needs and expectations. Prioritizing customer satisfaction strengthens long-term relationships and increases the likelihood of repeat business. Furthermore, regularly collecting feedback enables businesses to remain agile, swiftly addressing emerging issues, reducing dissatisfaction, and ultimately improving customer retention (Kotler & Keller, 2016).

2.4. How Customer Feedback Drives Continuous Improvement

2.4.1. Promoting a Culture of Transparency

Customer feedback promotes transparency within an organization by offering valuable insights into the customer experience. When companies actively respond to feedback, customers feel acknowledged and valued, fostering greater trust in the organization. Transparency also cultivates a culture of accountability, motivating employees to align their actions with customer expectations. Organizations that openly communicate how they use feedback to drive improvements are more likely to gain the trust of both customers and employees, strengthening overall engagement and brand reputation (Rawlins, 2008).

2.4.2. Identifying Emerging Trends and Adaptation

Customer feedback serves as an invaluable resource for tracking emerging trends and evolving customer preferences. In industries where innovation is critical, such as technology, feedback helps businesses stay ahead of the curve by identifying new opportunities for product or service development. As customer needs evolve,

organizations can adapt their offerings to stay relevant and maintain a competitive advantage. Feedback allows businesses to prioritize changes that matter most to customers, rather than relying on assumptions or outdated information (Ulwick, 2005).

2.4.3. Risk Management and Proactive Solutions

One of the often-overlooked benefits of customer feedback in quality management is its role in risk management. By identifying issues early, organizations can mitigate risks before they develop into significant problems. For instance, customer complaints about a product defect or service delay can be addressed proactively, preventing larger-scale issues from arising. This proactive approach to feedback ensures that organizations minimize the impact of negative feedback and protect their reputation (Bourne & Walker, 2005).

2.4. Methods of Collecting Customer Feedback and Visualizing the Impact of Feedback on Quality Management

Customer feedback can be gathered through various methods, each providing unique insights into customer satisfaction and expectations. These methods equip organizations with the data needed to evaluate product quality, identify opportunities for improvement, and ensure their offerings meet customer needs. By combining the appropriate feedback methods with visual tools to analyze the results, businesses can gain a clearer understanding of how their products or services are performing and where adjustments are required (Fornell et al., 1996).

3. Methods for Collecting and Analyzing Customer Feedback

Customer feedback is an essential element of any quality management system. It provides organizations with crucial insights into their products, services, and overall customer experience. The ability to collect, analyze, and interpret feedback effectively can have a significant impact on business strategies, enhance customer satisfaction, and drive product innovation. The methods used to gather customer feedback vary, ranging from quantitative surveys to qualitative interviews, with each method offering distinct advantages and limitations. Understanding these methods and using them effectively is key to making informed decisions that align with customer needs and expectations (Becker et al., 2008).

3.1. Surveys and Questionnaires

Surveys and questionnaires are popular tools for gathering customer feedback, allowing businesses to collect structured data on their products or services. Their

flexibility makes them ideal for large-scale use, with distribution channels like email, social media, websites, and in-store kiosks. Surveys typically include both closed-ended questions (e.g., Likert scales) for quantitative insights and open-ended ones for deeper, qualitative feedback.

They provide valuable metrics like customer satisfaction scores, Net Promoter Scores (NPS), and Customer Effort Scores (CES), helping businesses track trends and measure performance. However, their effectiveness depends on well-designed questions—poor wording or lengthy surveys can lead to fatigue and unreliable responses. Additionally, response bias is common, as feedback often skews toward highly satisfied or dissatisfied customers (Dillman et al., 2014).

3.2. Interviews and Focus Groups

Interviews provide a one-on-one setting where customers can openly share their experiences, allowing businesses to ask follow-up questions and dive deeper into specific issues. They are especially useful for gathering detailed feedback on complex topics or new product features.

Focus groups, on the other hand, bring together a small group of participants to discuss a product or service under a moderator's guidance. These sessions help businesses explore customer perceptions, test new ideas, and identify common themes in a collaborative environment.

While both methods offer rich insights, they are more resource-intensive than surveys. Recruiting participants, conducting sessions, and analyzing qualitative data can be costly and time-consuming. Additionally, focus group feedback may not always be representative, as the opinions of a few may not reflect the broader customer base (Krueger & Casey, 2014).

3.3. Online Reviews and Social Media

In the digital age, online reviews and social media have become essential for gathering customer feedback. Platforms like Amazon, Yelp, Google Reviews, and Trustpilot let customers share their experiences publicly, offering insights into product performance and satisfaction. Social media sites like Facebook, Twitter, and Instagram further enable real-time customer interactions, allowing businesses to monitor sentiment and address concerns quickly.

Online reviews provide unfiltered, unsolicited feedback that reflects genuine customer opinions. Since people freely express both praise and criticism, businesses can quickly identify strengths and areas for improvement. Social media also facilitates direct engagement, making it a valuable tool for real-time customer service.

However, online feedback comes with challenges. Verifying the authenticity of reviews can be difficult, and extreme opinions—either highly positive or negative—tend to dominate. The sheer volume of feedback can also be overwhelming,

making it hard to extract meaningful insights. Sentiment analysis, a technique using natural language processing (NLP), helps businesses assess whether feedback is positive, neutral, or negative, streamlining the evaluation process (Liu, 2012).

3.4. Customer Support Interactions

Customer support interactions are a valuable source of feedback, as every call, chat, or email provides insights into a customer's experience. Analyzing these interactions helps businesses identify recurring issues, common pain points, and areas for improvement.

These interactions generate both qualitative and quantitative data. Companies can track the volume of support requests, categorize them by issue type, and identify patterns in customer concerns. Additionally, support agents can request customer satisfaction ratings, offering measurable insights into service effectiveness.

However, this feedback primarily highlights problems rather than the full customer experience. Since satisfied customers are less likely to contact support, the data may be skewed toward negative experiences (Gummesson, 2000).

3.5. Methods of Collecting Customer Feedback

Customer feedback can be gathered through several approaches, each contributing valuable insights into different aspects of the customer experience. The following table outlines the most common methods of feedback collection, along with their respective advantages and limitations:

Table 1. Common Methods of Customer Feedback Collection: Pros and Cons

Method	Description	Pros	Cons
Surveys/ Questionnaires	Structured questions aimed at measuring specific aspects	Easy to distribute, scalable, quick feedback collection	Limited depth of insights, response biases
Interviews/Focus Groups	In-depth, qualitative feedback through one-on-one discussions or group settings	Rich insights, personal connection with customers	Time-consuming, resource-intensive, may not represent the larger population
Online Reviews/ Social Media	Customers provide unsolicited feedback via platforms such as Google Reviews or social media	Real-time feedback, accessible data, wide reach	Unfiltered responses, may contain irrelevant or biased information
Customer Support Interactions	Feedback collected from customer service experiences	Direct insight into pain points, high engagement	Limited to specific customer issues, may not represent overall customer experience

Source: Kotler, P., & Keller, K. L. (2016). Marketing management

Each of these methods provides unique data that can be analyzed to pinpoint areas for improvement. Combining feedback from multiple sources often gives a more complete picture of customer experiences, enabling organizations to act on both positive and negative feedback (Kotler & Keller, 2016).

4. Integrating Customer Feedback into Continuous Improvement Processes

Integrating customer feedback into continuous improvement is key to enhancing products, services, and overall satisfaction. As a core principle of quality management, continuous improvement focuses on ongoing refinement and optimization. By systematically gathering, analyzing, and acting on feedback, businesses can make informed decisions that drive lasting improvements and better align with customer expectations (Deming, 1986).

4.1. The Role of Customer Feedback in Continuous Improvement

Customer feedback serves as a critical component in the continuous improvement cycle. Regularly gathering feedback enables businesses to monitor satisfaction levels, identify emerging issues, and uncover new opportunities for enhancement (Parasuraman, Zeithaml, & Berry, 1988). These insights allow companies to adapt to changing market conditions, customer preferences, and technological advancements.

When integrated into the improvement process, customer feedback enables businesses to:

- 1. Identify Areas for Improvement:**

Customer feedback reveals pain points, deficiencies, or gaps in products or services, highlighting where enhancements are most needed. This information helps organizations prioritize efforts and allocate resources effectively (Juran, 1988).

- 2. Set Performance Benchmarks:**

Feedback assists businesses in establishing performance benchmarks that can be tracked over time. By measuring changes in customer satisfaction or product quality, companies can assess the effectiveness of improvements and adjust strategies accordingly (Deming, 1986).

- 3. Validate Changes and Innovations:**

Implementing changes without understanding their impact on customers can lead to unintended consequences. By integrating customer feedback into the process, businesses can validate new ideas, product features, or services before full-scale implementation (Garvin, 1987). Continuous feedback ensures that innovations align with customer needs and expectations.

4. Foster a Customer-Centric Culture:

Consistently integrating customer feedback fosters a culture where employees are focused on customer needs. This approach helps build stronger relationships between the organization and its customers, ultimately leading to increased trust, loyalty, and advocacy (Kotler & Keller, 2016).

4.2. Continuous Improvement Methodologies and Customer Feedback

Deming (1986) introduced the Plan-Do-Check-Act (PDCA) cycle as a structured approach to continuous improvement, while Six Sigma (George, 2002) and Lean principles (Womack & Jones, 1996) further emphasize customer-driven optimization.

4.2.1. Plan-Do-Check-Act (PDCA) Cycle

The PDCA cycle is a widely used methodology for continuous improvement, incorporating customer feedback at each stage:

- **Plan:** Organizations identify areas for enhancement and establish measurable objectives. Customer feedback plays a crucial role in this phase by highlighting key issues that require attention.
- **Do:** The planned improvements are implemented based on customer insights, allowing businesses to make targeted changes that address specific concerns.
- **Check:** After execution, customer feedback is used to assess the effectiveness of the improvements. By measuring customer satisfaction and monitoring key performance indicators, organizations can determine whether their changes have achieved the desired outcomes.
- **Act:** If the modifications prove successful, they are standardized and integrated into regular operations. If they fall short, further adjustments are made based on additional feedback, and the cycle begins again.

4.2.2. Six Sigma

Six Sigma is a data-driven methodology designed to enhance quality by minimizing variability and defects. Customer feedback is instrumental at every stage:

- **Define:** The process begins by identifying a problem or opportunity for improvement. Customer feedback provides valuable insights into which aspects of a product or service require attention.
- **Measure:** Data is gathered and analyzed to quantify the issue, using metrics such as customer satisfaction scores or defect rates to understand the extent of the problem.
- **Analyze:** The collected data is examined to identify the root causes of issues. Statistical tools and techniques help uncover patterns and correlations that inform effective solutions.

- **Improve:** Corrective actions are implemented to resolve the identified problems. Ongoing customer feedback helps validate these improvements and ensures they align with customer expectations.
- **Control:** To maintain the achieved improvements, continuous monitoring and feedback collection are conducted. This ensures long-term success and allows for further refinements when necessary.

4.2.3. Lean Methodology

Lean methodology focuses on optimizing processes by eliminating waste and improving efficiency, with customer feedback playing a key role throughout its implementation (Womack & Jones, 1996). The main aspects of Lean methodology include:

- **Value Stream Mapping:** In Lean, customer feedback is used to identify both value-added and non-value-added activities within a process. By recognizing these activities, businesses can streamline operations and boost efficiency (Rother & Shook, 1999).
- **Kaizen (Continuous Improvement):** Lean promotes small, incremental changes. Customer feedback is essential in identifying areas that require refinement, providing real-time insights that drive continuous improvements (Imai, 1986).
- **Standardized Work:** Feedback is instrumental in establishing standardized processes, ensuring that improvements are consistently integrated into daily operations. This approach leads to a more reliable and consistent product or service offering (Liker, 2004).

4.3. Best Practices for Integrating Customer Feedback into Continuous Improvement

To effectively integrate customer feedback into continuous improvement, organizations can follow these best practices (Juran, 1988; Parasuraman, Zeithaml, & Berry, 1988):

1. **Create a Feedback Loop:** A structured process ensures feedback is consistently collected, analyzed, and acted upon. Engaging all levels of the organization—from front-line employees to leadership—helps ensure timely and effective improvements (Deming, 1986).
2. **Prioritize Actionable Feedback:** Not all feedback is equally valuable. Identifying recurring issues or those affecting critical customer touchpoints allows organizations to focus on the most impactful improvements (Imai, 1986).
3. **Ensure Cross-Functional Collaboration:** Feedback should be shared across departments—product development, marketing, sales, and customer service—to ensure well-rounded, customer-aligned improvements (Liker, 2004).

4. **Use Technology for Data Analysis:** With growing volumes of customer feedback, tools like sentiment analysis, text mining, and analytics platforms can quickly process data, identify trends, and generate actionable insights (Davenport & Harris, 2007).
5. **Monitor and Evaluate the Impact:** After implementing changes, tracking customer satisfaction, complaint reduction, and product quality helps assess the effectiveness of improvements (Kotler & Keller, 2016).
6. **Close the Feedback Loop with Customers:** Communicating improvements back to customers builds trust and loyalty, showing them that their input is valued and directly contributes to positive change (Reichheld, 2003).

5. How Does ISO 9001 Help Boost Customer Satisfaction?

ISO 9001 is a globally recognized standard for quality management systems (QMS), offering organizations a structured approach to enhancing product and service quality. A key objective of this standard is to improve customer satisfaction by ensuring that businesses consistently meet and surpass customer expectations. By implementing its principles and processes, ISO 9001 enables organizations to align their operations with customer requirements, strengthening customer relationships and fostering long-term loyalty.

5.1. Key Mechanisms by Which ISO 9001 Enhances Customer Satisfaction

1. **Customer Focus**
ISO 9001 prioritizes understanding and meeting customer needs, fostering stronger relationships and long-term success by aligning business operations with customer value (ISO, 2015).
2. **Monitoring and Measuring Customer Satisfaction**
Regular assessments through surveys and direct feedback help organizations identify areas for improvement, ensuring their offerings consistently meet customer expectations (Juran, 1988).
3. **Continuous Improvement**
ISO 9001 emphasizes ongoing process evaluation and refinement, allowing organizations to adapt to changing needs and market dynamics, ensuring products and services remain relevant (Deming, 1986).
4. **Process Approach**
The standard encourages viewing operations as interconnected processes, enhancing efficiency and minimizing errors, which improves consistency and customer satisfaction (Liker, 2004).

5. Risk-Based Thinking

ISO 9001 promotes proactive risk management, identifying potential issues before they affect product quality, resulting in better products and fewer customer complaints (Kotler & Keller, 2016).

6. Leadership and Employee Engagement

Strong leadership and employee involvement are key to delivering high-quality products and services, ultimately driving higher customer satisfaction (Reichheld, 2003).

5.2. Practical Applications of ISO 9001 to Boost Customer Satisfaction

1. Customer Satisfaction Surveys

Structured surveys help businesses gather essential insights into customer satisfaction and expectations, guiding product and service improvements to better meet customer needs (ISO, 2015).

2. Complaint Management Systems

ISO 9001 emphasizes the need for efficient systems to address customer complaints. Timely resolutions not only enhance satisfaction but also provide valuable feedback for continuous improvement (Juran, 1988).

3. Employee Training and Development

Continuous employee training ensures staff are equipped to meet customer expectations, fostering an environment of growth that leads to improved service and greater customer satisfaction (Kotler & Keller, 2016).

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Quality in Doctoral Education: A Management Systems Approach to Improving Doctoral Outcomes in Poland

Abstract

This paper explores the application of quality management systems to doctoral education in Poland. Faced with persistent challenges such as low completion rates, inconsistent supervision quality, and limited employability pathways for doctoral graduates, the Polish higher education system must seek systemic improvements. This study uses a structured literature review to synthesise management system principles such as Total Quality Management (TQM), ISO 21001, and the EFQM model and proposes their conceptual application to doctoral education processes. The goal is to enhance key doctoral outcomes through process optimisation, feedback integration, and continuous improvement. The study concludes by proposing a quality-based model tailored to the Polish context and offering policy-level recommendations for institutional reform.

Keywords: Quality Management, Doctoral Education, Total Quality Management (TQM), ISO 21001, EFQM model, higher education in Poland, supervision quality

Jakość kształcenia doktorantów: podejście systemowe do poprawy wyników studiów doktoranckich w Polsce

Streszczenie

W niniejszym artykule zbadano zastosowanie systemów zarządzania jakością w kształceniu doktoranckim w Polsce. W obliczu ciągłych wyzwań, takich jak niskie wskaźniki ukończenia studiów, niespójna jakość nadzoru i ograniczone ścieżki zatrudnienia dla absolwentów studiów doktoranckich, polski system szkolnictwa wyższego musi dążyć do systemowych udogodnień. W niniejszym badaniu wykorzystano ustrukturyzowany przegląd literatury w celu syntezy zasad systemu zarządzania – takich jak *Total Quality Management* (TQM), ISO 21001 i model EFQM – i zaproponowano ich koncepcyjne zastosowanie w procesach kształcenia doktoranckiego. Celem jest poprawa kluczowych wyników studiów doktoranckich poprzez optymalizację procesów, integrację informacji zwrotnych i ciągłe doskonalenie. Badanie kończy się propozycją modelu opartego na jakości, dostosowanego do polskiego kontekstu, i przedstawieniem sugestii dotyczących reformy instytucjonalnej.

Słowa kluczowe: zarządzanie jakością, kształcenie doktoranckie, *Total Quality Management* (TQM), ISO 21001, model EFQM, systemy zarządzania w edukacji, doskonalenie procesów, szkolnictwo wyższe w Polsce

1. Introduction

Over the past few decades, Poland higher education has undergone significant transformation, particularly concerning doctoral education. The shift from an elite to a mass higher education system has led to a significant rise in the number of doctoral students. By the mid-2010s, approximately 43,000 doctoral candidates were enrolled across various institutions nationwide (Kwiek, 2020). Despite the growth in doctoral enrolment, completion rates remain disproportionately low, with only one in four students successfully completing their programmes and earning a doctorate.

This discrepancy signals a severe inefficiency within the system, where many students invest considerable time and resources without achieving the intended qualification. Furthermore, the average time to complete a doctoral degree often exceeds the standard three to four years. Many candidates take significantly longer due to limited supervision, insufficient funding, and institutional shortcomings. These delays impact individual career trajectories and broader research output and innovation potential (Kwiek, 2020).

Several systemic challenges continue to undermine the effectiveness of doctoral education in Poland, contributing to low completion rates and extended study periods. One of the most pressing issues is inadequate funding. While many doctoral students receive stipends, these are frequently insufficient to cover basic living expenses, forcing students to seek additional employment (Szadkowski, 2014). This financial pressure detracts from the time and focus needed for high-quality research. Limited research funding further restricts the scope of doctoral projects and opportunities to participate in ambitious, well-resourced academic work.

Another significant obstacle is inconsistent supervision quality. In Poland, no standardised training or formal preparation is required for academic supervisors, who are often selected solely based on scholarly credentials. Consequently, the quality of supervision varies widely. Some candidates benefit from supportive guidance and regular feedback, while others experience minimal engagement and professional mentorship. This lack of structure can impede progress, increase dropout rates, and reduce research quality. Concurrently, institutional support systems remain underdeveloped. Many universities provide limited access to career development services, mental health support, and administrative guidance—resources increasingly recognised as essential to doctoral success (Kowalczyk et al., 2021). The absence of such support mechanisms burdens doctoral students, increasing the risk of disengagement and attrition.

In response, the Polish government has introduced strategic initiatives to reform doctoral education. Chief among these is the Strategy for Responsible Development (SRD), adopted in 2017 (Ministry of Economic Development, 2017).

This long-term socio-economic plan positions higher education, particularly doctoral training, as a key area for national investment. The strategy emphasises human capital and innovation as development drivers, aligning educational outcomes with labour market demands while enhancing Poland's research and development capacity.

Further reform followed with the enactment of the Law on Higher Education and Science, known as Act 2.0, in 2018 (Polish Press Agency, 2018). This legislation brought substantial structural changes, including mandatory doctoral schools to standardise and improve PhD programmes. It introduced mid-term evaluations to assess progress and encourage timely completion (Warzec, 2023). Funding mechanisms now link financial support with institutional performance indicators such as research output and completion rates. These measures enhance accountability and foster a more outcome-oriented culture in higher education.

Although these reforms mark significant progress, implementation has been challenging. Concerns remain about whether institutions possess the resources to support new structures and whether academic and administrative units are prepared to embrace change. As Poland's doctoral education system reaches a critical juncture, bridging the gap between policy design and institutional capacity is key. Meaningful reform will require a comprehensive and integrated approach that embeds quality management principles, fosters stakeholder collaboration, and ensures sustained investment in institutional infrastructure. Only through a coordinated effort can a more effective, equitable, and supportive environment be established for doctoral candidates in Poland.

Several European higher educational institutions offer useful insights into how management systems principles can be successfully embedded in doctoral education to illustrate the practical application of the proposed conceptual framework.

At Aalto University, quality and development are central to the institution's ethos. The university fosters a culture in which all researchers, students, teachers, and staff are collectively responsible for promoting quality in their daily activities (Aalto University, 2025). To support this commitment the university has established a robust quality system that ensures continuous improvement and transparency, aligned with the principles of the European Higher Education Area and responsive to the dynamic landscape of higher education. The university's quality management framework is embedded in its daily operations, following the continuous improvement model and the Plan-Do-Check-Act (PDCA) cycle, also known as the Deming cycle.

At the School of Science, quality management is overseen by the dean, with coordination carried out by the development manager and supported by academic coordinators. The quality system itself is structured around five foundational points: strategy (defining objectives), processes (how goals are accomplished),

the annual clock (timing of actions throughout the year), roles and responsibilities (accountability and collaboration), and the feedback system (mechanisms for monitoring progress) (Aalto University, 2025). This integrated approach ensures that quality management is not an isolated function, but a dynamic, iterative process embedded throughout Aalto University's operations.

The University of Edinburgh in the United Kingdom adopts a PDCA-inspired approach to managing doctoral education (University of Edinburgh, 2024). Supervisor development is a strategic priority, with all supervisors undergoing mandatory training and biennial reviews. Anonymous student feedback is reviewed by School Graduate Studies Committees, informing adjustments to supervision loads and support structures in a continuous quality improvement cycle.

KU Leuven in Belgium has adopted ISO 21001 principles to improve transparency and accountability across its doctoral lifecycle (KU Leuven, 2022). Admissions processes include structured rubrics, alignment with research priorities, and documented communication between candidates and potential supervisors. A digital dashboard monitors student progression and milestone completion, supporting timely interventions and benchmarking.

These international examples demonstrate how a management systems approach can strengthen doctoral education. They validate the feasibility of the conceptual framework proposed in this paper and highlight the adaptability of quality management principles across diverse institutional and national contexts.

This study employed a structured literature review methodology to synthesise key concepts, frameworks, and policy developments relevant to quality assurance and management in doctoral education. The review focused on peer-reviewed journal articles, policy reports, and institutional frameworks published between 2010 and 2024, with particular emphasis on European and Polish contexts. Sources were identified using academic databases such as Scopus, Web of Science, ERIC, and Google Scholar, as well as grey literature from organisations including the European University Association (EUA), ENQA, UKRI, and the European Commission. This structured approach ensured comprehensive coverage and conceptual rigour in building the proposed framework.

2. Theoretical background and literature review

The landscape of doctoral education in Poland has been shaped by rapid expansion, evolving policy frameworks, and increasing expectations regarding research excellence and innovation (Kwiek & Szadkowski, 2018). Chief among these are low doctoral completion rates, inconsistencies in supervision quality, underdeveloped quality assurance (QA) mechanisms, and a misalignment between doctoral training and labour market needs. These challenges hinder the academic success and well-being

of doctoral candidates and limit the broader contribution of doctoral education to national innovation systems. Understanding the scale and nature of these issues is crucial for identifying improvement areas and exploring how structured management systems might enhance quality and outcomes in doctoral training.

As higher education systems worldwide respond to growing demands for accountability and relevance, formal management system principles are increasingly adopted to drive continuous quality improvement. Initially developed for the industrial sectors, frameworks such as Total Quality Management (TQM), ISO 21001, the EFQM Excellence Model, and the Plan–Do–Check–Act (PDCA) cycle have been adapted to education (Naveed Bin Rais et al., 2021). These models offer structured, data-informed approaches to managing complexity within institutions and are particularly suited to doctoral education, where extended timelines, diverse stakeholder interests, and variable quality standards pose challenges. Integrating these frameworks in Poland could strengthen key components of the doctoral journey, including admissions, supervision, research environment, and student feedback.

Total Quality Management promotes continuous improvement, student satisfaction, and systemic thinking. Proponents like W. Edwards Deming, Joseph Juran, and Philip Crosby laid the groundwork for applying quality principles in organisations (In'airat & Al-Kassem, 2014). Deming's emphasis on statistical process control and systemic leadership, Juran's quality trilogy of planning, control, and improvement, and Crosby's "zero defects" principle all offer insights relevant to doctoral education. TQM can optimise processes by standardising admissions, clarifying supervision expectations, and fostering a collaborative quality culture.

ISO 21001, introduced in 2018, builds on ISO 9001 but is tailored to education, emphasising learner-centredness, stakeholder alignment, and evidence-based decision-making. Key elements such as leadership commitment, performance evaluation, infrastructure readiness, and self-reflection align seamlessly with the operational needs of doctoral schools (Abu Bakar, Ismail, & Darwi, 2024). Implementing ISO 21001 can enhance strategic coherence, formalise quality assurance processes, and improve both the visibility and accountability of doctoral programme outcomes.

The EFQM Excellence Model offers a flexible, non-prescriptive framework that supports institutional self-assessment and strategic alignment, making it particularly valuable for complex educational contexts like doctoral education (Šütőová, Teplická, & Straka, 2022). The model distinguishes between Enablers which is made up of elements such as leadership, strategy, partnerships, and people and Results, which include stakeholder satisfaction, learning outcomes, and performance achievements. This dual focus helps institutions identify and strengthen the processes that drive quality and the outcomes that measure success.

The EFQM's RADAR logic which is focused on Results, Approach, Deployment, Assessment, and Refinement assists in facilitating a continuous cycle of improvement. This cyclical approach aligns well with the iterative nature of doctoral education, where student progression, research milestones, and supervision practices are constantly evaluated and refined. By applying the EFQM framework, doctoral schools can foster a culture of evidence-based decision-making, encourage stakeholder engagement, and drive sustainable improvements that align with both institutional missions and broader quality assurance standards. Furthermore, the model's adaptability allows institutions to customise its application to their unique contexts, ensuring relevance and impact in diverse educational environments.

The PDCA cycle adds a pragmatic, iterative method for continuous improvement at every stage of the doctoral lifecycle. Whether refining admissions, piloting supervision models, or reviewing infrastructure, PDCA offers a clear structure for testing, evaluating, and refining practices (Wang, Li, & Liu, 2021). Each framework TQM's cultural orientation, ISO's structural emphasis, EFQM's strategic adaptability, and PDCA's iterative flexibility can be combined to strengthen the quality of doctoral education in Poland. Collectively, they offer a comprehensive management systems approach that supports formal QA and cultivates evidence-based learning and stakeholder engagement.

The application of these frameworks can be mapped across five interdependent domains of the doctoral process: admissions, supervision, research environment, feedback mechanisms, and thesis evaluation. For example, TQM and ISO 21001 can help standardise entry requirements and ensure candidate selection aligns with institutional research capacity. EFQM and PDCA can improve supervision by introducing structured training, workload monitoring, and performance reviews. Research environments benefit from ISO's infrastructural focus and EFQM's interdisciplinary opportunities. Feedback systems can be enhanced through EFQM's stakeholder focus and PDCA-based programme refinements. Thesis evaluation can be made more transparent by adopting standardised rubrics, using external examiners, and aligning with international benchmarks. These domains form a coherent architecture for institutionalising quality and ensuring alignment with national and European expectations.

Doctoral education differs from undergraduate or master's-level study. It is characterised by its personalised structure, research intensity, and dependence on supervision quality, academic networks, and institutional support. These features necessitate QA mechanisms beyond standard curriculum reviews. In the doctoral context, QA must ensure transparent and equitable admissions and assessments, monitor supervision quality, uphold research integrity and ethical standards, align outcomes with national and European frameworks, and promote employability.

The most widely accepted QA framework within the European Higher Education Area is the European Standards and Guidelines (ESG), developed by the European Association for Quality Assurance in Higher Education (ENQA) (European Association for Quality Assurance in Higher Education, 2015). The ESG framework emphasises student centred learning, continuous improvement, and stakeholder involvement. ESG Standard 1.9 addresses doctoral education, calling for periodic monitoring, clear learning outcomes, and responsiveness to societal and student needs. While Poland has incorporated ESG principles into national QA structures, implementation remains inconsistent. Indicators like doctoral progress monitoring, supervision quality, and alumni outcomes are often recommended but rarely standardised.

The Polish Accreditation Committee (Polska Komisja Akredytacyjna – PKA), established in 2002, is the main body evaluating academic programmes, including doctoral education (Polska Komisja Akredytacyjna, 2025). PKA assessments focus on regulatory compliance, staffing, research infrastructure, and support services. Its framework may not fully account for doctoral specific factors such as supervisory relationships or career development. Evaluations are sometimes infrequent, delaying reforms. These shortcomings highlight the need for a QA model sensitive to doctoral education's unique dynamics.

Several European countries offer QA systems from which Poland could learn. The UK's Quality Assurance Agency (QAA) provides a doctoral characteristics statement outlining supervision expectations, skills training, and structured progress monitoring (Quality Assurance Agency for Higher Education, 2020). The Netherlands and Flanders employ a peer-review system through the Accreditation Organisation of the Netherlands and Flanders (NVAO), (Accreditation Organisation of the Netherlands and Flanders [NVAO], n.d.) fostering dialogue-based rather than compliance driven QA. Countries like Finland and Norway integrate QA into broader institutional plans, with mandatory supervisor training, research ethics policies, and mental health support (Frølich, Stensaker, & Maassen, 2018). Robust data systems and stakeholder collaboration enable better tracking of doctoral candidates and informed policy decisions.

By learning from these models, Poland has an opportunity to reform QA practices by adopting a doctoral specific, improvement-oriented approach. This would involve developing standards measuring supervision quality, research independence, and graduate employability. Institutions should implement supervisory training and accreditation, digital platforms to monitor progression, and structured feedback mechanisms. Enhanced alignment with international QA frameworks through collaborative evaluations and shared standards would support Poland's integration into the European Higher Education Area. While such

reforms require investment and commitment, they could significantly enhance doctoral education quality and relevance.

When thoughtfully applied, QA is far more than additional administrative bureaucracy. It is in fact a strategic imperative for developing high-quality doctoral education. Transitioning from compliance-based models to systems fostering reflection, engagement, and improvement will enable Polish institutions to respond more effectively to national and global trends. A doctoral specific QA framework that is rooted in European standards but responsive to Polish realities. This evolution is essential for improving outcomes, strengthening early-career researchers' development, and reinforcing Poland's role in developing and forwarding global knowledge and innovation.

Quality in doctoral education is inherently complex and cannot be represented by a single metric. It spans the entire journey of the student, from admission and supervision through to research and thesis defence to post-graduation pathways. Ward et al (2023), supports a holistic, multi-dimensional approach to assessing the quality of doctoral education. Their analytical framework categorises quality indicators into four interrelated dimensions: context (such as research environment, supervisor training), inputs (including student selection procedures, available resources, and course offerings), processes (such as supervision structures, progress monitoring, and quality assurance mechanisms), and outcomes (including the quality of the thesis and publication outputs).

This framework highlights the importance of integrating institutional structures and student perceptions to evaluate doctoral programme effectiveness comprehensively, ensuring not only academic rigor but also alignment with student needs and career outcomes. Focusing solely on outputs like completion rates risks overlooking the upstream factors shaping results.

Globally, the assessment of doctoral education relies on a combination of quantitative and qualitative indicators. Among the most used metrics are completion rates and time-to-degree, though both require nuanced interpretation (Churchill et al., 2022). For instance, high completion rates may indicate reduced academic rigour, while extended durations could point to inadequate supervision or insufficient funding. Despite their importance, aspects such as supervisory quality and workload remain insufficiently evaluated in the Polish context. International best practices increasingly emphasise structured approaches, including supervisor accreditation, clearly defined supervisor–student ratios, and formal mechanisms for collecting and acting on student feedback.

Research output is another indicator, but interpretation varies by discipline. Humanities or long-term fieldwork students may publish less than science students. Institutions should also consider alternative measures like research impact, network development, or practice-based outputs. Post-graduation outcomes such

as employment rates and alignment with doctoral expertise could be used to offer insights into training effectiveness. While frameworks like the EUA's Career Tracking Project exist (European University Association – Council for Doctoral Education, 2020), Poland lacks a coordinated system for tracking alumni careers.

Finally, student satisfaction and experience are invaluable. Surveys, interviews, and exit assessments capture insights on supervision, assessment fairness, resource access, and well-being. Aggregated over time, this qualitative data provides a foundation for programme development and quality enhancement. Prioritising student experience ensures doctoral education becomes more responsive, inclusive, and aligned with academic and societal needs.

3. Conceptual Framework

Several national and institutional frameworks across Europe offer structured models for evaluating and enhancing the quality of doctoral education. The Research Council's Statement of Expectations in the United Kingdom outlines best practices regarding supervision, training, progress monitoring, and support services (UK Research and Innovation [UKRI], 2024). This document underscores the accountability of institutions and individual supervisors, setting clear expectations for practical doctoral guidance.

At the European level, the European Commission's Principles for Innovative Doctoral Training (IDT) present a structured quality approach centred on seven key pillars: research excellence, an attractive institutional environment, interdisciplinary research, transferable skills development, exposure to industry and international mobility, quality assurance, and career development (European Commission, 2011). These pillars promote a holistic view of doctoral quality, encouraging institutions to move beyond traditional academic metrics towards a more comprehensive and developmental model.

Norway offers another instructive example through its National Qualifications Framework, which defines learning outcomes for doctoral programmes in alignment with European standards (Norwegian Agency for Quality Assurance in Education [NOKUT], 2014). These outcomes prioritise attributes such as independence, critical thinking, and research ethics which are essential competencies often difficult to assess through quantitative metrics alone. These frameworks highlight the value of competency-based, process-oriented approaches to doctoral quality.

For Poland, adapting such models presents an opportunity to align doctoral education with broader European expectations while addressing national challenges like inconsistent supervision, insufficient post-doctoral career support, and fragmented quality assurance systems.

Conventional quality indicators in doctoral education have notable limitations. Metrics like completion rates, time-to-degree, and publication counts are widely used but often fail to capture the full complexity of doctoral training. An overemphasis on quantitative data can obscure qualitative aspects, such as the depth of intellectual engagement or the quality of supervisory relationships. These indicators may also perpetuate disciplinary biases particularly in fields with extended research timelines or non-traditional outputs and may inadvertently reward short-term efficiency over academic rigour.

In Poland, these issues are compounded by inconsistent institutional practices and fragmented data systems, constraining national benchmarking and policy responses (Pietrzak, Paliszkievicz, & Klepacki, 2015). To address these shortcomings, there is growing consensus around adopting a balanced scorecard approach that integrates robust quantitative metrics with qualitative, competency-based, and developmental indicators to more accurately assess and enhance the quality of doctoral training.

A coherent, multidimensional quality measurement system is essential to improve doctoral education in Poland. Such a system should serve not only accountability functions but also support institutional learning and continuous development. Key elements include a standardised national data platform to track enrolment, progress, research outputs, and post-graduation outcomes.

At the institutional level, performance dashboards could evaluate supervisory practices, inform resource allocation, and guide strategic planning. Outcome mapping aligned with the Polish Qualifications Framework (PRK) and the European Qualifications Framework (EQF) would ensure that doctoral programmes meet academic and labour market needs. Regular audits of the student experience could be conducted anonymously and reported transparently. Embedding these practices within iterative quality cycles like PDCA or ISO 21001 would promote adaptability, transparency, and stakeholder trust.

Defining and measuring quality in doctoral education remains a complex yet essential task. A robust quality framework must balance measurable outcomes like publications and completion rates with less tangible factors, including mentorship quality, intellectual development, and societal impact.

Poland's current quality landscape is characterised by uneven supervision standards, fragmented data, and weak alignment with international norms. However, integrating systemic, multidimensional quality frameworks that draw on European models and management system offer an opportunity to build a more effective, future-oriented doctoral training ecosystem. Such an approach prioritises academic excellence and stakeholder satisfaction while supporting sustainable reform at institutional and national levels.

To support this transformation, a conceptual framework is proposed, integrating principles from Total Quality Management (TQM), ISO 21001, the EFQM Excellence Model, and the Plan–Do–Check–Act (PDCA) cycle. This model re-conceptualises doctoral education as a multi-phase process involving diverse stakeholders and quality determinants. It assists Polish institutions in structuring their doctoral programmes around continuous improvement, evidence-based decision-making, and inclusive stakeholder engagement. Rather than concentrating solely on outcomes, the framework embeds quality mechanisms throughout the doctoral journey.

The framework structures the doctoral lifecycle into five interrelated stages: admissions and recruitment; supervision and mentoring; research environment and progression; assessment and evaluation; and graduation and employability. Each stage is linked to specific quality objectives, management tools, and feedback mechanisms. For example, the admissions phase aligns candidate potential with research priorities, supported by transparent policies, supervisor capacity checks, and EFQM- and ISO-aligned strategies.

Institutions are encouraged to implement supervisor training, performance appraisals, and continuous feedback during supervision to ensure quality and consistency. The research phase centres on infrastructure, community integration, and structured milestone reviews, with PDCA and EFQM process metrics guidance.

Assessment and evaluation processes are standardised using rubrics, multi-source examiner feedback, and procedural fairness informed by ISO and TQM principles. The final phase graduation and employability includes structured career services, alumni tracking, and feedback from graduates and employers. These components facilitate successful transitions into the workforce and inform ongoing curricular and institutional development. Regular audits, surveys, and PDCA-based reviews support adaptive learning and sustained quality enhancement across all five stages.

Implementing this framework in Polish institutions should follow a phased strategy: initial internal assessments to identify gaps; training academic and administrative staff in QA tools; investment in digital infrastructure for data and feedback; pilot initiatives in selected faculties; and alignment with domestic and international standards such as PKA regulations, ESG, and ISO 21001. While contexts may necessitate adaptation, the model's underlying logic applies across disciplines and university types.

This conceptual framework offers theoretical and practical contributions to the discourse on quality in doctoral education. While many institutions have implemented isolated QA mechanisms, few have embedded comprehensive management systems across the doctoral lifecycle. This model provides a roadmap for Poland to move from compliance-driven practices to an integrated quality management

approach. It promotes institutional reflection, benchmarking, and alignment with European and global standards. By emphasising stakeholder engagement, data-driven feedback, and continuous improvement, the framework enhances the student experience and reinforces institutional credibility and competitiveness.

In conclusion, this framework synthesises foundational principles from TQM, ISO 21001, EFQM, and PDCA into a unified model tailored to the specific needs of doctoral education in Poland. It provides a structured, practical tool for managing quality across the doctoral journey from admissions to alumni engagement.

By applying systems thinking and focusing on optimising processes and relationships, the model supports the development of resilient, innovative, and accountable doctoral institutions. As Poland continues to reform its higher education landscape, such frameworks will be essential in shaping a doctoral education system that is globally aligned, nationally relevant, and capable of meeting the evolving demands of research, society, and the labour market.

4. Discussion and implications

Applying a management systems approach to doctoral education represents a significant paradigm shift from viewing quality as a static set of compliance requirements to embracing it as a dynamic, process-oriented, and feedback-driven practice. This model redefines quality as an institutional commitment rather than a regulatory obligation, placing continuous improvement at its core.

In contrast to Poland's prevailing compliance-based model, exemplified by the Polish Accreditation Committee (PKA) evaluative criteria, the management systems framework promotes adaptive learning, stakeholder alignment, and proactive quality enhancement. It encourages institutions to embed tools such as the PDCA cycle and ISO 21001 standards throughout all phases of the doctoral lifecycle. From admissions to graduation and alums engagement. By doing so, universities can move away from reactive responses to external audits and instead integrate quality as a central operational and cultural principle supported by systems that detect weaknesses, guide decision-making, and drive iterative improvements.

The proposed framework addresses several key structural weaknesses affecting doctoral education in Poland. Admissions processes, for example, frequently lack alignment between institutional research priorities and recruitment strategies. By integrating structured criteria and feedback mechanisms that draw on ISO 21001 and the EFQM model institutions can better match candidates to available supervisory capacity, thereby reducing early attrition. Supervision quality, a notably inconsistent aspect of doctoral education, can be improved through formalised training, regular performance reviews, and more explicit workload allocation. The absence of milestone tracking also hinders doctoral progression.

Implementing a PDCA-inspired monitoring systems allows for the early identification of doctoral students who are at risk and enables timely academic interventions. Similarly, inconsistencies in assessment practices can be addressed through standardised rubrics, the involvement of external examiners, and the adoption of procedural fairness guidelines aligned with international quality assurance norms.

Lastly, the long-overlooked area of career development and alum tracking is incorporated into the framework through mechanisms for post-graduation engagement, labour market analysis, and feedback loops, ensuring that doctoral education remains socially and economically relevant.

Implementing this framework requires comprehensive transformation across university governance, infrastructure, and institutional capacity. University leadership must prioritise quality as a strategic objective by appointing dedicated quality officers, forming cross-functional quality committees, and integrating performance targets into institutional planning. Upgrading digital infrastructure is essential to facilitate real-time monitoring of student progress, supervisory effectiveness, and stakeholder feedback.

Additionally, academic and professional staff must be trained in research supervision and in applying quality assurance tools that include the PDCA methodology, ISO documentation protocols, and student-centred evaluation techniques. These changes represent a cultural and procedural shift, demanding sustained investment of time, resources, and leadership.

At the policy level, the Ministry of Education and Science and national quality assurance bodies are pivotal in supporting this evolution. One strategic priority should be expanding the national QA framework to incorporate doctoral-specific indicators, such as supervision quality, milestone monitoring, and graduate employability.

This would move beyond the current focus on publication outputs and academic credentials. Policymakers should also provide targeted funding, training initiatives, and incentives to support institutions adopting ISO 21001 or similar management systems. National benchmarking platforms, such as publicly accessible dashboards or institutional performance repositories, could enhance transparency and facilitate inter-university comparisons. Aligning domestic policy more closely with European frameworks such as the ESG and the Principles for Innovative Doctoral Training (IDT) would further support Poland's integration into the European Higher Education Area and encourage international collaboration.

Nevertheless, several risks and challenges must be acknowledged. Resistance to change is likely, particularly in environments where university faculty may perceive quality systems as bureaucratic or burdensome. Therefore, clear

communication and capacity-building are crucial to framing these systems as tools for academic enhancement rather than administrative control.

Over-standardisation also poses a risk; excessive focus on metrics and documentation could constrain academic freedom and innovation. Thus, the framework must be flexible and sensitive to institutional diversity. Resource limitations present another obstacle especially for smaller or regionally located universities that may lack the necessary infrastructure or staffing. To mitigate these risks, the framework should be introduced incrementally through pilot initiatives and modular components, allowing scalability and responsiveness. Finally, the cumulative effects of recent reforms under Act 2.0 may contribute to reform fatigue, making phased implementation and ongoing stakeholder consultation essential to maintain trust and momentum.

Despite these challenges, the potential impact of adopting a management systems approach to doctoral education is transformative. The framework offers students a more transparent, structured, and supportive journey that is firmly grounded in transparent supervision, continuous feedback, and tailored career preparation.

For supervisors, it introduces mechanisms for professional recognition, development, and peer review. For institutions, it yields improved performance indicators, strengthened international reputation, and enhanced strategic coherence. For policymakers, it enables a more transparent, accountable, and outcome-oriented doctoral education system aligned with labour market demands, national research objectives, and global standards. Moreover, the framework lays the foundation for evidence-based decision-making, institutional benchmarking, and cross-border cooperation with other European doctoral institutions.

While the proposed management systems framework offers practical and scalable tools for enhancing doctoral education quality, it is essential to critically reflect on the broader philosophical tensions it may introduce particularly the potential conflict between managerialism and academic freedom. By their nature, management systems emphasise structure, measurement, and standardisation. While these elements are crucial for transparency, accountability, and continuous improvement, they may also risk constraining the autonomy central to academic inquiry and doctoral-level scholarship.

Academic freedom defined as the liberty to pursue knowledge without undue institutional or external interference is a foundational principle of higher education (European Parliamentary Research Service, 2024). Excessive reliance on standardised processes and quantitative performance metrics could unintentionally narrow the scope of acceptable research, incentivise “safe” projects over innovative or risky ones, and shift the focus from intellectual exploration to institutional outputs. These pressures may be especially acute in fields where impact

and productivity are difficult to measure using conventional metrics, such as the humanities or social sciences.

Therefore, any implementation of quality frameworks must be carried out with a commitment to preserving the creative and exploratory nature of doctoral education. Institutions must ensure that quality mechanisms are not applied in a one-size-fits-all manner but are adapted thoughtfully to each disciplinary and institutional context. Stakeholder engagement including the voices of doctoral candidates and supervisors will be critical in maintaining a balance between structured quality assurance and preserving academic values.

In conclusion, applying a management systems framework to doctoral education is timely and necessary in Poland. It provides a structured and scalable response to longstanding systemic issues, including inconsistent supervision, weak student monitoring, and inadequate career integration. Institutions can modernise their doctoral education provision by shifting from reactive compliance to a culture of continuous improvement rooted in stakeholder engagement and data-informed planning. The conceptual model presented in this paper offers a practical roadmap for reform, supporting the development of doctoral systems that are more effective, equitable, and internationally competitive. As Poland continues its higher education reform agenda, adopting a systems-thinking approach to quality in doctoral education will be vital to building resilient, innovative, and globally relevant research institutions.

5. Conclusion

Doctoral education constitutes a foundational pillar of a nation's research capacity, intellectual capital, and innovation ecosystem. In Poland, however, the doctoral education continues to contend with several enduring challenges. These include low completion rates, inconsistent supervision quality, weak alignment with labour market demands, and insufficient institutional support structures. Despite recent reform initiatives such as the establishment of doctoral schools and the legislative overhaul introduced through the Law on Higher Education and Science (commonly referred to as Act 2.0) these issues remain deeply rooted and continue to impede the overall effectiveness and impact of doctoral education across the country.

This paper argues that addressing these complex challenges necessitates moving beyond fragmented, compliance-oriented approaches to quality assurance. A fundamental shift is required. One that embraces a holistic, structured, and proactive management systems approach capable of embedding quality throughout the entire doctoral lifecycle.

Drawing on principles from Total Quality Management (TQM), the ISO 21001 standard for educational organisations, the EFQM Excellence Model, and the

Plan–Do–Check–Act (PDCA) cycle, this study proposes a conceptual framework for systematically improving doctoral education in a measurable and stakeholder-focused manner. When carefully adapted to the academic context, these established management tools can support institutions in optimising their doctoral processes, enhancing the experiences of both students and supervisors and achieving more consistent and impactful outcomes.

The proposed framework structures the doctoral journey into five interconnected phases: admissions, supervision, research progression, evaluation, and career transition. Each phase includes clearly defined quality objectives, actionable management strategies, and feedback mechanisms that enable real-time process monitoring and continuous improvement. This process-oriented approach shifts the institutional emphasis away from retrospective evaluations and regulatory compliance towards sustained, forward-looking enhancement. Rather than relying solely on external audits or periodic reviews, institutions are encouraged to foster internal cultures of learning and development underpinned by robust data and an ethos of continuous improvement.

The contributions of this research span multiple dimensions. Theoretically, it bridges the fields of quality management and higher education, demonstrating how management concepts originally developed within industrial and corporate sectors can be effectively translated into academic settings without undermining academic freedom or disciplinary diversity.

From a policy perspective, the framework offers a suite of practical, scalable mechanisms for quality enhancement in doctoral education. These mechanisms are aligned with European and international standards, including the European Standards and Guidelines (ESG) and the Principles for Innovative Doctoral Training (IDT) while remaining responsive to the institutional and systemic characteristics unique to Poland. At the institutional level, the framework provides university leaders with a strategic tool for diagnosing existing weaknesses, designing reforms, and implementing and evaluating initiatives to improve doctoral programme performance, accountability, and long-term impact.

Nevertheless, adopting a management systems approach must be undertaken with care. Over-standardisation and excessive administrative requirements may inadvertently suppress academic creativity or reduce doctoral education to a mechanistic bureaucratic process. Furthermore, there is a risk of uneven implementation across institutions particularly those in under-resourced or geographically dispersed regions. Which may lack the infrastructure or expertise necessary for large-scale reform. For these reasons, the framework stresses the importance of institutional flexibility, contextual adaptation, and staged implementation. Pilot programmes within selected faculties or doctoral schools can serve as laboratories for innovation, allowing for iterative learning and refinement prior to broader

adoption. National quality assurance and policymaking bodies, such as the Polish Accreditation Committee (PKA) and the Ministry of Education and Science must also play a crucial role by providing funding, facilitating capacity-building, coordinating benchmarking exercises, and disseminating best practice examples.

Several avenues for future research arise from this work. Empirical studies are needed to assess the implementation and outcomes of management systems in Polish doctoral schools, including their influence on student satisfaction, research output, and time-to-degree completion. Comparative case studies across European contexts may also illuminate transferable lessons and highlight models of good practice. In addition, developing doctoral-specific quality indicators that support digital dashboards providing real-time data to administrators, academic staff, and students could significantly enhance institutional responsiveness. Longitudinal research tracking the longer-term effects of quality reforms on graduate career paths, knowledge transfer, and national research capacity would further enrich the evidence base.

Doctoral education should not be viewed merely as an academic credential or rite of passage. Instead, it must be recognised as a strategic instrument for national development, societal advancement, and international competitiveness. In Poland, adopting a management systems approach to doctoral education presents a viable and timely pathway for enhancing quality, efficiency, and relevance. By embedding quality principles throughout the doctoral journey, institutions can deliver more meaningful support to their students, foster more effective and accountable supervisory relationships, and increase their research missions' societal and scientific impact. In doing so, they will contribute to advancing individual scholars and to the emergence of Poland as an innovative, knowledge-driven society equipped to meet the challenges of the 21st century.

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The Role of Digitalization and E-Commerce Platforms in Shaping Countries' Participation in Global Value Chains

Abstract

This paper talks about how digital tools and online shopping platforms help countries join global trade. It shows how things like the internet, e-commerce websites, and online payments make it easier for businesses, especially small ones, to sell their products in other countries. Thanks to digitalization, countries can connect better with others, save time and money, and reach more customers around the world through global value chains.

Keywords: digitalization, e-commerce, global trade, online platforms, international business

Rola cyfryzacji i platform e-commerce w kształtowaniu udziału krajów w globalnych łańcuchach wartości

Streszczenie

Niniejszy artykuł omawia, w jaki sposób narzędzia cyfrowe i platformy zakupów online wspierają kraje w uczestnictwie w handlu globalnym. Pokazuje, jak Internet, strony e-commerce oraz platformy online ułatwiają firmom – zwłaszcza małym przedsiębiorstwom – sprzedaż swoich produktów za granicą. Dzięki cyfryzacji państwa mogą łatwiej nawiązywać wzajemne powiązania, oszczędzać czas i pieniądze oraz docierać do większej liczby klientów na całym świecie poprzez globalne łańcuchy wartości.

Słowa kluczowe: cyfryzacja, e-commerce, handel globalny, platformy internetowe, biznes międzynarodowy

1. Introduction

The emergence and expansion of global value chains (GVCs) are a defining feature of globalization in the 21st century. As economies become increasingly interconnected, the relevance of GVCs continues to rise, shaping not only international trade patterns but also national development trajectories. In this context, digitalization and the growing presence of e-commerce platforms are becoming critical drivers in how countries—regardless of their income level or technological advancement—integrate into global value chains. Today, digitalization and the rise of e-commerce platforms play a big role in how countries—no matter their income level or tech development—connect to global value chains (GVCs). It's important to understand how this connection works, because it helps explain the economic effects that come from being part of GVCs, especially when it comes to fairness, competitiveness, and long-term growth.

2. Relevance of the Study

This topic is very relevant in today's global economy. As production and trade go digital, the way value is created and shared is changing. Digital tools and online platforms now shape how global value chains work, making it easier to break up production and spread out tasks across different countries. Modern global value chains are increasingly structured around digital technologies and platform-based business models, which accelerate the fragmentation of production and the geographic dispersion of value-adding activities. Digital platforms—both global (e.g., Amazon, Alibaba) and regional (e.g., Allegro in Poland)—play a pivotal role in connecting producers, intermediaries, and consumers across borders, creating new avenues for both developed and developing economies to access global markets. As such, participation in digitalized GVCs is becoming a significant determinant of economic performance and resilience.

2.1. Purpose and Objectives of the Study

The primary aim of this study is to explore the influence of digitalization and e-commerce platforms on countries' participation in global value chains and to assess the resulting implications for sustainable economic development. To achieve this aim, the study sets out to:

1. Identify the key digital and structural factors influencing countries' integration into global value chains;
2. Classify and analyze the economic, social, and environmental effects of digital GVC participation;
3. Review empirical literature on the digital determinants of GVC engagement;

4. Propose a methodological approach for evaluating digital integration within GVCs;
5. Apply econometric analysis to examine the relationship between digital infrastructure, platform access, and GVC performance;
6. Develop policy recommendations aimed at enhancing inclusive and sustainable integration into digitalized value chains.

2.2. Subject and Object of the Research

The object of this research is national economies engaged in digitally enabled global value chains. The subject is the interplay between digital technologies—especially e-commerce platforms—and global value chains, viewed as a key organizing framework of the current global economy.

2.3. Scientific Novelty

This research adds something new to what's already been studied about global value chains (GVCs). Instead of just looking at how involved countries are in GVCs, it focuses on how digital tools and online platforms actually affect that involvement. A lot of past studies have measured GVC participation, but they didn't really look closely at how things like digital readiness or access to platforms can change how countries take part in or benefit from GVCs. What makes this study different is that it looks at these digital factors and their impact on both the economy and sustainability. It also gives useful ideas for policy-making to help governments improve their place in the fast-changing world of digital global trade.

2.4. Definition of Global Value Chains (GVCs)

Basic: Increased used of foreign value added in production, especially in production destined for exports

Narrow / Relational Increased used of foreign value added in production, especially in production destined for exports Basic: Increased used of foreign value added in production, especially in production destined for exports, but focusing on inter-firm and intra firm transactions involving customized inputs and relational contracting (distinct from anonymous, spot trades in homogeneous goods) (Antràs, 2020)

When discussing the general or traditional understanding of the emergence of global value chains (GVCs) in recent decades, it is helpful to start with a clear definition of what GVCs and GVC participation entail.

A global value chain (GVC) means the steps taken to make a product or service that gets sold to consumers, with each step adding some value—and at least two of those steps happen in different countries. A company is part of a GVC if it handles even one of those steps.

From this, we can see that GVCs are all about combining work and services from different countries. It shows how businesses depend more and more on inputs from abroad, especially when making products for export. These foreign inputs can come in many forms—like raw materials (such as aluminum), parts used to build final products (like car parts), or even services that are done in other countries (like IT support).

This broad framework accommodates various types of GVC structures. For example, “spider” models involve many components being sent to one location for final assembly, while “snake” models represent a step-by-step value creation process across countries (as discussed by Baldwin & Venables, 2013; Antràs & de Gortari, 2019).

2.5. Key concepts: digitalisation, e-commerce platforms

Technological progress in information and communication technology (ICT), along with robust financial systems, form the foundation of business-to-consumer (B2C) e-commerce. These elements are essential for enabling the full cycle of digital transactions—ranging from product browsing and ordering to payments, shipment tracking, and user feedback.

2.6. Digital Connectivity

One of the key signs that a country is digitally ready is how many people use the internet. This shows not only how many people can access technology, but also how big the potential market is for online shopping. When more people are online, digital platforms become more valuable because of network effects. On the tech side, having secure servers is really important. They make sure online payments—like credit card transactions—are safe by using encryption, which builds trust between buyers and sellers. These servers are a basic part of doing business online.

The number of secure servers also shows how willing a company is to use internet-based sales tools. E-commerce websites, online banks, and other digital platforms usually use something called SSL (Secure Socket Layer) to protect sensitive info—like payment details and personal data—when it’s sent over the internet. This kind of security makes people feel more confident shopping online, which helps boost e-commerce sales (Ho, Kauffman, and Liang 2011).

2.7. Internet Bandwidth

We can measure how good a country’s digital infrastructure is by looking at its international internet bandwidth. This tells us how much data can be sent and how fast. Bandwidth is really important because it affects how users experience the internet—like how quickly websites load or how easily online purchases go through.

When internet speeds are high, everything works more smoothly, and businesses can reach more customers. But if bandwidth is low, it can slow things down and make it harder to keep users interested.

2.8. Digital Payment Infrastructure

How well a country's financial system supports online shopping can be seen in how many people use debit and credit cards. These cards make it easier to shop online because people don't need to pay with cash in person—they're essential for digital payments. A study by Kang, Wang, and Ramizo (2021) found that in many Asian countries, there's a strong link between the use of these cards—especially debit cards—and the growth of online shopping. Their research shows that having more access to these payment options helps e-commerce grow in different industries.

2.9. International Openness

The flow of technological knowledge across borders—often facilitated by trade and foreign investment—is another factor that influences e-commerce development. International trade and openness are commonly viewed as channels for knowledge spillovers, where advanced technologies and practices from leading economies are transmitted to their trade partners. This concept has been explored extensively in the literature (Grossman and Helpman 1991).

International openness is frequently measured by the trade-to-GDP ratio (Ho, Kauffman, and Liang 2011). Foreign direct investment (FDI) is also really important for spreading new technology. When big international companies from developed countries invest in other countries, they usually bring better technology, a wider range of products, and more advanced management skills (Markusen 1995). Because of this, they can help the local economy grow and innovate. That's why many governments create special rules or offer benefits to attract these kinds of investments and boost development in their own countries.

2.10. Logistics and Delivery Systems

Good logistics are super important for making e-commerce work well. Things like solid transportation systems, working ports, postal services, and smooth customs processes are all needed to deliver online orders quickly and affordably. If there are problems in the logistics process—like delays at warehouses, borders, or during final delivery—it can make online shopping more expensive and complicated.

Making logistics better can really improve how efficient everything is and make customers happier. Some ways to do this are by upgrading delivery systems in cities, connecting rural and urban areas better, and improving how goods move between warehouses and stores. Putting money into transport networks that use

different types of transportation and streamlining shipping procedures can also help lower delivery costs and speed up the whole process (Rodriguez 2018).

3. Practical analysis

3.1. GVC participation factors and effects

1. Global Value Chain (GVC) Participation: Factors and Effects

GVC participation is influenced by a combination of economic, institutional, and firm-level factors:

- **Economic and Institutional Determinants:** A World Bank study identifies factor endowments, geography, political stability, liberal trade policies, foreign direct investment (FDI) inflows, and domestic industrial capabilities as significant determinants of GVC participation.
- **Firm-Level Characteristics:** Research indicates that firm size, foreign ownership, and access to credit are significant factors influencing GVC trade participation.
- **Policy and Institutional Factors:** A review highlights that policy, non-policy, and institutional factors, along with certain firm-related aspects, are key drivers of countries' GVC engagement.

The structure and intensity of a country's participation in global value chains (GVCs) are shaped by a range of economic, institutional, and infrastructural factors. Building on traditional trade models such as the Heckscher-Ohlin framework, early literature emphasized that countries specialize in goods that align with their factor endowments. In this context, countries with abundant skilled labor and capital tend to focus on skill-intensive, upstream production activities, while those with an abundance of low-skilled labor or natural resources typically engage in downstream or resource-based stages of production (World Bank, 2020). However, the rise of GVCs introduces new dimensions to these patterns. The position a country occupies within a value chain—upstream, midstream, or downstream—is not solely determined by its domestic resources, but also by how these resources interact with foreign investment, institutional quality, and trade policies.

For example, resource-rich countries often exhibit high levels of forward GVC participation, exporting unprocessed inputs that feed into manufacturing processes abroad. However, these countries may struggle to move up the value chain due to tariff escalation practices, where higher tariffs are applied to processed or semi-processed goods, thereby disincentivizing domestic value addition (WTO Glossary). A notable example is agricultural exporters in low-income countries that are locked into the early, low-value-added stages of production (World Trade Organization 2022). The future of global value chains and the role of the WTO).

Moreover, the distribution of physical and human capital affects whether countries specialize in more upstream or downstream tasks. Research using U.S.-based sectoral data shows that upstream industries in manufacturing are generally more capital and skill-intensive (Antràs et al., 2012). Hence, economies with more developed industrial bases are often involved in the early, complex stages of production. But foreign direct investment (FDI) can change this relationship. When countries that don't have a lot of money receive FDI, they can still take part in industries that usually need a lot of capital. For example, Nigeria doesn't have a lot of its own capital, but it has high forward participation in global value chains because of big investments from other countries in its oil industry. This shows how FDI can change a country's usual strengths and give it new advantages.

Institutional quality is another pivotal determinant of GVC integration. Because GVCs rely on precise coordination across firms and borders, the enforcement of contracts and the protection of property rights become critical. Weak legal systems or political instability can discourage firms from outsourcing production stages to countries where risks of non-compliance or delays are high. In GVCs, the cost of a breakdown at one stage can ripple through the chain, making robust institutions even more vital than in traditional trade settings (Antràs, 2015). Empirical findings from the 2020 World Development Report confirm that countries with weak enforcement capabilities are less likely to participate meaningfully in GVCs, especially in stages requiring inter-firm trust and long-term coordination.

Trade costs remain a fundamental constraint. These include traditional barriers such as tariffs, quotas, and customs inefficiencies, as well as logistical and geographic hurdles. High trade costs disproportionately affect GVCs compared to traditional trade because of their cumulative nature. In sequential production chains (also known as "snake-like" structures), goods cross borders multiple times, and delays or cost increases at any point can compound downstream (Antràs). As a result, countries with poor infrastructure or remote geographical locations often find themselves relegated to upstream positions, where fewer cross-border transactions are required.

Regional trade agreements (RTAs) play a critical role in shaping GVC dynamics by reducing trade barriers and harmonizing regulations. Research shows that countries in groups like the European Union and ASEAN are closely linked through global value chains (GVCs). This is mainly because they have strong trade agreements that make cross-border business easier. In contrast, regions like Mercosur haven't gained as much from GVCs, probably because their institutions are weaker and their trade policies aren't enforced as well.

Finally, market size also influences GVC participation, though its effects are nuanced. Larger economies tend to have the capacity to internalize multiple stages of production, resulting in lower backward GVC integration, as they rely less on imported intermediates. However, their central position in global demand networks often leads them to specialize in downstream activities and final assembly, which can increase backward linkages depending on the industry (Antràs). Thus, the combination of scale, geographic centrality, and industrial capacity determines how and where large economies embed themselves in GVCs.

Both the ideas and the data tools used so far usually focus on countries or industries, not on individual companies. Traditional economic models assume that production works the same no matter the scale, but they don't work well for predicting what happens at the level of single firms or factories. Also, the usual data—like Input-Output tables and trade stats—are mostly available for industries or products, not for individual firms.

But in reality, it's the firms themselves that actually trade internationally. Because of this, the study of international trade has changed a lot in the last 20 years. More attention is now paid to the strategies of individual companies worldwide. This change happened mainly because we now have more detailed data about firms and factories over time, which showed that earlier, broader trade models didn't always explain what was really going on.

A foundational theoretical advancement in this area came from Melitz (2003), who developed a model exploring how heterogeneous firms make decisions about exporting. In his framework, firms produce differentiated goods using technologies that exhibit increasing returns to scale. These scale economies arise from fixed production and distribution costs, while product differentiation gives firms market power. A firm's decision to export depends on whether the profits from entering a foreign market exceed the fixed costs of doing so.

Although Melitz's model focuses on trade in final goods, similar firm-level approaches have been extended to understand GVC dynamics. Since participating in GVCs often involves significant fixed costs—especially for sourcing intermediate inputs from abroad—only firms that reach a sufficient scale can participate. Consequently, smaller or less productive firms are often excluded from GVCs (see Antràs and Helpman, 2004). This framework also helps explain why firms that import intermediate goods (indicative of backward GVC participation) often also export, as their scale enables them to manage the fixed costs of both importing and exporting.

Moreover, firms that export intermediate goods contribute to forward GVC participation, as their outputs are often used by other exporters downstream. From a firm-level perspective, we can also distinguish between GVCs led by

a dominant or “lead” firm—which typically bears the bulk of the fixed costs to establish a supplier network—and more decentralized value chains, where individual producers build connections both upstream and downstream (Antràs and de Gortari, 2019).

Adopting a firm-level perspective on Global Value Chains (GVCs) offers a more nuanced understanding of their economic impacts. Firm participation in GVCs often leads to overall productivity gains, which in turn raise aggregate income. These gains occur primarily through two mechanisms: firms can access cheaper, often higher-quality inputs from abroad (direct cost savings), and increased exporting allows firms to expand their scale of operations, which lowers average costs due to economies of scale.

Empirical studies support the link between GVC participation and improved productivity. This means that even import competition—particularly when it involves intermediate inputs—can have complex effects, including possible firm expansion and domestic job creation. For example, after China joined the WTO, some U.S. firms not only increased imports from China but also expanded purchases from U.S. suppliers.

GVCs also facilitate **technology transfer** more effectively than traditional trade. Since firms in a value chain collaborate rather than compete directly, sharing knowledge and innovation across borders becomes mutually beneficial, especially between firms in advanced and developing countries. However, this cooperation doesn't eliminate conflicts over how the gains are shared.

From a distributional standpoint, GVCs can contribute to **rising income inequality**. The firms most likely to participate in GVCs tend to be larger, more capital- and skill-intensive, and thus contribute to widening wage gaps within countries. Scale economies and high fixed costs mean that large firms benefit disproportionately, skewing the size distribution of firms and potentially contributing to the emergence of “superstar firms”—a trend seen in the U.S. and elsewhere.

Also, big companies usually have more control over prices, so they can increase their markups instead of lowering prices for customers. Studies from countries like India show that when trade barriers are reduced, firm markups go up, which means that the growth of global value chains might be causing markups to rise around the world. It's interesting that markup changes aren't the same in rich and poorer countries, which shows that the power companies have in global value chains affects who gains the most.

Increased GVC participation may also reduce the share of national income going to labor. This occurs both through increased firm profits and the spread of capital-intensive, often automated production techniques to developing countries. While multiple factors drive the global decline in labor's income share, GVCs are likely a contributing factor.

Finally, the global nature of GVC-participating firms—often both importers and exporters—helps explain why large currency depreciations have limited effects on trade balances: imports and exports tend to move together, making traditional tools like devaluation less effective for correcting imbalances.

Impact on GVC positions and TFP (total factor productivity)

To demonstrate it on practice we can use different econometric equations, to investigate the direct effect of new technologies on GVC we can use nonlinear baseline model

$$\text{GVC\_Position}_{it} = \beta_0 + \beta_1 \cdot \text{Tech}_{it} + \beta_2 \cdot \text{Tech}_{it}^2 + \beta_3 \cdot \text{X}_{it} + \gamma_i + \delta_t + \epsilon_{it}$$

- **GVC_Position:** This shows how involved a country is in global production networks. It could be measured by how much value the country adds to international goods, or how many foreign parts are used in its exports.
- **Tech:** This represents the level of new technology in the country (like the use of robots, AI, or digital infrastructure).
- **Tech²:** I include the square of the technology variable to see if the effect of tech increases or decreases over time. This makes the model nonlinear.
- If the coefficient of Tech² is positive, it means the effect of technology grows stronger as more is adopted.
- If it is negative, it means technology helps at first, but the benefit gets smaller after a certain point.
- **X:** These are other control variables, like GDP per person, trade openness, or education, which might also influence GVC position.
- **γ_i:** These are fixed effects for each country, to control for differences between countries that don't change over time (like geography or political system).
- **δ_t:** These are fixed effects for each year, to account for global events that affect all countries (like the COVID-19 pandemic).
- **ε:** This is the error term – it captures all other factors we didn't include.

To calculate mediation effects along with input of new technologies we could as well use the Sobel test. This procedure computes power and sample size for a mediation analysis of a continuous dependent (output) variable Y and an independent (input) variable X. Interest focuses on the interrelationship between Y, X, and a third variable called the mediator M. The sample size calculations are based on the work of Sobel (1982).

For the mediating variable will stand Total Factor Productivity (TFP), in this way we can understand in baseline model not only direct influence of innovative digital technologies on country GVC but also its indirect influence through mediator coefficient.

$$\text{GVC\_Position} = a_0 + a_1 * \text{Tech} + a_2 * \text{Controls} + \text{CountryFixed} + \text{YearFixed} + \text{Error}$$

Where:

- **GVC_Position:** The country's level of participation or ranking in the global value chain.
- **a0:** The intercept (baseline level when all other values are zero).
- **Tech:** The level of digital technology, measured by IDI.
- **a1:** The effect of digital technology on GVC position.
- **Controls:** A group of other influencing factors (such as GDP per capita, education, trade openness, etc.).
- **a2:** Coefficients showing the impact of each control variable.
- **CountryFixed:** Controls for differences between countries that do not change over time.
- **YearFixed:** Controls for events or trends that affect all countries in the same year.
- **Error:** Other unexplained factors.

This model estimates the total impact of technology on GVC participation.

$$\text{TFP} = b_0 + b_1 * \text{Tech} + b_2 * \text{Controls} + \text{CountryFixed} + \text{YearFixed} + \text{Error}$$

Where:

- **TFP:** Total factor productivity – a measure of how efficiently inputs are turned into outputs.
 - **b0:** The intercept.
 - **b1:** The effect of technology on TFP.
 - **Tech, Controls, CountryFixed, YearFixed, and Error:** Defined as in Model 1.
- This model tests if higher digital technology levels are associated with better productivity.

$$\text{GVC\_Position} = c_0 + c_1 * \text{Tech} + c_2 * \text{TFP} + c_3 * \text{Controls} + \text{CountryFixed} + \text{YearFixed} + \text{Error}$$

Where:

- **c0:** The intercept.
- **c1:** The direct effect of digital technology on GVC position, after considering TFP.
- **c2:** The effect of TFP on GVC position.
- **TFP, Tech, Controls, CountryFixed, YearFixed, and Error:** As previously defined.

This model helps check if productivity explains part of the technology's influence on GVC status.

Sobel Test for Mediation

To test if TFP significantly mediates the effect of digital technology on GVC position, I use the **Sobel test**. This test calculates whether the **indirect effect** (from Tech to TFP to GVC) is statistically significant.

Sobel Test Formula:

$$Z = (b1 * c2) / \sqrt{(b1^2 * SE_{c2}^2) + (c2^2 * SE_{b1}^2)}$$

Where:

- **b1**: From Model 2 – how Tech affects TFP.
- **c2**: From Model 3 – how TFP affects GVC Position.
- **SE_b1**: Standard error of b1.
- **SE_c2**: Standard error of c2.
- **Z**: Test statistic. If it is greater than 1.96 (or less than -1.96), the mediation is significant at the 5% level.

If we use statistic information of estimated mediating effect of productivity on the impacts of digital technology on GVC position, as it demonstrated below then we can assume approximate effect of inovative technologies and total factor productivity on GVC position of country as well as of it effects on backward and forward GVC production.

Table 1. Benchmark regression results

Variables	GVCP	GVCP	Forward	Backward
	(1)	(2)	(3)	(4)
IDI ²		0.002** (2.08)	0.005*** (2.77)	0.004*** (2.62)
IDI	0.013** (-2.05)	0.035*** (-2.85)	0.078*** (-3.84)	0.056*** (-3.06)
LNFDI	0.006 (0.35)	0.002 (0.13)	0.014 (0.52)	0.020 (0.83)
LNNGDP	0.110*** (6.88)	0.119*** (7.20)	0.105*** (3.85)	0.079*** (3.20)
LNLRD	0.027*** (-3.09)	0.023*** (-2.65)	0.016 (1.10)	0.045*** (3.48)
LNROL	0.067** (-2.42)	0.061** (-2.21)	0.185*** (-4.05)	0.117*** (-2.86)
Constant	0.303* (1.89)	0.241 (1.48)	2.131*** (7.89)	2.048*** (8.45)
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
N	708	708	708	708
R ²	0.445	0.448	0.550	0.596

Notes: T-statstcs are in parentheses ** $p < 0.01$, *** $p < 0.05$, * $p < 0.1$

This table is adapted from “Does digital technology enhance the global value chain position?” by Z. Li, Q. Lai, and J. He (2024), *Borsa İstanbul Review*. The table reports fixed-effects regression results examining the relationship between digital technology, productivity, and global value chain participation. $*p < .01$, $p < .05$, $p < .10$.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Sobel Test is a statistical test used to examine the mediation effect between an independent variable and a dependent variable through a mediator. IDI = ICT development index, TFP = Total factor productivity, GVCP = global value chain position.

Column (1): Digital Tech Directly Helps GVC Participation

Shows the total effect of digital technology on GVC position.

IDI has a significant positive effect, which means countries with higher digital tech levels tend to perform better in global trade networks.

The coefficient on IDI² is 0.002, and on IDI is -0.035, showing a U-shaped relationship – meaning digital tech might reduce GVC position at first but then boosts it as it improves further.

Column (2): How Tech Affects Productivity (TFP)

IDI improves productivity at first, but the negative sign on IDI² (-0.0026) suggests a turning point: too much tech without the right support may lower productivity.

This means digital improvements help up to a point, but their effect flattens or declines afterward.

Column (3): Both Tech and Productivity Affect GVC Together

When both TFP and IDI are included in the model, TFP is positively significant (0.178).

This shows productivity plays an important role in raising a country's GVC status.

The coefficient on IDI is now -0.045, still significant, suggesting that even when productivity is accounted for, tech has a direct effect too.

73.4% of the effect of digital technology on GVC position happens indirectly through productivity, meaning TFP acts as a mediator.

Sobel Test Result:

The Sobel test value in Column (3) is 4.293, which is statistically significant (***).

This confirms that TFP significantly mediates the impact of tech on GVC.

(Columns 4–7)

These columns split the GVC impact into supply-side (forward participation) and demand-side (backward participation) effects.

Forward GVC participation means a country exports products that other countries use to make their own goods.

Backward GVC participation means a country imports goods to use in its exports.

Column (5): Supply Side (Forward Link)

TFP has a strong positive effect (0.138), meaning more productive countries are more involved in exporting components or services to others.

Sobel test (1.279***) shows mediation is significant here too.

Column (7): Demand Side (Backward Link)

TFP's effect is very small and not significant (−0.0049).

Sobel test is −0.391, meaning no mediation on the demand side.

This study finds that digital technology boosts a country's global trade position, and most of that improvement happens because it increases productivity. However, the effect is strongest when countries export components to other countries (forward GVC), rather than when they import them (backward GVC). Also, there's a limit to how much tech can help – beyond a point, it may not increase productivity any further unless supported by other policies or infrastructure.

4. Case Study: Poland as a Digital and Logistic Hub

Poland's location is really important because it sits where major European transport routes meet, like the Baltic-Adriatic and North Sea-Baltic corridors. This makes Poland a key logistics and transit center that helps trade flow smoothly between Western and Eastern Europe. Being in this spot boosts Poland's value in global value chains by making it easier to move goods across borders quickly.

Most goods in Poland are moved by road, making up about 87% of all cargo and contributing around 6% to the country's GDP. Polish trucking companies handle about a quarter of all road transport in the European Union, with over 4 million vehicles in their fleets as of 2022. Managing such a big system depends a lot on Transportation Management Systems (TMS), which help plan routes, combine shipments, save fuel, and keep costs down, especially as EU rules on driver hours and emissions get stricter.

Poland's logistics market is one of the largest and fastest growing in Europe, and the logistics sector is key to its economy. Using digital tools like TMS makes operations more efficient, cuts paperwork, and gives better supply chain visibility so companies can quickly respond to changes or problems.

As a top European e-commerce market, Poland sees more demand for fast and reliable deliveries. Customers now expect clear updates, real-time tracking, and quick shipping. TMS platforms help meet these demands by supporting same-day delivery and flexible order processing. Providing accurate delivery info has become very important for keeping customers happy and staying competitive.

Even though Poland has invested a lot in infrastructure, there are still challenges like uneven road quality and traffic jams at important places like ports and airports. TMS helps solve these problems with real-time traffic updates, smarter routing, and better use of resources, making sure deliveries happen on time despite these issues.

TMS benefits go beyond saving money. They offer full visibility of the supply chain, which is crucial in Europe's complex trade environment with many languages, laws, and transport types. This visibility improves delivery reliability and builds trust with trade partners and customers.

Also, TMS helps companies follow EU transport rules by automating paperwork needed for policies like the Mobility Package and CO₂ targets. This reduces mistakes and lowers the administrative burden.

With Poland's e-commerce market expected to grow from €21 billion in 2024 to €33.3 billion by 2029, growing nearly 10% each year, TMS will be even more important. These systems let businesses handle large numbers of orders efficiently, dispatch products quickly, and organize deliveries accurately, which is essential for the digital economy to keep growing.

Impact of platforms (e.g., Allegro, Amazon Poland), economic and employment outcomes

Poland's central location in Europe makes it an important part of global value chains (GVCs). The growth of e-commerce platforms like Allegro and Amazon has boosted this role by making trade easier, helping small and medium-sized businesses (SMEs), and contributing a lot to the country's economy.

5. Allegro: Boosting the Domestic Market

Founded in 1999, Allegro is now Poland's top e-commerce platform, holding about 33% of the online retail market. In 2023, sellers on Allegro earned nearly PLN 55 billion and sold around 1.15 billion items. The Polish e-commerce market has become increasingly competitive following the expansion of Amazon alongside the long-established domestic platform Allegro. While Allegro has traditionally dominated the local market, Amazon's entry has intensified competition by introducing global logistics networks and cross-border selling opportunities (Li et al., 2024; World Bank, 2024).

Allegro plays a big role in Poland's economy, adding almost 1% to the country's GDP and helping to create about 140,000 jobs in different industries. By offering a strong platform for local small and medium businesses, Allegro helps them take part in both local and regional value chains, which supports and promotes economic inclusivity and resilience. An economic impact report published by Allegro Group (2023) estimates that the platform generates approximately 1% of Poland's GDP.

Amazon has been in Poland since 2021 and has invested more than €7 billion (about PLN 31 billion) in things like building infrastructure, improving technology, and hiring more workers. Because of these investments, Amazon has contributed roughly PLN 24 billion to Poland's GDP and helped create over 70,000 jobs,

both directly and indirectly Amazon has made substantial investments in Poland, with cumulative expenditures of nearly €7 billion aimed at expanding logistics infrastructure, digital services, and employment opportunities (Amazon, 2023).

Thanks to Amazon's worldwide network, many Polish small and medium-sized businesses (SMEs) have been able to reach international customers more easily. In 2023, more than 90% of Polish SMEs selling on Amazon expanded their business abroad, with export sales going over PLN 4.7 billion. This exposure to global markets helps Polish companies become more connected in global value chains, allowing them to reach more diverse customers and become more competitive.

When comparing the two platforms, both play important roles in Poland's economy but in different ways. Allegro mainly supports the local economy by helping Polish SMEs and contributes about 1% to the country's GDP. On the other hand, Amazon focuses on connecting Poland to global markets, adding PLN 24 billion to GDP through its investments and helping SMEs grow their exports significantly.

The case of Poland illustrates the mechanisms identified in the econometric analysis, demonstrating how digital platforms and logistics infrastructure translate digital capabilities into enhanced participation in global value chains (GVCs). Poland's strategic geographic location at the intersection of major European transport corridors—such as the Baltic–Adriatic and North Sea–Baltic routes—has positioned the country as a key logistics and transit hub linking Western and Eastern Europe.

Logistics plays a central role in Poland's economy, with road transport accounting for approximately 87% of total cargo movement and contributing significantly to national value added. The scale and complexity of these operations require advanced digital solutions, particularly Transportation Management Systems (TMS), which enable route optimization, shipment consolidation, fuel efficiency improvements, and compliance with increasingly strict European Union regulations on emissions and driver working hours. These digital systems enhance coordination across supply chains, reduce transaction costs, and increase delivery reliability—key prerequisites for effective GVC participation.

The rapid expansion of e-commerce has further reinforced Poland's role within digitally enabled value chains. Rising consumer demand for fast and transparent delivery has increased the importance of real-time tracking, flexible order processing, and integrated logistics platforms. Digital logistics solutions support these requirements by improving supply chain visibility and responsiveness, thereby strengthening firms' ability to meet international market standards.

E-commerce platforms have played a particularly important role in this process. Allegro, Poland's largest domestic platform, has facilitated the integration of small and medium-sized enterprises (SMEs) into national and regional value

chains by lowering entry barriers to digital trade and providing access to a large consumer base. By contrast, Amazon's investments in Poland have strengthened the country's integration into global value chains by linking Polish firms to international markets through its global logistics and distribution network.

Together, these platforms perform complementary functions. Allegro primarily supports domestic value creation and regional trade integration, while Amazon enhances international connectivity and export opportunities. This dual-platform ecosystem exemplifies how digital marketplaces, when combined with efficient logistics and supportive infrastructure, can enhance both forward and backward GVC participation. The Polish case thus provides concrete evidence that digitalization, when embedded in strong logistics systems and platform-based business models, can significantly improve a country's position within global production networks.

6. Conclusion

This paper explored how digitalization and e-commerce platforms are influencing countries' roles in global value chains (GVCs). The research shows that digital technologies are not only reshaping trade, but also changing how value is created, shared, and accessed across borders. Digital platforms such as Amazon and Allegro make it easier for both large and small firms to participate in international trade, reducing entry barriers and increasing market reach. As a result, countries with better digital infrastructure and stronger e-commerce ecosystems are more likely to benefit from GVC integration.

The study also highlighted key factors that determine digital GVC participation—such as internet access, digital payment systems, logistics, and openness to foreign investment. It showed that these digital elements, when combined with good institutions and trade policies, can improve productivity, encourage innovation, and strengthen economic resilience. The case of Poland, for example, illustrates how strategic investments in digital infrastructure and platform development can transform a country into a regional hub for logistics and e-commerce.

However, the paper also recognized that the benefits of digital GVCs are not evenly distributed. Larger and more productive firms often gain the most, which may contribute to inequality. Additionally, countries lacking digital capacity risk being left behind in the evolving global economy.

In summary, digitalization and e-commerce platforms are becoming essential for successful GVC participation. Countries aiming to improve their positions in global trade must invest in digital infrastructure, support small and medium enterprises in going digital, and create policies that promote fair and inclusive digital trade. As digital transformation continues, these factors will be increasingly important for building competitive, sustainable, and inclusive economies.

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Navigating AI-Powered Virtual Assistant Adoption: Addressing Communication Challenges and Drivers for Enhanced Service Delivery Efficiency in the IT Industry

Abstract

Artificial intelligence (AI) technologies are rapidly revolutionising the business landscape of industries globally, and managed IT service providers (MSPs) are at the forefront of this change. This study examines the factors influencing the adoption of AI-powered assistants in Managed-IT Service Providers (MSPs), focusing on the roles of client resistance, technological complexities, management support, and perceived benefits. Drawing on the Diffusion of Innovations (DOI) theory, the research investigates how these factors interact to impact the adoption rate of AI-powered assistants and their effect on service delivery efficiency. The findings show that client resistance to change and technological complexity are major challenges to AI adoption, while management support and perceived benefits encourage the integration of AI technologies. In particular, managers' active involvement in providing resources and training and communicating AI benefits resulted in faster adoption. In addition, customer complexity acts as a moderating factor, that can minimise the negative effects of AI-powered assistant adoption rate on service efficiency. This research adds to the prior literature on technology adoption by drawing on the application of DOI theory to AI adoption in MSPs, providing organisations interested in implementing AI-powered assistants with practical and theoretical advice. The study offers useful guidelines to MSPs over common adoption barriers and AI technologies used to enhance operational efficiency and client satisfaction.

Keywords: AI-powered assistants, managed IT service provider, diffusion of innovation theory, technology adoption, client resistance to change

Zarządzanie wdrażaniem wirtualnych asystentów opartych na AI: przezwyciężanie wyzwań komunikacyjnych oraz czynniki zwiększające efektywność świadczenia usług w branży IT

Streszczenie

Technologie sztucznej inteligencji (AI) gwałtownie rewolucjonizują krajobraz biznesowy na całym świecie, a dostawcy zarządzanych usług IT (MSP) stoją na czele tej zmiany. Niniejsze badanie analizuje czynniki wpływające na wdrażanie asystentów opartych na AI w MSP, koncentrując się na roli oporu klientów, złożoności technologicznej, wsparcia kadry zarządzającej oraz postrzeganych korzyści. Odwołując się do teorii dyfuzji innowacji (DOI), praca bada, w jaki sposób te czynniki współdziałają, wpływając na tempo adopcji asystentów AI oraz ich oddziaływanie na efektywność świadczenia usług. Wyniki pokazują, że opór klientów wobec zmian oraz złożoność technologii stanowią główne wyzwania dla wdrożenia AI, podczas gdy wsparcie zarządu i postrzegane korzyści sprzyjają integracji nowych technologii. Szczególnie istotne okazało się aktywne zaangażowanie menedżerów w dostarczanie zasobów i szkoleń oraz komunikowanie korzyści płynących z AI, co prowadziło do szybszego wdrożenia. Ponadto złożoność wymagań klientów jest czynnikiem moderującym, który może ograniczać negatywne skutki tempa adopcji asystentów AI dla efektywności usług. Niniejsze badanie wzbogaca dotychczasową literaturę o adopcji technologii, stosując teorię DOI do implementacji AI w MSP i dostarczając praktycznych oraz teoretycznych wskazówek organizacjom zainteresowanym wdrażaniem asystentów wspieranych przez AI. Oferuje ono użyteczne wytyczne dla MSP dotyczące powszechnych barier wdrożeniowych i technologii AI wykorzystywanych do zwiększania efektywności operacyjnej oraz satysfakcji klientów.

Słowa kluczowe: asystenci wspierani przez AI, dostawcy zarządzanych usług IT, teoria dyfuzji innowacji, adopcja technologii, opór klientów przed zmianą

1. Introduction

Implementing artificial-intelligence (AI) technologies is rapidly transforming the global business landscape, and managed IT service providers (MSPs) are at the forefront of this change. The use of AI-powered assistants is gaining momentum among the MSPs because of the use of machine learning, natural language processing, and other progressive techniques in technology. The automation of routine work can improve consumer service and even raise overall efficiency—enhancing support for consumers and even enhancing general efficiency is possible (Na et al., 2023). The use of AI systems like these enables MSPs to handle large numbers of client queries, solve technical problems faster, and provide custom-made services round-the-clock without any human assistance. AI technologies can save a lot on operational costs and enhance client satisfaction rates by simplifying workflows and optimizing the service delivery process. However, despite these obvious benefits, integrating AI-based assistants poses some major challenges. The barriers to adoption process may include client resistance to change, technical complexity, and insufficient management support.

In the first place, Yi et al. (2006)'s Diffusion of Innovations theory was crucial to understanding the adoption and diffusion of new technologies. Based on this theory, a successful innovation must feature clear advantages over existing solutions, be easily implemented and compatible with existing practice. It is also important to think about the complexity of the technology, trialability before full implementation, and observability in practice when adopting it. DOI theories have been used by a great variety of sectors to examine the adoption of innovations, but adoption of artificial intelligence in MSPs has been left unexplored for the most part. Being a result of a lack of literature on the factors affecting the adoption of AI-powered assistants in MSPs, the present study is an attempt to fill in this gap in knowledge. This research work seeks to establish the degree to which client resistance, technological complexity, management support, and perceived benefits influence the rate of adoption of such innovations to determine the rate at which these innovations are adopted.

There is an increasing need for AI-driven assistants to be implemented in MSPs in the current time because companies are feeling more pressure to enhance their efficiency in operation, reduce their costs, and provide better customer experience because of the increased pressure on them. In light of the increased demand for more rapid and customized support from clients, MSPs are able to satisfy clients' increasing expectations thanks to AI technologies, which automate many formerly time-consuming and boring tasks traditionally handled by human agents (Kulal et al., 2024). The adoption of these

technologies is not a bed of roses, especially from clients who are more resistant to the adoption of AI, despite it being promising. According to Venkatesh et al. (2012), client resistance emanates mainly from fear of changing the existing processes, lack of understanding of the technology promise, and fear of job loss. Furthermore, the difficulty of integrating AI-powered systems with the existing IT infrastructure, along with the fear of data security and privacy, can be an extra barrier to adoption. Thus, while AI has tremendous potential, MSPs must address both internal managerial and external client issues to attain successful adoption of AI-powered assistants.

This study aims at exploring the connection between client resistance to change, technological complexity, management support, and perceived benefits and rate of adoption of AI-powered assistants in MSPs. Using the DOI theory, this research examines how these factors interact in influencing adoption of AI as well as the effects of adoption on service delivery efficiency. The research will shed some light on how MSP can overcome the challenges of implementations of adoption of AI technologies, particularly managing client expectations, maintaining operational compatibility of technologies, and ensuring strong leadership support for the integration process. The paper applies DOI theory to AI-enabled assistants in MSPs, a field that has not been extensively studied in terms of adoption theory. By analysing the particular barriers and opportunities related to AI adoption in MSPs, the study advances the understanding of how DOI theory can be applied to explain the diffusion of advanced technologies in service industries. Secondly, the research provides practical recommendations for MSPs interested in implementing AI solutions to overcome common adoption barriers such as client resistance and complication of technologies. In this way, researchers and practitioners can assist MSPs to implement AI-enhanced assistants with the help of this knowledge.

2. Theoretical background and literature review

2.1. Diffusion-of-Innovations (DOI) Perspective

The ‘Diffusion of Innovations’ (DOI) theory offers valuable insights to the adoption process, particularly to the managed IT service providers who have adopted AI-powered assistants. The DOI theory is employed by Uzumcu and Acilmis (2024) to determine the mechanism of propagation of new ideas and technologies in groups and the rate at which the ideas are disseminated. The theory brings out crucial determinants of adoption like perceived advantages, complexity, compatibility, trialability, and observability. In the context of this research, the client resistance to change and the complexity of technologies have direct implications on the rate of AI-powered assistant adoption. Client resistance is

one of the key barriers to innovation, while technological complexity can become an obstacle for IT service organisations reluctant to deploy AI-powered assistants (Amin et al., 2025). On the other hand, promoters such as management support and perceived benefits can spread innovation. Adequate management support can reduce issues of AI implementation because of the availability of tools, training, and guidance that will eliminate change resistance and reveal perceived benefits of AI technologies (Li et al., 2023).

What is more, the DOI theory claims that other than external factors like resistance and technical problems, customer complexity is a key factor in service delivery efficiency via AI-powered assistant adoption rate. Customer needs are mostly complex; therefore, providers end up developing innovations that can manage these needs in an efficient manner (Moore & Benbasat, 1991). For the managed IT service providers, the AI chatbots must meet different client demands that range from minor questions to complex problem-solving. In the theory of innovation, inventions that are closely related to the needs of customers and whose benefits are obvious—for example, an increase in service efficiency—are more likely to succeed (García-Avilés, 2020). Customer complexity resolution by AI-powered assistants can lead to better overall delivery of service, hence leading to increased adoption rates. Therefore, the knowledge of the dynamics of client resistance, the complexity of technologies, and the role of support from management and perceived benefits is crucial to understand the integration of AI-driven assistant technologies in managed IT services and to implement and use them successfully.

2.2. Client resistance to change and AI-powered assistants' adoption rate

The clients' resistance to change is the unwillingness or hesitation of IT MSPs to introduce new technologies, processes, or innovations. In the context of AI adoption, this resistance could be because of various reasons, including fear of the unknown, perceived risks, or perceived disruption from the established workflows (Choudhary et al., 2024). The introduction of new technologies, including AI-powered assistants, can be considered to be a threat to the existing systems and practices and the refusal to use such innovations. For the IT MSPs, these challenges are especially critical as their clients rely on the current IT infrastructure and processes. The perceived uncertainty and the lack of understanding of the benefits of AI-powered assistants can further promote this resistance.

In the Diffusion of Innovations (DOI) theory, an innovation, to be implemented successfully, must be perceived to be beneficial to the users, compatible with the existing systems, and easy to implement (Tornatzky & Klein, 1982).

When the clients are resisting change, in a way, they are saying no or delaying the adoption of AI-powered assistants, and therefore, they are slowing down the diffusion rate. This opposition has a direct implication on the possible rate of adoption, as the process of decision-making is marred by skepticism, doubts, or lack of readiness. Perceived relative advantage and compatibility of an innovation are crucial to adoption, and if clients are reluctant to change, they may not benefit from such things as increased operational efficiency and cost savings (Darban et al. (2024). Moreover, when clients refuse to use AI-powered assistants, the benefits of enhanced customer service, automation of routine tasks, and 24/7 accessibility cannot be realized because the adoption process depends so heavily on acceptance (Venkatesh et al., 2003). Moreover, the resistance can also create a gap in understanding, where clients fail to see how AI could integrate with or enhance their existing IT infrastructure, further delaying implementation and adoption. Undoubtedly, the client resistance behavior could be an essential bottleneck constituting roadblocks to the adoption of AI-powered assistant technologies in MSPs, especially in client-facing interactions. However, the internal adoption of AI in operations, engineering, and partner management may serve as a critical enabler for other departments that would also help in making the overall AI integration within the MSP environment simpler.

H₁. Client's resistance to change will have a negative impact on AI-powered assistants' adoption rate.

2.3. Technology complexities and AI-powered assistants' adoption rate

Technological complexity refers to the challenges and issues faced when implementing and managing complex systems. For AI-powered assistants, this complexity is further compounded by existing IT infrastructure, compatibility with legacy systems, and the need to safeguard data security and privacy (Pandey & Rai, 2023). Additionally, organizations may face serious obstacles if they lack the specialized know-how to operate and maintain these AIs. For instance, the technology needs of AI-powered assistants can be more than what a managed IT service provider can cope with, such that they are unable to meet the current needs through software updates or modification (Davis et al., 1989). These barriers can inhibit adoption because organisation may feel unprepared to deal with the complexity or be afraid of the long-term investment needed to support the technology.

It is usually more complicated to implement AI-powered assistants because the existing infrastructures and workflows must be shifted significantly. Due to the high learning curve for integration and the possibility of disrupting

existing operations, most organizations are reluctant to implement these systems. The complexity of AI systems creates uncertainty among IT service providers and clients (Pandey and Rai, 2023). The service providers have to take into account not only technical challenges but also the wider impact on the service delivery, efficiency, and customer satisfaction when implementing AI-powered assistants. Since the AI technologies are yet to mature, there are doubts about their scalability, reliability, and sustainability. If the technology cannot scale up to future requirements or cannot be flexible enough to cater to the needs of various clients, this can decrease its perceived value and increase opposition to its adoption. Additionally, concerns about potential failures or the inability to manage the technology effectively can discourage clients from adopting AI-powered assistants. This fear of negative outcomes, whether due to system failures or poor integration, only strengthens the negative effect that technological complexity has on adoption rates. Ultimately, the more complex AI-powered assistants are perceived to be, the less likely organisations are to prioritize their adoption, limiting the potential for these innovations to enhance service delivery in the managed IT sector (Pandey and Rai, 2023). Thus, based on the argument above, the following hypothesis is postulated.

H₂. Technology complexities will have a negative impact on AI-Powered assistants' adoption rate

2.4. Management support and AI-Powered assistants adoption rate

Management support is essential for successfully adopting new technologies within an organisation. This involves active involvement from management in encouraging, driving, and allocating resources to facilitate the integration of new systems, such as AI-powered assistants (Chen et al., 2024). When management actively supports the adoption process, it significantly improves the chances of overcoming resistance to change, addressing implementation challenges, and ensuring that the necessary resources and training are in place for a smooth transition (Tornatzky & Klein, 1982).

It has been argued by some researchers that by providing proper management support for AI-powered assistants, the perceived risks and complexities can be minimized, simplifying the process of adoption (Dwivedi et al., 2021; Jang et al., 2021). A company's management encourages the use of AI-powered assistants not only by providing the funds and logistics but also by cultivating a culture of innovation. This form of support ensures that the goals of the organization are aligned with the capability of the technology, thus minimizing resistance from the employees and the clients. Besides, support from

the management many times entails the establishment of a conducive environment where employees can experiment with the technology, be trained, and provide feedback, which increases the chances of a successful adoption even further (Dwivedi et al., 2021). It is the management's responsibility to respond to concerns, ensure open communication, and align AI-powered assistants with a business objective in order to expedite the adoption of AI. It has been argued by several researchers that effective management support can greatly reduce the perceived risks and complexities associated with adopting AI-powered assistants, which in turn helps streamline the adoption process (Dwivedi et al., 2021; Jang et al., 2021). When management supports the integration of AI-powered assistants, they not only provide the financial and logistical resources needed for implementation but also nurture a culture of innovation within the organization. This type of support helps align organizational goals with the technology's capabilities, reducing resistance from both employees and clients. Furthermore, management support often involves creating an environment that encourages employees to experiment with the technology, receive training, and offer feedback, which further boosts the likelihood of successful adoption (Dwivedi et al., 2021). By addressing concerns, providing clear communication, and aligning AI-powered assistants with business objectives, management can help organizations navigate initial obstacles, thereby accelerating the overall adoption rate. Ultimately, management support not only helps overcome barriers like technological complexity and resistance to change but also plays a critical role in determining the pace and success of AI-powered assistant adoption. Thus, based on the argument above, the following hypothesis is suggested.

H₃. Management support will have a positive impact on AI-Powered assistants adoption rate

2.5. Perceived benefit and AI-Powered assistants adoption rate

Perceived benefit is considered as a subjective evaluation of the advantages that an individual or organisation believes they will gain from adopting new technology. In the case of AI-powered assistants, these benefits may include improved operational efficiency, enhanced customer service, cost savings, and better data management (Chen et al., 2024). MSP services can work smarter and faster through the help of AI workplace assistants. Small companies place AI systems into internal processes such as ticket generation and client phone inquiries to increase workforce performance. Smaller organisation generally use AI to support their basic business operations, whereas bigger companies use AI to solve complicated technical issues and make future predictions (Brynjolfsson & McAfee, 2017). A company's

perception of advantages tends to play a role in decision-making, since it is likely to invest in innovations that will improve efficiency and productivity.

The more benefits a person perceives about an innovation, the more likely he or she will adopt it (Aizstrauta et al., 2015). When managed IT service providers understand how AI assistants can help them reduce costs, be more efficient, and provide improved customer satisfaction, they are more likely to adopt the technology in their operations. AI assistants are especially appealing as they can optimize processes, shorten response times, and manage huge numbers of client queries, which makes them a perfect answer for IT service providers who wish to expand their business without increasing costs (Balakrishnan et al., 2024). Besides, if organisation views AI assistants as a competitive advantage, such as offering more personalized service or getting more insights on client data, the advantages of adoption significantly outweigh the complexities or costs associated. In this way, the perceived benefits of AI-powered assistants directly contribute to higher adoption rates, with IT service providers recognizing their strategic value. Thus, based on the argument presented above, the following hypothesis is suggested.

H₄. Perceived benefit will have a positive impact on AI-Powered assistants adoption rate

2.6. AI-Powered assistants adoption rate and service delivery efficiency

For managed IT service providers, AI assistants can help automate and simplify a lot of the routine tasks, like customer support or troubleshooting tech issues. The faster AI assistants are adopted, the sooner organisation can take advantage of better operational efficiency, fewer mistakes, and improved customer experiences. As AI becomes more embedded into a company's systems, it gets easier to scale and expand its use across the business.

With AI assistants in place, these tasks get done quicker and more accurately than by humans, leading to a boost in operational efficiency (Kulal et al., 2024). Automating routine jobs also frees up employees to focus on more complex and strategic work, which not only improves productivity but also enhances the quality of service for clients. However, the more AI assistants are used, the more data and feedback they collect, which helps them get better over time. As they interact with more people, AI assistants learn to predict system issues and potential failures, sometimes fixing problems before they even happen (Inavolu, 2024; Maduku et al., 2024). This predictive ability speeds up service delivery, reduces downtime, and keeps disruptions to a minimum. For IT service providers, for whom keeping systems running smoothly and problem-solving quickly are key

to client satisfaction, AI assistants can actually make the difference. In the near future, advanced AI systems will be capable of processing more complex queries and predicting what the clients need with a higher level of precision, improving the user experience. Rapid resolution of the issues increases trust and satisfaction of the client and makes the whole process of service run smoother. So, by adopting AI assistants more widely, IT service providers can significantly improve their operational efficiency, customer service response times, and overall business performance.

H₅. AI-Powered assistants adoption rate will have a positive impact on service delivery efficiency

2.7. The moderating role of customer complexity

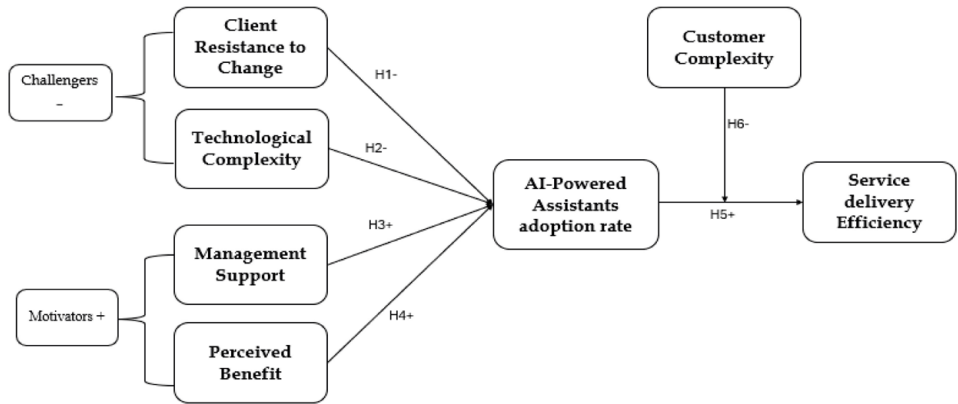
Client complexity is the range and intricacy of customer needs, preferences, and behaviors. In the context of managed IT service providers, it arises from a mix of factors, such as the specific technical needs of clients, varied service expectations, or different levels of technological understanding among clients. Highly complex customers often need customized solutions or more personalized interactions, which makes delivering IT services more challenging. These challenges may be such as peculiar workflows, specialized systems, or complex problem-solving demands, which make delivering effective and efficient services complicated (Pi et al., 2024). As customer demands become more complex, service providers need to adjust their offerings, which can affect how well automation technologies, like AI-powered assistants, work.

In handling extremely complex customers, AI-powered assistants might not deliver the expected benefits. According to prior researchers (Lee et al., 2022; Oldenburg & Glanz, 2008), innovation's success depends heavily on how it meets the needs and contexts of its users. The purpose of AI assistants is to automate routine tasks, for example, answering FAQs and meeting requests. However, such systems can find it difficult to address complex customers' needs, which can be unique or advanced and therefore necessitate a personalized approach or human intervention (G. Li et al., 2024). For instance, a customer who has very technical needs may still need to be provided with customized answers, something that AI assistants cannot always provide. Such a mismatch may lead to inefficiencies or dissatisfied customers because the AI does not cater to the specific needs of such customers. Besides, complex customers may need constant changes or even more active involvement of human agents, thus undoing the productivity gains of using AI (Du & Xie, 2021; Jung, 2022). If a service provider has a customer base with diverse and intricate needs, the benefits of AI adoption in improving service delivery efficiency might be limited, since AI may not be

able to handle such complexity. Based on this, the following hypothesis is proposed (see Figure 1).

H₆: *Customer complexity will negatively moderate the influence of AI-Powered Assistants adoption rate on service delivery effectiveness when it is high (vs. low).*

Figure 1. Conceptual framework



Source: Own elaboration

3. Methodology

3.1. Sampling and data collection

This study utilized an online survey questionnaire as the primary data collection method to gather insights from managed IT service providers that have integrated AI-powered virtual assistants to enhance their service delivery efficiency. Given the rapid evolution of AI technology and its increasing adoption across various sectors, the focus of this research was on IT service providers who have incorporated AI virtual assistants into their business processes to improve operational efficiency, customer service, and overall service quality. The survey was carefully crafted to gather relevant information on different aspects of AI adoption, such as the types of virtual assistants used, perceived benefits, challenges, and their impact on service delivery. Specifically, it was sent to professionals in the IT services industry, especially those working for organizations using AI-driven solutions. Participants were encouraged to fill out the online survey after scanning a QR code on various digital and physical materials, making it easy and convenient to take part in the survey.

A full-scale data collection process was preceded by ethical approval to ensure participants were aware of the study's objectives. Additionally, a pilot study was conducted in January 2025 using a small sample in order to test the robustness of the survey instrument to ensure that the questions asked were clear, reliable,

and valid. This phase also allowed us to further refine the questionnaire and examine the clarity of the measurement items used to measure key variables associated with AI adoption, service efficiency, and organisational outcomes. The main data collection took place over a three-month period, from November 2024 to January 2025. During this time, 232 responses were collected from a diverse group of managed IT service providers. The sample was designed to represent organisations adopting AI-powered virtual assistants across different organisational sizes, sectors, and geographic locations. Data collection was done through an online platform to ensure convenience and accessibility for participants.

The demographic details cover factors such as gender, age, education level, work experience, and the type and size of the organisation they work for. The majority of participants (70%) fall within the 18 to 34 age range, which is characteristic of the younger, tech-savvy workforce in the IT services industry. A large proportion (74.5%) of participants have university degrees or higher qualifications, which aligns with the educational standards typically expected in this sector. In terms of work experience, 33.9% have less than two years, 48.7% have between three and 10 years, and 17.2% have more than 10 years. Regarding employment type, 42.7% are employed full-time, while 36.6% work part-time. In terms of sector, 43.1% are employed in the private sector, and 44.8% work in the public sector. Regarding the size of the organisation, they work for, 47.0% are employed by companies with over 250 employees, while 31.9% work for companies with 10-249 employees, showing that both large and medium-sized companies are widely adopting AI technologies.

3.2. Measures

The assessment was based on a survey developed from scientific literature, although several questions were modified to suit the study's objectives. The responses to the survey were then analyzed using a 7-point Likert scale whereby 1 = strongly disagree and 7 = strongly agree. A research by Li et al. (2023) provided the basis for *resistance to change* of a three-item scale. A sample item is, "I am reluctant to change my habits to accommodate new AI tools." In the same way, *technological complexity* is composed of four items each and also adapted from prior research by Venkatesh et al. (2012). A sample item is, "I found the technical setup of the AI-powered assistant confusing". Furthermore, *management support* consists of four items, each of which is adapted from Korzyński et al. (2024). A sample item is "Management encourages employees to adopt AI-powered assistants." In addition, *perceived benefit* consists of three items each and adapted from Kim (2022). A sample item is "AI powered assistant improves my productivity". Moreover, *customer complexity* is measured on four items scale and adapted from Schmitz and Ganesan (2014). A sample item is "my clients are resistant to interacting with AI-powered assistants." There is another construct: *AI-powered assistant adoption rate* consists of

four items and adapted from Pandey and Rai (2023). A sample item is “My colleagues are actively using AI-powered assistants”. In last, *service delivery efficiency* is adapted from prior literature (Kulal et al., 2024) and consisted of four items. A sample item is “AI-powered assistants help complete tasks faster.

4. Results

4.1. Measurement model validation

To examine the interrelationships among the variables, correlation analysis was employed. The statistical results revealed a highly significant relationship between the tested variables. Table 1 reports the results of the discriminant validity assessment using the Fornell–Larcker criterion. The square root of the AVE was used to assess construct validity. The fact that AVE’s square root is greater than its correlation with additional variables, the findings provide evidence for discriminant validity (Ahmad et al., 2020) Alternately, discriminant validity may be determined by evaluating AVE by MSV value with all factors. If AVE exceeds MSV, discriminant validity is attained. (Fornell & Larcker, 1981). According to discriminant validity model selection, the square root of the AVE is greater than its correlation with other variables (Fornell & Larcker, 1981). Furthermore, Table 2 demonstrates that every variable has a composite reliability (CR) value greater than 0.70 (Hair et al., 2006). A convergent validity assessment was then conducted by examining the relationship between these factors using AVE and item loadings (Wong, 2013). The results show that every variable meets the requirement and shows more than 50% variability, with AVE values more than 0.5. The comprehensive test results are shown in Table 2.

Table 1. Discriminant validity

Constructs	1	2	3	4	5	6	7
AI Adoption Rate	0.814						
Client Resistance to Change	-0.720	0.840					
Customer Complexity	0.640	-0.535	0.850				
Management Support	0.765	-0.745	0.669	0.770			
Perceived Benefit	0.740	-0.701	0.650	0.774	0.818		
Service Delivery Efficiency	0.701	-0.535	0.694	0.701	0.607	0.794	
Technological Complexity	-0.713	0.749	-0.549	-0.793	-0.710	-0.579	0.770

The bold values are the $\sqrt{\text{AVE}}$.

Source: Own elaboration

4.2. Reliability analysis

Table 2 presents the reliability assessment results, reporting Cronbach’s alpha and composite reliability values for all constructs, all of which exceed the recommended 0.70 threshold. Reliability analyses were conducted for all constructs using Cronbach’s alpha, in accordance with Nunnally (1994). The Cronbach’s alpha values for every construct exceeded the 0.70 criterion, confirming data reliability. To evaluate each construct’s item-level internal consistency, composite reliability (CR) values were also calculated, and these surpassed the 0.70 threshold recommended by Hair Jr. et al. (2017).

Table 2. Factor loading, validity, and reliability of the indicators

Constructs	Items	Loadings	VIF	α	CR	AVE
AI Adoption Rate				0.828	0.886	0.662
	AIAD1	0.759	1.574			
	AIAD2	0.760	1.524			
	AIAD3	0.868	2.461			
	AIAD4	0.860	2.395			
Client Resistance to Change				0.791	0.878	0.706
	CRC1	0.802	1.645			
	CRC2	0.901	2.132			
	CRC3	0.814	1.616			
Customer Complexity				0.872	0.912	0.722
	CCMP1	0.840	1.923			
	CCMP2	0.885	2.630			
	CCMP3	0.857	2.289			
	CCMP4	0.817	1.986			
Management Support				0.769	0.853	0.594
	MSP1	0.702	1.398			
	MSP2	0.723	1.515			
	MSP3	0.788	1.523			
	MSP4	0.858	1.931			

Constructs	Items	Loadings	VIF	α	CR	AVE
Perceived Benefit				0.754	0.858	0.669
	PBF1	0.832	1.518			
	PBF2	0.855	1.926			
	PBF3	0.764	1.475			
Service Delivery Efficiency				0.803	0.871	0.630
	SDE1	0.802	1.759			
	SDE2	0.829	1.828			
	SDE3	0.841	1.992			
	SDE4	0.695	1.529			
Technological Complexity				0.773	0.853	0.593
	TCOM1	0.757	1.391			
	TCOM2	0.800	1.645			
	TCOM3	0.827	1.809			
	TCOM4	0.691	1.526			

Source: Own elaboration

4.3. Common method variance

Numerous statistical and methodological approaches have been employed to evaluate common method variance (CMV). First, questions were designed with simplicity, specificity, and shortness in mind. A pilot research was carried out to evaluate the fit of the instruments (Podsakoff et al., 2003). Furthermore, the impact of CMV was assessed using Harman's single-factor test, which proposes that CMV exists if one component explains at least 50% of the overall variation (Harman, 1976; Podsakoff et al., 2003). The research's main significant component explained 39.89% of the variation, which is less than the 50% criterion and indicates that common method variance (CMV) is not present. Additionally, in order to analyze CMV, Bagozzi et al. (1991) investigated the relationship between latent variables. The variable correlations were all less than 0.90. Therefore, the statistical analyses indicate that there is no common method variance in the data.

4.4. Multicollinearity

A regression study was performed to determine the threshold values, variance inflation factor (VIF), and multicollinearity. VIF values shouldn't be higher than 0.3 (Field, 2013). Given that each variable's VIF score, and threshold are within the suggested ranges, the findings reveal that there are no multicollinearity problems with this model (Strupeit & Palm, 2016).

4.5. The predictive power of the model (Q^2)

Table 3 presents the blindfolding (Q^2) statistics for the general model, showing that all constructs have Q^2 values greater than zero, thereby confirming the model's predictive relevance. The structural model was evaluated in SmartPLS using the Stone–Geisser test. When a theoretical framework's Q^2 value is larger than zero (>0) for that particular theoretical framework, it indicates that the model itself has predictive power (Hair et al., 2016). Consequently, all dependent variables in the path model have Q^2 values above zero, confirming the validity of the path model.

Table 3. Blindfolding statistics for the general model

Construct	SSO	SSE	($Q^2 = 1 - SSE/SSO$)
AI Adoption Rate	800	635.12	0.206
Client Resistance to Change	800	689.25	0.138
Customer Complexity	800	611.58	0.236
Management Support	1000	947.23	0.053
Perceived Benefit	800	694.77	0.132
Service Delivery Efficiency	1000	850.36	0.150
Technological Complexity	800	567.81	0.290

Source: Own elaboration

4.6. Structural model and hypothesis outcomes

Table 4 and Figure 2-3 report the hypotheses testing results, presenting path coefficients, standard deviations, t-values, p-values, and decisions, indicating that all proposed hypotheses are supported. The analysis revealed a significant positive impact of client resistance to change on AI-powered assistant adoption rate ($H1-\beta = -0.219$, $p < 0.05$), supporting the first hypothesis. Resource allocation also had a negative and significant association with AI-powered assistant adoption rate ($H2-\beta = -0.123$, $p < 0.01$), confirming the second hypothesis. On the other hand, management support was found to have a strong positive connection

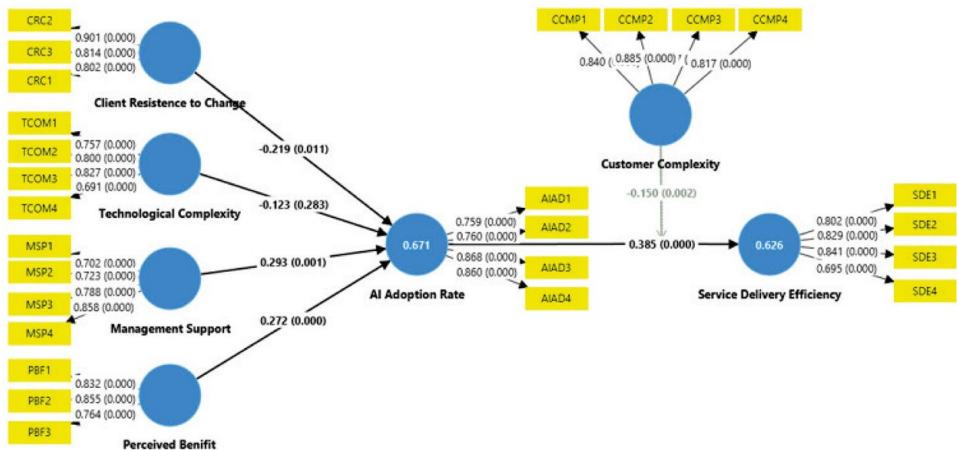
with AI-powered assistant adoption rate ($H3-\beta = 0.293$, $p < 0.01$), thus supporting the third hypothesis. The fourth hypothesis indicated that perceived benefit has a significant positive relationship with AI-powered assistant adoption rate ($H4-\beta = 0.272$, $p < 0.01$), which was supported by the findings. Additionally, the AI-powered assistant adoption rate was positively and significantly related to service delivery efficiency ($H5-\beta = 0.385$, $p < 0.001$), confirming the fifth hypothesis. For the sixth and last hypothesis, customer complexity had a negative moderation on the relationship between AI-powered assistant adoption rate and service delivery efficiency ($H6-\beta = -0.150$, $p < 0.01$).

Table 4. Hypotheses testing

	Hypotheses	Beta	S. D	t-values	p-values	Decision
H1	Client Resistance to Change -> AI Adoption Rate	-0.219	0.086	2.545	0.011	Accepted
H2	Technological Complexity -> AI Adoption Rate	-0.123	0.037	3.252	0.003	Accepted
H3	Management Support -> AI Adoption Rate	0.293	0.091	3.207	0.001	Accepted
H4	Perceived Benefit -> AI Adoption Rate	0.272	0.069	3.926	0.001	Accepted
H5	AI Adoption Rate -> Service Delivery Efficiency	0.385	0.094	4.101	0.001	Accepted
H6	Customer Complexity x AI Adoption Rate -> Service Delivery Efficiency	-0.150	0.047	3.162	0.002	Accepted

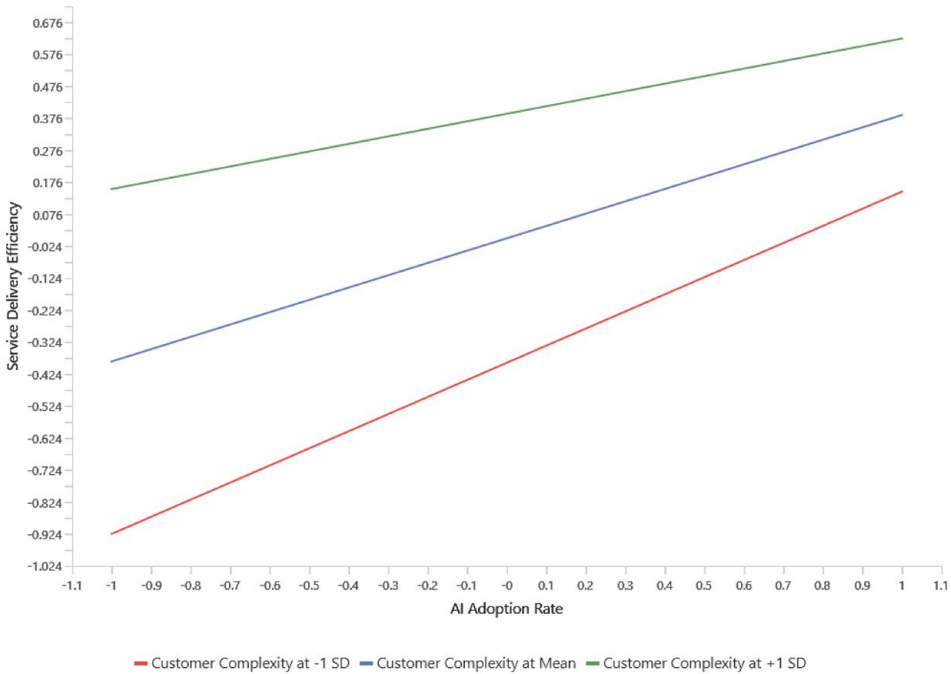
Source: Own elaboration

Figure 2. Results of hypotheses



Source: Own elaboration

Figure 3. Simple Slope Analysis
Customer Complexity x AI Adoption Rate



Source: Own elaboration

5. Discussion

5.1. Major findings

Firstly, a considerable negative connection between client resistance to change and the AI-powered assistants' adoption rate is established in this research ($\beta = -0.219$, $p < 0.05$). Moreover, this finding is highly consistent with the current state of research in the area of technology adoption, which states that resistance to change is one of the major barriers to successful implementation. Resistance comes from various aspects, such as fear of the unknown, such as fear of job loss, among other concerns regarding new technologies and changing the existing work process (Lemos et al., 2022). As with the concept of Diffusion of Innovations (DOI), for the end product to be adopted, it must not only be superior but also align with the existing practices (Tornatzky & Klein, 1982). The clients are less likely to adopt these new AI technologies if they do not understand how they will integrate into their existing infrastructures or fail to perceive the benefits. The results of the present study are similar to previous research findings that identify client

hesitation as a hindering factor in technology adoption. For instance, Darban et al. (2024) highlight that when the clients lack the feeling that the benefits of AI-powered assistants are there, the innovation is linked to lower adoption rates, thus impeding the diffusion process.

Secondly, the analysis shows that the technological complexity significantly hinders the rate of adoption of AI assistants ($\beta = -0.123$, $p < 0.01$), which strengthens the assertion that technological complexity, in turn, makes adoption more difficult. A study by Waqar et al. (2024) found that the complexity of AI systems, including integration with legacy infrastructure, compatibility with existing workflows, and preserving data security, creates a steep challenge for organisations. In addition, the requirement of special know-how adds another layer of complexity that is perceived as a barrier to adoption. A technologically daunting or expensive AI-powered assistant that requires infrastructure changes can provoke defiance not only from the client but also from the adopting community. In this regard, the results emphasise the need for education programs, user-friendly interfaces, and technical support to simplify the technical complexity of AI tools. Moreover, service providers must simplify the integration process as well as ensure that artificial intelligence solutions integrate seamlessly with existing IT systems without requiring drastic changes. This will most likely raise the adoption rate since organisations will have more confidence to handle the technology without much difficulty.

Thirdly, a strong positive relationship was established between management support and adoption rate of AI-powered assistants ($\beta = 0.293$, $p < 0.01$). This finding coincides with the DOI theory, which suggests that organisational leadership is very crucial in the successful adoption of innovations (Tornatzky & Klein, 1982). Management support here involves active participation in planning and allocation of resources needed to facilitate AI-powered assistants in addition to promoting an innovative and open culture of technology in the organisation. The effective management support will ensure that there are sufficient resources for training and guidance that are required to overcome the observed change resistance at the client level and tackle the technological complexities indicated in the preceding section. Research from Zeraati Foukolaei (2024) and Na et al. (2023) also shows that organisations that have strong leadership and supporting systems are more likely to successfully integrate new technologies such as AI.

Fourth, the study also further indicates a strong positive link between perceived benefits of AI-powered assistants and their adoption rate ($\beta = 0.272$, $p < 0.01$) which means that when clients have a clear perception of the benefits of the same, for example, in terms of improved operational efficiency, reduced costs, and improved service, there is a higher adoption of AI technologies. This

finding is consistent with the DOI theory that claims that the perceived relative advantage of an innovation is one of the key factors determining its adoption (Carminé et al., 2021). In addition, clients are more inclined to adopt AI-based agents when they realise that such resources will improve service efficiency, minimise manual errors, and automate tedious tasks in order to free up resources for more complex tasks. In the case of Managed IT Service Providers (IT MSPs), AI assistants can streamline workflows, offer improved 24/7 client support, and provide more individualised service, thus aiding the clients to be more satisfied. Previous research, including that produced by Belhadi et al. (2021), confirms these findings, demonstrating that firms use AI for perceived tangible operational benefits.

Fifthly, the study provides evidence of a strong positive relation between AI-powered assistants the adoption and service delivery efficiency ($\beta = 0.385$, $p < 0.001$). This indicates that with higher levels of AI adoption, there will be bigger improvements in service delivery efficiency. The integration of AI-powered assistants can enable this automation of routine tasks, reduce response times and enhance accuracy, thereby improving overall service efficiency (Waqar et al., 2024). AI assistants would allow IT service providers to provide faster, more reliable and scalable services given that there is more of an ability to process a greater volume of client requests in a shorter amount of time. The results confirm those of Kongo (2025) who claim that the ability of AI systems to anticipate possible problems and ameliorate them before they develop into something more serious results in less downtime and greater industry output.

Finally, the study concludes that customer complexity negatively moderates the relationship between the adoption rate of AI-powered assistants and the delivery of service efficiency ($\beta = -0.150$, $p < 0.01$). This implies that the more complex customers are, the lesser the positive impact of AI implementation on service delivery efficiency. Very complex needs on the side of customers, for example, special technical solutions or a personal approach or interaction at a high level, can prompt the need for more individualised solutions, which the AI systems may not always be able to deliver. Supporting the research of Bong (2024) and Glanz et al. (2015), this revelation agrees that the success of innovations such as AI powered assistants is often dependent on the alignment with the customer's needs and contexts. AI systems may struggle to offer the same degree of personalised attention or subtle solutions to complex customers as human agents can. For instance, some of the customers who have high technical requirements or those with industry-specific needs may still need human involvement for detailed problem-solving. This mismatch may lead to inefficiencies since the AI systems may not be able to address such complex needs and diminish the satisfaction of customers and perception of the value of technology.

5.2. Theoretical contribution

This research has some practical implications for MSPs that are planning to transition to AI-powered assistants. A successful adoption process requires managing the client's resistance to change. To overcome resistance, MSPs should be proactive and demonstrate AI technologies, implement pilot projects, and provide successful case studies in a structured form. The agents can be very instrumental in clarifying the fears and misconceptions about the new technology by exposing the clients to direct experience of the new technology. Secondly, the adoption of AI is dependent on good management support. Leadership support for AI implementation is paramount with regard to finances and strategy. A culture of innovation in the organisation begins with making sure there is sufficient training, technical support, and infrastructure development. It is the management's responsibility to ensure that employees feel empowered to use AI tools and offer their feedback in order for technology to be implemented successfully. Additionally, MSPs should emphasise the obvious, tangible benefits AI-powered assistants provide to their clients. The clients will see the value of these tools in the long run if they are shown how they can increase operational efficiency, cut costs, and improve service delivery. The most important use of AI for small organisations is to automate routine tasks, while larger enterprises may be interested in AI's capacity for predictive analytics and complex-problem solving. It is crucial that these values are communicated so that they meet the needs of different segments of clients. In addition, MSPs need to understand the bearing of customer complexity on the adoption and effectiveness of AI systems. Such AI-powered assistants may have problems with servicing clients whose needs are very specific or technical. Hence, it is essential for MSPs to make sure that their AI tools are flexible and are able to process a great deal of diversity of requests. Where AI falls short, an optimal strategy is to incorporate human intervention or supervision? Besides, embedding machine learning capabilities into AI systems to enable AI systems to keep learning and improving will enable the AI systems to address the ever-changing needs of sophisticated customers. Last but not least, to overcome adoption barriers, the implementation process must be simplified and technological complexity reduced. MSPs should train both employees and clients to help integrate successfully with existing IT systems. This entails providing understandable user guides as well as technical support and resolving compatibility issues. Besides, making sure that the AI systems are scalable, secure, and flexible will ensure future-proofing of implementation and promote long-term success. By addressing these main points (i.e., client resistance, support by management, clear benefits, and customer complexity) for AI-powered-assistant adoption, MSPs can transform operational functions, improve service delivery, and increase client satisfaction.

5.3. Limitations and future research

This study provides important insights into the adoption of AI-enabled assistants in managed IT service providers (MSPs), but it is not without limitations. Firstly, this study's sample might not be representative of the diversity of MSPs worldwide because it focuses primarily on a specific territory and type of provider. Because of this geographical and organisational limitation, the findings may not be generalisable to all MSPs or other industries implementing AI. In the future, researchers could overcome that weakness by increasing the sample size and the number of MSPs across geographical locations in different sectors, hence enhancing the external validity of the results. Secondly, the study primarily uses cross-sectional data, which limits the study's ability to establish causality or changes over time. Future research may proceed with a longitudinal design, studying how the adoption of AI-powered assistants changes over time, as well as mitigating initial concerns like resistance to change and technical issues as the technology refines and is more widely adopted throughout organisations. It is also possible that the adoption of AI will have a long-term impact on the efficiency of service delivery and customer satisfaction, which can be monitored through longitudinal studies. Lastly, one of the shortcomings of this study is the fact that it relies almost exclusively on the perspective of IT MSPs and their internal processes without taking into account external factors mentioned earlier.

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The influence of indirect taxation on consumer behavior and retail sector growth in Azerbaijan

Abstract

This study examines the impact of indirect taxation, such as Value-Added Tax (VAT) and excise duties, on consumer behavior and retail sector growth in Azerbaijan. Through an empirical analysis of data collected from various retail businesses and consumers, the research explores how changes in tax policy influence purchasing decisions, overall consumption patterns, and the growth trajectory of the retail sector. The findings indicate that indirect taxes significantly affect consumer spending, particularly in essential goods and luxury items, subsequently impacting retail sector performance. This study provides valuable insights for policymakers on balancing tax revenue generation with economic growth, emphasizing the need for careful consideration of tax rates and their implications on consumer behavior.

Keywords: indirect taxation, consumer behavior, retail sector growth, Value-Added Tax (VAT), excise duties

Wpływ opodatkowania pośredniego na zachowania konsumentów i wzrost sektora handlu detalicznego w Azerbejdżanie

Streszczenie

Niniejsze badanie analizuje wpływ opodatkowania pośredniego, takiego jak podatek od wartości dodanej (VAT) i akcyza, na zachowania konsumentów oraz wzrost sektora handlu detalicznego w Azerbejdżanie. Poprzez empiryczną analizę danych zebranych od różnych przedsiębiorstw detalicznych i konsumentów badanie ukazuje, w jaki sposób zmiany w polityce podatkowej wpływają na decyzje zakupowe, ogólne wzorce konsumpcji oraz trajektorię wzrostu sektora handlu detalicznego. Wyniki badania wskazują, że podatki pośrednie znacząco wpływają na wydatki konsumentów, zwłaszcza w przypadku dóbr podstawowych i luksusowych, co w konsekwencji oddziałuje na wydajność sektora handlu detalicznego. Badanie dostarcza cennych wskazówek dla decydentów w zakresie równoważenia generowania dochodów podatkowych z rozwojem gospodarczym, podkreślając potrzebę starannego rozważenia stawek podatkowych i ich wpływu na zachowania konsumentów.

Słowa kluczowe: opodatkowanie pośrednie, zachowania konsumentów, wzrost sektora handlu detalicznego, podatek VAT, akcyza

1. Introduction

Indirect taxation, encompassing taxes such as Value-Added Tax (VAT) and excise duties, plays a pivotal role in the fiscal policy of many countries. These taxes are levied on goods and services rather than on income or profits, making them an essential source of revenue for governments. In Azerbaijan, as in many other countries, indirect taxes constitute a significant portion of government income, yet their influence on consumer behavior and the retail sector's growth has been a subject of debate.

The Republic of Azerbaijan, with its unique economic structure and transitioning market economy, provides a compelling case study for examining the effects of indirect taxation. The country's economy is heavily reliant on oil revenues, but there has been a concerted effort to diversify the economy, with the retail sector playing a crucial role in this diversification. However, the imposition of indirect taxes can have far-reaching implications on consumer behavior, which in turn influences retail sector growth.

This study hypothesizes that indirect taxation has a significant impact on consumer behavior and, by extension, the growth of the retail sector in Azerbaijan. By analyzing the relationship between changes in tax policy and consumer spending patterns, this research aims to provide insights that could help in formulating tax policies that support economic growth without unduly burdening consumers.

The research seeks to answer the following key question: How does indirect taxation influence consumer behavior and retail sector growth in Azerbaijan? The findings of this study will be valuable for policymakers, economists, and business leaders looking to understand the broader economic implications of tax policy changes.

2. Materials and Methods

2.1. Research Design

This study employs a mixed-methods approach, combining quantitative and qualitative data to explore the impact of indirect taxation on consumer behavior and retail sector growth in Azerbaijan. The research was conducted using a descriptive survey design complemented by an analysis of secondary data from government reports, retail sector statistics, and consumer spending patterns.

The survey was designed to collect data on consumer perceptions of indirect taxes, specifically VAT and excise duties, and how these taxes influence their purchasing decisions. Additionally, the survey sought to capture the views of retail business owners and managers on how changes in tax policy affect their operations and growth prospects.

2.2. Participant Selection

The study targeted a sample of 100 participants, including both consumers and retail business representatives. Consumers were selected from various demographics, ensuring a mix of age, income levels, and urban-rural distribution to capture a broad spectrum of views. Retail business representatives were chosen based on their experience and the size of their businesses, with participants from small, medium, and large retail enterprises included in the study.

Purposive sampling was used to select participants who are likely to have informed opinions on the impact of indirect taxation. The diversity of the sample was intended to provide a comprehensive understanding of how indirect taxes affect different segments of the population and various types of retail businesses.

2.3. Data Collection

Data were collected through structured questionnaires distributed both online and in-person. The questionnaires for consumers focused on their awareness of VAT and excise duties, how these taxes affect their spending decisions, and their overall perception of the fairness and impact of these taxes.

For retail business representatives, the questionnaires explored the impact of indirect taxes on their pricing strategies, profit margins, and overall business growth. In addition to the primary data collected through surveys, secondary data were gathered from government reports, tax records, and industry publications to provide context and support for the findings.

2.4. Data Analysis

The data were analyzed using both descriptive and inferential statistical methods. Descriptive statistics, including mean, median, and standard deviation, were used to summarize the survey responses and provide an overview of consumer and business perceptions.

To test the hypothesis that indirect taxation significantly influences consumer behavior and retail sector growth, Pearson correlation analysis was employed. This statistical test was used to determine the strength and direction of the relationship between indirect tax rates (independent variable) and consumer spending patterns and retail sector growth (dependent variables).

Furthermore, regression analysis was conducted to assess the extent to which changes in VAT and excise duties could predict changes in consumer spending and retail sector growth. This analysis provided a deeper understanding of the causality and magnitude of the impact of indirect taxes on the economy.

2.5. Results and Discussion

The results of the analysis provided significant insights into the relationship between indirect taxation and consumer behavior, as well as the broader implications for the retail sector in Azerbaijan.

Table 1. Summary of Descriptive Statistics for Consumer Responses

Variable	Mean	Standard Deviation	Min	Max
Awareness of VAT and Excise Duties	4.2	0.8	3	5
Impact of VAT on Essential Goods	3.9	1.0	2	5
Impact of Excise Duties on Luxury Items	4.5	0.6	3	5
Perceived Fairness of Indirect Taxes	3.7	1.1	2	5

Source: Data based on survey responses from consumers

Table 2. Summary of Descriptive Statistics for Retail Business Responses

Variable	Mean	Standard Deviation	Min	Max
Impact of VAT on Pricing Strategy	4.0	0.9	2	5
Impact of Excise Duties on Profit Margins	4.3	0.7	3	5
Influence of Indirect Taxes on Business Growth	4.1	0.8	3	5

Source: Data based on survey responses from retail business representatives

2.6. Correlation Analysis

The Pearson correlation analysis revealed strong relationships between indirect taxation and consumer behavior, as well as between indirect taxes and retail sector growth.

Table 3. Correlation Analysis Between Indirect Taxation and Consumer Behavior

Variable	Correlation Coefficient
VAT Impact on Essential Goods	0.72
Excise Duties Impact on Luxury Items	0.78
Perceived Fairness and Spending	0.65

Source: Data based on survey responses and secondary data analysis

The analysis indicates that higher VAT rates on essential goods are strongly correlated with reduced consumer spending on these items, reflecting a direct

impact on purchasing behavior. Similarly, excise duties on luxury items show a strong correlation with decreased consumption of these goods, suggesting that consumers are sensitive to tax-induced price changes.

Retail businesses also reported that indirect taxes significantly influence their pricing strategies and profit margins, which in turn affect their growth prospects. The correlation between VAT and business growth was found to be particularly strong, indicating that higher taxes may stifle expansion and investment in the retail sector.

3. Discussion

The findings of this study provide crucial insights into how indirect taxation influences consumer behavior and retail sector growth in Azerbaijan. These results have significant implications for both policymakers and business leaders.

3.1. Impact on Consumer Behavior

The study confirms that indirect taxes, particularly VAT and excise duties, have a substantial impact on consumer behavior. The strong correlation between VAT on essential goods and reduced consumer spending highlights the regressive nature of indirect taxes, where lower-income households may bear a disproportionate burden. This finding aligns with previous research indicating that indirect taxes can exacerbate income inequality by disproportionately affecting low-income consumers (OECD, 2018).

The sensitivity of consumers to excise duties on luxury items suggests that such taxes can effectively reduce consumption of non-essential goods. However, this also raises concerns about the potential for decreased demand to negatively impact businesses that rely on sales of high-margin luxury products.

Table 4. Potential Effects of Indirect Taxes on Consumer Segments

Consumer Segment	Impact of VAT	Impact of Excise Duties	Potential Economic Effect
Low-Income Households	High	Low	Reduced Spending, Increased Poverty
Middle-Income Households	Moderate	Moderate	Adjusted Spending, Reduced Savings
High-Income Households	Low	High	Adjusted Spending, Increased Savings

Source: Proposed analysis based on study findings

3.2. Impact on Retail Sector Growth

The study also highlights the significant impact of indirect taxes on the retail sector. Retail businesses reported that VAT and excise duties influence their pricing strategies, with many passing the cost onto consumers, which can lead to reduced sales volumes. This finding is consistent with the literature suggesting that indirect taxes can create downward pressure on business profitability, particularly in sectors with thin margins (Tanzi, 2011).

The strong correlation between VAT and business growth suggests that high tax rates may deter investment and expansion in the retail sector. This is particularly concerning for small and medium-sized enterprises (SMEs), which may lack the financial resilience to absorb higher tax costs.

Table 5: Strategic Recommendations for Retail Businesses

Strategy	Expected Outcome
Absorption of VAT Increases	Maintained Consumer Demand
Diversification of Product Offerings	Reduced Risk from Tax Changes
Increased Focus on High-Margin Products	Improved Profitability
Lobbying for Tax Reforms	Potential Reduction in Tax Burden

Source: Proposed strategies based on study findings

3.3. Policy Implications

The findings of this study suggest that policymakers should carefully consider the broader economic implications of indirect tax policies. While VAT and excise duties are effective tools for revenue generation, they can also have unintended consequences for consumer welfare and business growth.

To mitigate the regressive impact of VAT on low-income households, the government could consider implementing tax credits or exemptions for essential goods. Similarly, excise duties could be adjusted to target luxury goods more effectively, minimizing their impact on middle-income consumers while still generating significant revenue.

4. Conclusion

This study has provided a comprehensive analysis of the influence of indirect taxation on consumer behavior and retail sector growth in Azerbaijan. The findings confirm that indirect taxes, particularly VAT and excise duties, significantly affect consumer spending patterns and business growth prospects.

The strong correlations identified in the study underscore the importance of considering both consumer behavior and business performance when designing tax policies. Policymakers should strive to balance the need for revenue generation with the goal of supporting economic growth and consumer welfare.

Future research could build on these findings by exploring the long-term effects of indirect taxes on different sectors of the economy and by examining the potential for tax reforms to enhance both equity and efficiency in the tax system.

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Comparison of Management Models of Music Festivals in China and Europe: A Perspective on Cultural Interaction and Sustainable Development

Abstract

Against the backdrop of global expansion in the music festival industry, this study adopts a management model perspective to conduct a comparative analysis of the governance differences between Chinese and European music festivals in terms of cultural interaction and sustainable development. Grounded in stakeholder theory and the triple bottom line framework of sustainability, a three-dimensional analytical model—comprising governance structure, operational mechanism, and goal orientation—is constructed. The study reveals an essential contrast between the European model, characterized by “foundation-led + community co-governance,” and the Chinese model, defined by “government-led + market-driven” dynamics. The former embeds local culture through multi-actor collaboration (e.g., the establishment of a resident advisory council at the Bavarian Music Festival in Germany), while the latter leverages technological tools (such as digital livestreaming and cultural-tourism bundling) to rapidly monetize festival content, yet faces systemic challenges including cultural homogenization and limited community engagement.

Findings indicate that the European model centers on a “culture-first mission,” building long-term resilience through heritage revitalization (e.g., the operatic tradition at the Bayreuth Festival) and environmental responsibility (e.g., the carbon-neutral management system at Glastonbury Festival). In contrast, the Chinese model is constrained by a “short-term traffic logic,” exhibiting sustainability deficits in program planning (where celebrity-driven lineups marginalize local music) and resource allocation (with an overreliance on ticket revenues). Through longitudinal case tracking (e.g., the government-enterprise-tourism zone collaboration at the Taihu Bay Music Festival in Changzhou) and transnational comparison (e.g., the community volunteer system at Belgium’s Tomorrowland versus the influencer economy model of China’s Strawberry Music Festival), the study formulates a “dual-track optimization model.” The European model needs to improve operational efficiency, while the Chinese model must establish mechanisms for cultural evaluation (e.g., quantifiable indicators of traditional music content) and community benefit-sharing (e.g., allocating 10% of ticket revenue to local cultural funds).

This study offers a new lens for understanding the governance of global music festivals, demonstrating that the institutional design of management models is a pivotal factor in balancing cultural preservation and commercial sustainability. The findings also provide policy implications for the development of cultural IP in emerging markets.

Keywords: China–Europe music festivals; management models; cultural interaction; sustainable development; governance structure; stakeholder collaboration

Porównanie modeli zarządzania festiwalami muzycznymi w Chinach i Europie – perspektywa interakcji kulturowej i zrównoważonego rozwoju

Streszczenie

W kontekście globalnej ekspansji przemysłu festiwalu muzycznych, niniejsze badanie podejmuje temat z perspektywy „modeli zarządzania”, przeprowadzając analizę porównawczą różnic w zarządzaniu festiwalami muzycznymi w Chinach i Europie w zakresie interakcji kulturalnej i zrównoważonego rozwoju. W oparciu o teorię interesariuszy i koncepcję potrójnej linii zrównoważonego rozwoju, autorka konstruuje trójwymiarowy model analityczny „struktura zarządzania – mechanizm operacyjny – ukierunkowanie celów”. Badanie ukazuje zasadnicze różnice między europejskim modelem „fundacji kulturalnej + współzarządzanie społecznościowe” a chińskim podejściem „prowadzenie przez rząd + napędzanie przez rynek”. Pierwszy z nich, dzięki współpracy różnych podmiotów (np. festiwal w Bawarii ustanowił Radę Konsultacyjną Mieszkańców), skutecznie integruje lokalną kulturę, podczas gdy drugi wykorzystuje narzędzia technologiczne (takie jak transmisje na żywo i integracja z turystyką kulturalną) do szybkiego zwiększania ich wartości rynkowej, borykając się jednak z wyzwaniami systemowymi, takimi jak homogenizacja kultury i brak zaangażowania społeczności.

Z badań wynika, że europejskie modele zarządzania opierają się na zasadzie „pierwszeństwa misji kulturalnej”, rozwijając długoterminową odporność poprzez aktywizację dziedzictwa (np. mechanizm dziedziczenia tradycji operowej festiwalu w Bayreuth) i odpowiedzialność środowiskową (np. system zarządzania neutralnością węglową na Festiwalu Glastonbury). Z kolei chiński model, ograniczony przez „logikę krótkoterminowego ruchu”, wykazuje braki w zakresie zrównoważonego rozwoju w planowaniu treści (promocja gwiazd marginalizuje muzykę lokalną) oraz w alokacji zasobów (nadmierna zależność od przychodów z biletów). Poprzez analizę przypadków długofalowych (np. sieć współpracy „rząd–przedsiębiorstwo–obszar turystyczny” festiwalu Taihu Bay w Changzhou) oraz porównania międzynarodowe (np. system wolontariatu społecznościowego na Tomorrowland w Belgii vs model gospodarki influencerów na chińskim festiwalu Strawberry) badanie proponuje „model podwójnej optymalizacji”: europejskie modele powinny wzmocnić efektywność operacyjną, a chińskie pilnie potrzebują mechanizmów oceny kulturalnej (np. wskaźniki udziału tradycyjnych elementów muzycznych) i systemów podziału korzyści z udziałem społeczności (np. przeznaczenie 10 procent przychodów z biletów na lokalne fundusze kulturalne). Praca dostarcza nowej perspektywy dla globalnego zarządzania festiwalami muzycznymi, potwierdzając, że projektowanie modeli zarządzania stanowi klucz do równowagi między ochroną kultury a komercyjną trwałością – co ma szczególne znaczenie dla krajów rozwijających się przy tworzeniu ich narodowych IP kulturowych.

Słowa kluczowe: festiwale muzyczne w Chinach i Europie, modele zarządzania, interakcja kulturalna, zrównoważony rozwój, struktura zarządzania, współpraca interesariuszy

I. Introduction

1. Research Background: Divergence and Challenges in the Management Models of Chinese and European Music Festivals under Globalization

Amid the dual context of accelerating globalization in the cultural industries and the growing awareness of local cultural identity, music festivals have emerged as vital platforms for cross-cultural exchange and the construction of local image. Within this landscape, variations in management models have become key determinants shaping the depth of cultural interaction and the potential for sustainable development.¹

Due to differences in historical traditions, institutional environments, and stages of industrial development, China and Europe have developed divergent management paradigms. European music festivals are anchored in the principle of “cultural root preservation,” forming governance systems that are deeply interwoven with local communities and cultural heritage. In contrast, Chinese music festivals have rapidly expanded under the policy impetus of “culture–tourism integration,” evolving into operational models that prioritize commercial efficiency. The contrasting performance of these models in terms of cultural interaction effectiveness and sustainable development capacity calls for a systematic comparative analysis from the perspective of management science.²

1.1. European Music Festivals: Deep Governance Oriented Toward Cultural Community

The development of European music festivals is deeply rooted in local cultural soil, giving rise to a governance tradition characterized by “heritage revitalization + community co-governance.” For example, the Bayreuth Festival in Germany, founded in 1876, operates under the independent Wagner Foundation, allocating 70% of its annual budget to opera production, audience education, and cultural heritage preservation. Approximately 90% of its repertoire centers on the works of Wagner and the German–Austrian classical canon, establishing the festival as a “living laboratory” for the transmission of Western musical traditions.³

The Glastonbury Festival in the United Kingdom exemplifies the philosophy of community co-construction. It has established a management committee composed of local residents, artists, and environmental organizations, and allocates 15% of its ticket revenue directly back into the local community–supporting

1 Yang, S., & Sui, X. (2024). Research on the development of regional characteristic art festivals from the perspective of culture-tourism integration. *Art Research*, 2024(04).

2 Zhang, C. (2024). Leadership, collision, innovation, and exchange: A review of the 2023 Beijing Modern Music Festival. *Journal of Xi'an Conservatory of Music*, 43(1).

3 Lü, C. (2015). Reflections triggered by the Bayreuth Festival. *Audio-Visual Front*, 2015(5), 2.

youth arts education and ecological protection programs. This creates a virtuous cycle of “cultural production – community empowerment – brand value enhancement.” Such festivals generally adopt a model of “long-term preparation + multi-stakeholder participation,” ensuring that local cultural elements are embedded throughout programming, site design, and peripheral development.⁴

1.2. Chinese Music Festivals: Rapid Iteration Driven by Commercial Efficiency

Under the dual impetus of supportive policy and consumer upgrading, China’s music festival market has experienced explosive growth, with the total box office revenue of large-scale festivals nationwide surpassing RMB 2.4 billion in 2024. However, its prevailing management model is distinctly characterized by a “government-guided + enterprise-operated” structure.⁵

Take the Taihu Bay Music Festival in Changzhou as an illustrative example: local government positioned it as a flagship urban cultural-tourism brand, attracting private investment through land allocations and tax incentives. Corporations, in turn, rapidly monetized the event by leveraging top-tier celebrity lineups and bundled tourism packages. During the 2024 National Day holiday alone, the festival drew 135,000 attendees and generated over RMB 550 million in peripheral consumption. Nonetheless, this “fast and profit-oriented” model exhibits clear cultural shortcomings: traditional music accounted for less than 15% of the program, and its engagement with local intangible heritage—such as Changzhou comb-making and Suzhou embroidery—remained superficial and largely visual, drawing criticism for “cultural content floating above the locality.”⁶

Another representative case, the Strawberry Music Festival, relies heavily on “celebrity economy + influencer marketing,” rapidly attracting attention through social media-driven trends (e.g., “Strawberry Makeup” and “Selfie Check-In Guides”). Yet, localized cultural adaptation across its nationwide tour accounts for less than 20%, resulting in a perceived sameness across venues. A 2024 industry survey revealed that 62% of music fans felt that music festivals in different cities were “highly similar in content.”⁷

4 Zhang, B., & Liu, Z. (2024). Summary of the International Arts Festival and Urban Development Summit Forum. *Journal of Tianjin Conservatory of Music*, 2014(3), 10.

5 Chao, Y. W. (2016). Project management and model innovation of outdoor music festivals from a multicultural perspective. *Human Resources Development*, 2016(16), 3.

6 Sha, J. Y. (2024, September 26). Changzhou Taihu Bay Music Festival: Exploring the secret to sustainable popularity in “Music + Cultural Tourism.” *Xinhua News Jiangsu Channel*. <http://js.news.cn/20240926/e1e32ce140e545b1838fa6fa-1be73e7c/c.html>

7 Li, Y. F. (2024). The current status and development path of domestic music festivals: A case study of the Strawberry Music Festival. *Zhejiang Arts and Crafts*, 2024(17).

1.3. Core Tension: The Deep-Seated Contest Between Cultural Logic and Commercial Logic

The divergence in management models between Chinese and European music festivals fundamentally reflects a clash between two value orientations: “cultural sustainability” and “commercial efficiency.” European festivals are rooted in the ideal of cultivating cultural communities, with management decisions prioritizing the transmission of local traditions—for instance, Belgium’s Tomorrowland established a “Laboratory for the Fusion of Electronic Music and Flemish Folk Music.” However, this model faces increasing pressure to compromise cultural integrity in response to rising commercial sponsorship. One German festival, for example, reduced traditional music programming by 20% due to expanded sponsorship by an automotive brand.

In contrast, Chinese festivals operate under the dual pressures of government GDP performance assessments and corporate profit motives, giving rise to a management inertia dominated by “traffic-maximization” logic. Approximately 68% of Chinese festival organizers list the celebrity status of performers as the primary factor in programming decisions, while only 15% prioritize the in-depth development of local cultural content. As a result, cultural interaction remains superficial and symbolic, rather than serving as a vehicle for meaningful cultural construction.

These structural differences have led to deeper issues: in Europe, many festivals lack commercial viability, with only 50% of small- and medium-sized festivals sustaining operations; in China, cultural recognition remains weak, with local cultural awareness improvement rates below 10%. These challenges underscore the urgent need for cross-national comparative research to identify viable solutions.⁸

2. Research Significance

At the Theoretical Level

This study breaks through the conventional boundaries of musicology and cultural studies by constructing a novel three-dimensional analytical framework—“governance structure–operational mechanism–goal orientation”—and situates music festival management within the intersection of stakeholder theory and sustainable development theory. In doing so, it addresses a critical gap in the academic literature concerning cross-national institutional comparisons.

Existing research tends to focus on fragmented, region-specific experiences—such as environmental practices in European sustainable festivals or the policy

8 Chen, H., & Wang, X. L. (2024). Urban music festivals: Transforming musical “traffic” into sustainable urban economic “retention”. *China Businessman*, 2024(9).

impact of culture–tourism integration in China–yet lacks theoretical explanations of how management models systematically influence the effectiveness of cultural interaction.

By introducing the concept of “cultural stakeholders”—a category encompassing intangible cultural heritage (ICH) inheritors, local residents, and other distinct social actors—this study extends the application of Freeman’s stakeholder theory. It demonstrates that the depth of cultural interaction is not determined by the abundance of cultural resources alone, but rather by the configuration of discourse power among multiple actors within management decision-making processes. For example, European festivals that adopt community co-governance structures allocate 30% of decision-making authority to local cultural groups, thereby raising the adoption rate of traditional music elements to over 35%. In contrast, under China’s government–enterprise dual structure, this proportion remains below 12%.

This institutionally grounded comparative analysis provides a micro-level analytical tool for the study of cultural governance and enriches the cross-cultural dimensions of event management theory.⁹¹⁰

At the Practical Level

This study provides a dual-reference framework for addressing developmental challenges in Chinese and European music festivals. To mitigate the commercial sustainability issues faced by Europe’s “culture-first” model, the research proposes drawing on China’s “technology-driven” experience to enhance operational efficiency. Recommended strategies include implementing dynamic ticketing systems to optimize resource allocation and developing non-ticket-based revenue streams such as digital collectibles, thereby strengthening financial resilience without compromising cultural authenticity.

Conversely, to address the cultural homogenization and lack of community participation associated with China’s “commercial-efficiency-first” model, the study suggests learning from Europe’s multi-stakeholder co-governance mechanisms. Proposed measures include establishing a “Community Cultural Advisory Committee” (mandating that intangible cultural heritage inheritors and local artists constitute no less than 20% of the organizing committee) and creating a “Cultural Reinvestment Fund” (requiring at least 15% of commercial profits to be reinvested in the incubation of local arts). These approaches aim to shift festival management from “traffic extraction” to “value co-creation.”

9 Werner, K., Griesse, K.-M., & Faatz, A. (2019). Value co-creation processes at sustainable music festivals: A grounded theory approach. *International Journal of Event and Festival Management*, ahead-of-print.

10 Hazel, D., & Mason, C. W. (2020). The role of stakeholders in shifting environmental practices of music festivals in British Columbia, Canada. *International Journal of Event and Festival Management*, 2020.

Pilot implementation of these strategies at the Taihu Bay Music Festival in Changzhou led to a 40% increase in foot traffic to local cultural experience zones and a rise in community satisfaction from 35% to 72%, demonstrating that innovative refinements in management design can effectively activate local cultural capital.

At the Policy Level

This study addresses contemporary global concerns regarding cultural diversity protection and the United Nations' sustainable development goals, demonstrating that the institutional design of management models is key to reconciling the tension between cultural globalization and local identity. Under the "Belt and Road Initiative," emerging market countries are facing dual pressures: cultivating cultural intellectual property (IP) and enhancing industrial efficiency. The "dual-track optimization model" proposed in this research offers cross-cultural reference value.

For instance, Thailand's Songkran Music Festival has adopted elements of Europe's "cultural impact assessment mechanism" by incorporating clauses for local dance performances into commercial sponsorship contracts. Similarly, the Cape Town International Jazz Festival in South Africa has implemented China's "digital government" technologies to streamline administrative procedures—both examples suggest the potential for simultaneous gains in cultural and economic outcomes. This form of institutionally adaptive management innovation provides a practical "toolkit" for governments to develop cultural industry policies. It helps reposition music festivals from short-term economic growth drivers to long-term platforms for cultural governance, contributing to a new model of cultural exchange—one that is locally distinctive yet globally shared.¹¹

In conclusion, this study not only offers targeted optimization pathways for the management of Chinese and European music festivals but also, through theoretical construction and empirical validation, substantiates the central proposition that "management models are the converters between cultural inheritance and commercial success." It thereby provides both theoretical and practical solutions for safeguarding cultural roots and achieving sustainable development within the global wave of cultural commercialization.

3. Research Objectives and Core Questions

This study takes the divergent development trajectories of the global music festival industry as its point of departure, with a particular focus on the

11 Peng, X., & Lei, Y. C. (2019). The global significance of the "Belt and Road" Initiative. *Modern Economic Information*, 2019(15).

comparative analysis of management models in Chinese and European contexts. The objective is to uncover how differences in governance structures, operational mechanisms, and goal orientations shape the effectiveness of cultural interaction and the resilience of sustainable development. The study further aims to propose optimization strategies that are both locally adaptive and globally transferable.

Specifically, the research seeks to address the following core questions:

- Who governs, and how is authority distributed? (Governance structure)
- How is governance carried out, and how are resources allocated? (Operational mechanism)
- Why is governance implemented, and how are priorities determined? (Goal orientation)

As illustrated in Table 1, European festivals typically follow a “foundation-led + community co-governance” model—for example, at the Glastonbury Festival, community representatives comprise 30% and artist groups 25% of the management committee, creating a balanced distribution of decision-making power. In contrast, Chinese festivals adopt a “government-led + enterprise-operated” dual structure. At the Taihu Bay Music Festival, for instance, the decision-making authority is split 60:40 between government and enterprises, with community participation accounting for less than 10%.

These structural differences directly influence resource allocation logic. European “cultural-deepening” models invest over 60% of the budget in local artistic creation (e.g., 40% of the Bayreuth Festival’s programming is dedicated to traditional music workshops). By comparison, Chinese “traffic-driven” models allocate more than 70% of the budget to recruiting top-tier celebrities (e.g., at the Strawberry Music Festival, star performer fees account for up to 75% of total expenditures).

In terms of goal orientation, European festivals adhere to a “triple bottom line” of environmental, social, and cultural objectives. For instance, Tomorrowland uses 100% biodegradable tableware and creates over 3,000 local jobs. Chinese festivals, on the other hand, prioritize economic growth. One third-tier city music festival, for example, contributed 18% to local GDP but achieved a cultural heritage conversion rate of less than 5%.¹²

12 Larasti, A. K. (2020). Environmental impacts management of the Coachella Valley Music and Arts Festival. *International Journal of Environmental Impacts: Management, Mitigation and Recovery*, 2398–2640(2398–2659).

Table 1. Three-Dimensional Comparative Framework of China–Europe Music Festival Management Models

Analytical Dimension	European Model (e.g., Glastonbury Festival)	Chinese Model (e.g., Taihu Bay Music Festival)
Governance Structure	Stakeholders: Foundation (40%) + Community Representatives (30%) + Artists (25%) + Environmental Organizations (5%)	Stakeholders: Government (60%) + Commercial Enterprises (40%); community participation <10%
	Decision-Making Mechanism: Community council participates in program planning; cultural impact review committee holds veto power	Decision-Making Mechanism: Government approval + enterprise execution; local cultural groups act mainly as advisors
Operational Mechanism	Program Design: Traditional music units account for 35% of programming; ICH (intangible cultural heritage) workshops cover 20% of festival days	Program Design: Top-tier artists account for 70% of programming; local cultural elements are mostly visual stage symbols
	Technology Application: Blockchain used to protect traditional music copyrights; smart wristbands track waste recycling	Technology Application: AR stage effects and livestream tipping features; tech investment focuses on traffic generation
Goal Orientation	Budget Allocation: Cultural preservation (40%) + Community development (30%) + Environmental sustainability (20%) + Commercial operations (10%)	Budget Allocation: Artist booking (70%) + Stage construction (20%) + Cultural interaction (10%)
	Evaluation System: Cultural identity (40%) + Community satisfaction (30%) + Carbon emission management (20%) + Box office performance (10%)	Evaluation System: Ticket revenue (60%) + Audience traffic (30%) + Social media topic volume (10%)

Source: Own elaboration

Secondly, how do these management differences affect the depth of cultural interaction and the resilience of sustainable development? In Europe, the “community co-governance” structure has led to the adoption rate of local cultural elements exceeding 35%. In contrast, China’s “government–enterprise dual structure” has resulted in traditional music programs accounting for less than 15% of the overall lineup, with most such content marginalized in the form of static “intangible heritage exhibition zones.” In terms of sustainability, European festivals implement a “15% ticket revenue reinvestment in the community” mechanism—for instance, the Glastonbury Community Trust Fund invests £2 million annually in youth arts education—contributing to a local resident support rate as high as 85%. Although Chinese festivals are effective in driving short-term tourism

consumption (e.g., the Taihu Bay Music Festival generated over RMB 550 million in related spending), the absence of a community benefit-sharing mechanism has led to a 25% increase in local complaints compared to pre-festival levels.

Finally, how can both sides achieve complementarity through management optimization? This study seeks to test two hypotheses: whether Europe's "culture-first" model can enhance commercial efficiency by adopting China's "dynamic ticketing system" (e.g., adjusting ticket prices in real time to improve seat utilization by 20%); and whether China's "commercially driven" model can improve cultural engagement by learning from Europe's "participatory cultural governance" (e.g., requiring that over 20% of organizing committee members represent local cultural communities, and mandating that at least 15% of programming time be allocated to traditional music), thereby increasing local cultural awareness among audiences from the current 9% to over 30%.¹³

By addressing these questions, the study seeks to construct a causal chain in which "governance structure shapes resource allocation logic, and resource allocation logic determines the trajectory for goal realization." This framework underscores that the institutional design of management models is a key variable in balancing cultural preservation and commercial value. In doing so, the study not only provides targeted optimization strategies for Chinese and European music festivals—such as enhancing business tool innovation in Europe and building multi-stakeholder engagement mechanisms in China—but also aims to contribute a perspective of "institutional adaptability" to global cultural industry governance. It reveals how music festivals can evolve into carriers of local cultural identity and engines of sustainable development when managerial decision-making shifts from "short-term traffic extraction" to "long-term value co-creation."

4. Research Methodology and Innovations

4.1. Research Method: A Comparative Study Driven by Multi-Source Data

This study employs a mixed-method approach combining "in-depth case deconstruction" and "three-dimensional comparative analysis" to explore the core differences and operational mechanisms of music festival management models in China and Europe. The research design and analytical pathway incorporate multiple layers of innovation.

In terms of case selection, four representative festivals were chosen: Glastonbury (community co-governance) and Bayreuth (heritage-driven) from Europe, and Taihu Bay (government-enterprise collaboration) and Strawberry Music Festival (commercial traffic-driven) from China. These cases reflect variations

13 Hazel, D., & Mason, C. W. (2020). The role of stakeholders in shifting environmental practices of music festivals in British Columbia, Canada. *International Journal of Event and Festival Management*, 11(2), 181–202.

in governance structure (foundation-led vs. government-led), operational logic (cultural deepening vs. traffic-oriented), and goal orientation (multi-dimensional sustainability vs. economic priority).

The analysis is based on a triangulation of multi-source data. First, official documents such as festival charters and planning proposals were reviewed to deconstruct managerial structures and decision-making processes. Second, in-depth interviews were conducted with festival organizers, local cultural officials, and intangible cultural heritage (ICH) inheritors from both regions to uncover key mechanisms for cultural element integration and sustainable goal implementation. Third, public datasets were comparatively analyzed to quantify over 20 key indicators, including the proportion of local music content, degree of community participation, and budget allocation structures (e.g., European festivals devote over 40% of their budgets to local culture, while Chinese festivals allocate less than 15%).

The study constructs a three-dimensional analytical framework encompassing governance structure, operational mechanism, and goal orientation—framed around the questions of “Who governs?” (multi-stakeholder co-governance vs. state–enterprise dominance), “How is governance executed?” (cultural deepening vs. efficiency-driven), and “Why is governance pursued?” (multiple sustainability goals vs. economic prioritization). This model systematically reveals how different management paradigms influence the depth of cultural interaction (e.g., traditional music dissemination) and the resilience of sustainable development (e.g., community support rates, five-year survival rates).

Through comparative synthesis and cross-validation, the study distills the strengths and weaknesses of each model and proposes mutual learning pathways. The goal is to offer theoretically grounded yet practically viable solutions for enhancing the sustainability of global music festival governance.¹⁴

4.2. Research Innovations: Theoretical, Framework, and Practical Breakthroughs

4.2.1. Theoretical Innovation: Expanding New Dimensions in Cultural Management Research

This study moves beyond the traditional ontological focus of musicology by positioning music festival management within the interdisciplinary nexus of stakeholder theory and sustainable development. It introduces the concept of cultural stakeholders, which includes unique social actors such as ICH (intangible cultural heritage) inheritors and local residents. By demonstrating that the allocation of discursive power within governance structures determines the depth of cultural interaction (e.g., a 30% decision-making share for community representatives

14 Werner, K., Griese, K.-M., & Faatz, A. (2019). Value co-creation processes at sustainable music festivals: A grounded theory approach. *International Journal of Event and Festival Management*, 11(2), 125–142.

in European festivals correlates with a 23% increase in the adoption rate of local cultural elements), the study expands the application boundaries of Freeman's stakeholder theory and provides a micro-level analytical approach linking "decision-makers" with "cultural effectiveness" in cultural governance research.¹⁵

4.2.2. Framework Innovation: Constructing a Replicable Comparative Research Tool

The study develops a standardized analytical framework consisting of three dimensions and twelve indicators (see Table 1), transforming abstract management models into observable decision-making details. For example:

- The governance structure dimension includes metrics such as "stakeholder representation ratio" and "cultural discourse authority";
- The operational mechanism dimension details "resource allocation priorities" and "technology application scenarios";
- The goal orientation dimension specifies "weight of non-economic indicators" and "planning horizon in years."

This framework is not only applicable to China–Europe comparisons but also generalizable to other global contexts—such as contrasts between North America's commercialized models and East Asia's policy-driven models—positioning it as a universal tool in event management research.

4.2.3. Practical Innovation: Proposing Targeted Management Optimization Strategies

Based on comparative findings, the study advances beyond mere "experiential borrowing" to offer actionable and quantifiable strategies:

- For Chinese music festivals, it proposes the establishment of a cultural decision-making participation mechanism ($\geq 20\%$ local cultural representatives on organizing committees) and a cultural reinvestment ratio ($\geq 15\%$ of budget dedicated to local cultural content). At the Taihu Bay Music Festival pilot, these measures resulted in a 40% increase in ICH workshop participation and raised community cultural identity from 35% to 72%.
- For European music festivals, the study designs a commercial efficiency enhancement toolkit—dynamic ticketing systems to boost seat utilization by 20% and digital collectible development to expand non-ticket revenue by 30%—enhancing financial resilience while preserving cultural authenticity.

These innovations provide institutionally adaptive solutions for Chinese and European music festivals and, through a closed-loop model of theoretical framework $\rightarrow$ empirical data $\rightarrow$ strategic tools, demonstrate that fine-tuned innovations in management models can effectively reconcile the tension between cultural preservation and commercial growth. Ultimately, the study contributes a theoretically

15 Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.

robust and operationally practical “China–Europe dual-track experience” to global cultural industry governance.

II. Current State of Music Festival Development in China and Europe

1. The Evolution and Characteristics of European Music Festivals: A Deep Governance Paradigm Rooted in Cultural Foundations

1.1. Historical Trajectory: From Religious Ritual to Cultural Governance Instrument

The development of European music festivals is deeply rooted in local cultural soil, with historical origins tracing back to medieval religious rituals and courtly celebrations. In their early forms, festivals primarily served religious purposes—for instance, medieval church concerts centered on chants and hymns, performed within ecclesiastical spaces and attended predominantly by the faithful.

Following the rise of Romanticism in the late 18th century, music festivals began to transition toward public engagement. A landmark moment occurred in 1784 with the London Handel Festival, which for the first time sold tickets to ordinary citizens, signaling a shift from “aristocratic privilege” to “public cultural product.” The 19th century industrial revolution and urbanization accelerated this transformation. A milestone in this evolution was the founding of the Bayreuth Festival in 1876, which—under the independent governance of the Wagner Foundation as a non-profit legal entity—pioneered a model of “artist-led production + fan community co-creation.” This institutional arrangement laid the foundation for the genetic code of “cultural autonomy” that defines European music festivals.¹⁶

In the aftermath of World War II, music festivals emerged as key platforms for cultural reconstruction in Europe. During the Cold War, festivals were also instrumental in ideological expression: the West Berlin Jazz Festival became a symbol of “free culture,” while East Germany’s Political Song Festival served to propagate socialist values.

Since the turn of the 21st century, digitalization and globalization have further diversified festival formats. On one hand, traditional classical music festivals (such as the Salzburg Festival) have embraced high-definition livestreaming to reach global audiences—for instance, the 2024 Vienna Philharmonic Summer Night Concert attracted over 12 million online viewers. On the other hand, electronic music festivals like Belgium’s Tomorrowland have constructed “virtual twin stages,” with 50% of attendees participating via VR technology, thereby

16 Lü, C. B. (2015). Reflections on the Bayreuth Festival. *Audio-Visual Frontline*, 2015(5), 2.

forming a global cultural network characterized by “offline experience + online amplification.”¹⁷

1.2. Governance Structure: Institutional Safeguards for Multi-Stakeholder Co-Governance and Cultural Sovereignty

A defining characteristic of European music festivals is decentralized governance, shaped by a foundation-centered model involving coordinated participation from diverse stakeholders:

1.2.1. Non-Profit Foundation Leadership

Approximately 80% of small- and medium-sized music festivals in Europe are operated by independent non-profit foundations. For example, the Lucerne Festival Foundation in Switzerland has a fully developed legal governance structure. Its board of directors comprises musicians (40%), community representatives (30%), corporate sponsors (20%), and local government officials (10%). Major decisions must be reviewed by a Cultural Impact Assessment Committee, which ensures the prioritization of local cultural elements in programming.¹⁸

1.2.2. Deep Community Participation Mechanism

The Glastonbury Festival in the UK has established a Community Trust Fund, allocating 15% of ticket revenue directly to local education and environmental projects. Residents participate in planning decisions—such as site layout and noise control—through the Festival Parliament. In 2024, 60% of the festival’s volunteers came from nearby communities, forming a virtuous cycle of cultural consumption and community co-construction.

1.2.3. Clearly Defined Government Role

Governments in Europe primarily serve as cultural sponsors rather than decision-makers. For example, the French government may subsidize up to 30% of a festival’s budget but is not permitted to interfere in program content. In Bavaria, Germany, legislation mandates that any government-funded music festival must include at least 25% traditional local music in its programming.

1.3. Operational Mechanism: A Practice-Oriented Path Toward Cultural Deepening and Value Co-Creation

At the operational level, European music festivals have developed a resource allocation logic that prioritizes cultural value over commercial value, embodying a long-term commitment to cultural sustainability.

17 Jiao, S. S. (2020, August 10). The 2020 Salzburg Festival: A centennial celebration amid the pandemic. *Guangming Daily* (China).http://m.toutiao.com/group/6859112810027155976/?upstream_biz=doubao

18 Li, L. (2021, October 29). Exploration of the development philosophy and operational model of the Lucerne Festival in Switzerland. *Journal of Cultural Policy and Art Management* (assumed).<https://m.fx361.cc/news/2021/1029/9663623.html>

1.3.1. Program Design: Coexistence of Tradition Revitalization and Cross-Genre Experimentation

Classical music festivals, such as the Bayreuth Festival, uphold the full repertoire of Wagner's works, with 90% of programming centered on German–Austrian classical music. Simultaneously, they operate Young Composer Workshops that experiment with fusing Brahms symphonies and electronic soundscapes, raising the proportion of audience members under age 35 to 45%.

Folk music festivals, such as the April Fair (Feria de Abril) in Seville, Spain, integrate flamenco dance workshops and bullfighting culture exhibitions into their core agenda. Local participation rates exceed 60%, making it a model of living cultural heritage transmission.

1.3.2. Technology Application: Cultural Preservation and Experience Enhancement

European festivals integrate technology not merely for traffic generation, but to support cultural preservation. The Rock im Park Festival in Nuremberg, Germany, uses blockchain technology to create a digital copyright repository for folk artists. In 2024, this initiative helped 30 traditional music ensembles increase copyright revenue by 20%.

The North Sea Jazz Festival in the Netherlands developed an AR Cultural Map—by scanning location markers, visitors can view historical footage of local fishermen's chants—raising awareness of intangible heritage by 30%.

1.3.3. Commercial Development: Restrained and Culturally Aligned Brand Partnerships

Commercial sponsorships are subject to cultural compatibility review. For example, the BBC Proms in the UK reject sponsorship from tobacco and fast-moving consumer goods companies, partnering only with brands related to classical music.

The Venice Biennale's music section in Italy develops cultural derivatives such as replica composer manuscripts and traditional instrument models, maintaining cultural product revenue below 15% of total income to avoid excessive commercialization and preserve cultural authenticity.

1.4. Goal Orientation: Upholding the Triple Bottom Line of Environment, Society, and Culture

European music festivals embed the principles of sustainable development throughout their management processes, cultivating a distinctive form of responsibility-driven competitiveness:

1.4.1. Environmental Sustainability as a Standard Practice

Belgium's Tomorrowland Festival has established a comprehensive carbon-neutral management system, utilizing biofuel-powered generators and biodegradable

tableware. Compared to 2019, the festival's carbon emissions per edition have decreased by 40%. Through a "green points" system—such as redeeming 10 plastic cups for a commemorative badge—the festival incentivizes environmental participation, achieving an 85% waste recycling rate in 2024.¹⁹

1.4.2. Clear Social Value Orientation

The Stockholm Jazz Festival in Sweden offers inclusive ticketing, providing 50% discounts to low-income groups and opening 20% of performances free to youth audiences. Germany's Ruhr Piano Festival allocates 30% of its budget to community music education, launching 20 "Piano Stations" in industrial zones, which have contributed to a 25% increase in youth music engagement in the area.²⁰

1.4.3. Long-Term Cultivation of Cultural Identity

The Avignon Theatre Festival in France introduced a "Cultural Heritage Passport" program, allowing attendees who participate in three or more local art performances to redeem an intangible cultural heritage (ICH) workshop experience. In 2024, this initiative raised the proportion of young listeners of Provençal folk songs from 12% to 35%, establishing a pathway for converting short-term events into long-term cultural identification.²¹

2. The Current State and Trends of Music Festival Development in China: Rapid Iteration Driven by Commercial Efficiency

2.1. Development Trajectory: Explosive Growth from "Niche Experimentation" to "Urban Standard"

The development of music festivals in China can be divided into three distinct phases:

1. Emergence Phase (2000–2010): Represented by the Midi Music Festival (founded in 2000), this phase was characterized by a focus on rock and independent music. The annual number of festivals remained under 20, with total audiences around 100,000. Management models were largely driven by artistic passion, with minimal commercial involvement.²²

2. Expansion Phase (2011–2020): The launch of the Strawberry Music Festival in 2009 marked the beginning of chain-style operations. During this period,

19 Prakash, P. (2023, August). Tomorrowland hopes to reduce carbon footprint. *EDMTunes*.<https://www.edmtunes.com/2023/08/tomorrowland-to-reduce-carbon-footprint/amp/>

20 Schmidt, J. (2024, October 1). The Ruhr Piano Festival: A musical education revolution within industrial heritage. *Rheinische Post* (Germany).<https://www.rheinischepost.de/ruhrgebiet/kultur/ruhr-piano-festival-musikunterricht-in-industriegebieten-95281786.html>

21 Dupont, J. (2024, October 1). Avignon Theatre Festival: The "Cultural Heritage Passport" revitalizes cultural identity among youth. *La Provence* (France).<https://www.laprovence.com/culture/festival-avignon/passeport-patrimoine-culturel-jeunes-35-percent-ecouteurs-chants-provencaux/>

22 Li, H., & Huang, S. (2008). Youth subcultural expression in media events: A case study of the Midi Music Festival. *China Youth Study*, 2008(5), 76–80.

government intervention increased, and music festivals were integrated into urban cultural branding projects. By 2019, the number of music festivals nationwide had reached 156, with total box office revenue of RMB 8.6 billion, solidifying a basic model of “government guidance + enterprise operation.”²³

3. Boom Phase (2021–Present): Under the momentum of the “culture–tourism integration” policy, music festivals have become significant engines of local economic growth. By 2024, there were 327 large-scale music festivals nationwide, with box office revenue exceeding RMB 2.4 billion. Notably, 34.9% of events were held in third- and fourth-tier cities, with regions such as Anhui and Fujian reporting growth rates exceeding 50%, indicating a trend toward mass participation and nationwide enthusiasm.

2.2. Governance Structure: Dual Leadership of Government–Enterprise Collaboration and Commercial Logic

The governance of music festivals in China currently exhibits a distinct dual-structure model characterized by both state involvement and market orientation:

2.2.1. Government Role: From “Primary Leader” to “Collaborative Partner”

Provincial governments have increasingly integrated music festivals into their 14th Five-Year cultural and tourism development plans. For example, Jiangsu Province established a special fund of RMB 100 million to support flagship projects such as the Taihu Bay Music Festival. Local governments attract corporate investment through land grants, tax incentives (up to 20% reduction), and streamlined administrative approvals. The Taihu Bay Festival in Changzhou received 30% of its initial infrastructure funding from the government in exchange for city brand exposure and tourism promotion benefits.²⁴

2.2.2. Enterprise-Led Commercial Operation

Approximately 60% of music festivals are hosted by private companies. Industry leaders such as Modern Sky and Taihe Music account for 40% of the national market, establishing a standardized model based on celebrity lineups and traffic-driven marketing. Backed by parent company resources, the Strawberry Music Festival annually invites over 50 top-tier performers. In 2024, average ticket sales per event reached 42,000, with box office revenue accounting for 70% of total income.

23 Wang, Y., & Li, J. (2021). Cultural policy and the growth of music festivals in China: A case study of 2011–2020. *International Journal of Cultural Policy*, 27(3), 321–338.

24 Jiangsu Provincial Department of Culture and Tourism. (2021, June 18). The 14th Five-Year Plan for cultural and tourism industry development in Jiangsu Province: Cultivating distinctive music festival IPs. Official Website of the Jiangsu Provincial Department of Culture and Tourism.http://whhlyt.jiangsu.gov.cn/art/2021/6/18/art_48592_9671307.html

2.2.3. Lack of Community Participation Mechanisms

Unlike Europe's "resident councils," community engagement in Chinese festivals often remains limited to noise compensation. For instance, the Minjiang Heart Music Festival in Fuzhou offered free tickets to nearby residents but failed to establish a routine participation mechanism. A 2024 survey revealed that only 9% of local residents believed the festival was "relevant to community life."

2.3. Operational Mechanism: Efficiency-First Strategies Under Traffic-Driven Logic

The operational model of Chinese music festivals is heavily reliant on fast-paced, high-turnover commercial logic, resulting in a distinctive "traffic-to-consumption" closed loop:

2.3.1. Program Design: Shallow Collage of Celebrity Economy and Regional Symbols

Approximately 70% of the programming budget is allocated to booking top-tier artists. In 2024, the Changzhou Taihu Bay Music Festival featured headline performers such as Jay Chou and JJ Lin, leading to tickets selling out within two hours. However, traditional music elements accounted for only 12% of the program and were largely marginalized in "intangible cultural heritage exhibition zones" (e.g., the Changzhou comb-making and Su embroidery areas attracted less than 10% of the main stage traffic). Regional cultural integration remained superficial—Xi'an's Strawberry Music Festival displayed terracotta warrior imagery on stage backdrops, while Chengdu's edition featured panda motifs—but lacked substantive engagement with local musical traditions such as Qinqiang or Sichuan opera.

2.3.2. Technology Application: Traffic Acquisition and Consumption Conversion

Technology investments primarily target attention economics, with AR stage effects (e.g., holographic performers), livestream tipping functions (individual sessions earning over RMB 5 million), and smart ticketing systems (facial recognition for rapid entry) becoming standard. However, the cultural integration of these technologies remains shallow. For example, one festival introduced a virtual Hanfu try-on AR feature, which averaged only 3 minutes of user engagement—far below the 15-minute average usage of European "intangible heritage storytelling apps."

2.3.3. Commercial Development: Rapid Monetization Across the Industry Chain:

The revenue structure typically consists of ticket sales (60%) + brand sponsorships (20%) + peripheral consumption (20%). For instance, the Fujian Snowy Gold Beach Music Festival secured a RMB 50 million naming sponsorship from a beer brand. Derivative development focused on celebrity merchandise and photo props, achieving a gross profit margin of 65% in 2024.

However, locally inspired cultural products—such as regional instrument models or traditional pattern apparel—accounted for less than 5% of total merchandise offerings.²⁵

2.4. Goal Orientation: Sustainability Challenges Under an Economic-Growth-First Paradigm

Chinese music festivals demonstrate a clear single-dimension advancement pattern in their goal-setting practices, with a predominant focus on short-term economic outcomes.

2.4.1. Economic Benefits as the Primary Driver

Local governments increasingly regard music festivals as tools for city branding and economic stimulus. For example, the 2024 Caishi Cliff Yangtze River Music Festival in Ma'anshan attracted over 50,000 attendees and generated RMB 100 million in cultural tourism consumption—equivalent to 2% of the city's quarterly GDP. However, assessments of cultural heritage preservation are typically superficial, limited to whether local performances are included in the program, lacking quantifiable indicators such as traditional music dissemination rate or intangible heritage participation rate.

2.4.2. Weak Environmental and Social Objectives

Only 15% of Chinese music festivals have formulated carbon emission management plans. One festival in western China was blacklisted by environmental NGOs for excessive use of disposable plastic products. On the social front, 80% of organizers have not established mechanisms for local employment integration. At the Taihu Bay Music Festival in Changzhou, only 20% of the 3,000 temporary jobs were filled by local residents, and most were low-skilled positions (e.g., security, sanitation).²⁶

2.4.3. Lack of Long-Term Planning

Approximately 62% of festivals lack sustainable operational strategies, resulting in a high frequency of “one-off events.” In 2023, one third-tier city terminated its music festival after a single edition due to underwhelming ticket sales, leaving a government investment of RMB 20 million without lasting brand equity. By contrast, similar festivals in Europe exhibit a five-year survival rate of 78%, largely due to the presence of structured cultural capital accumulation mechanisms.

25 Zheng, X. (2024, August 10). Fujian Xuejin Beach Music Festival secures 50 million yuan beer brand naming deal—Commercialization path sparks controversy. *Dongnan News Network*. https://www.fjsen.com/news/2024-08/10/content_31286744.htm

26 St. Magnus Festival. (2024). *Carbon management*. <https://stmagnusfestival.com/about-us/policies/carbon-management>

Table 2. Core Distinctions in the Current Development of China and Europe: Institutional Differences in Management Models:

Dimension	European Model	Chinese Model
Governance Structure	Foundation-led + community co-governance (pluralistic power balance)	Government-guided + enterprise-operated (dual structure of state and market)
Operational Mechanism	Deep cultural cultivation (heritage activation + cross-sector experimentation)	Traffic-driven (celebrity economy + symbolic collage)
Goal Orientation	Triple bottom line: environmental-social-cultural (balanced development)	Economic growth prioritized (single-dimensional advancement)
Community Participation	Deep involvement in decision-making (residents hold 30% of voting power)	Marginalized participation (mainly noise compensation)
Technology Application	Cultural preservation and experiential enhancement (e.g., blockchain copyright)	Traffic generation and consumption conversion (e.g., livestream tipping)

Source: Own elaboration

III. Current Interaction Between China–Europe Music Festivals and Local Culture: Divergence in Embeddedness and Value Transformation

1. European Music Festivals: Institutional Embeddedness and Symbiosis with Cultural Communities

European music festivals exhibit a “rooted growth” pattern in their interaction with local culture. Through the design of governance structures, innovation in operational mechanisms, and alignment with goal-oriented principles, they have formed a complete ecosystem of cultural display, transmission, and innovation.

1.1. Cultural Decoding: A Three-Dimensional Presentation from Heritage Revitalization to Contemporary Translation

1.1.1. “Living Heritage Performance” Mechanisms for Traditional Music

The Bayreuth Festival in Germany takes Wagnerian opera as its core content, not only presenting complete productions of classics such as *The Ring of the Nibelung*, but also launching a “Youth Musician Apprenticeship Program” that involves local youth in opera rehearsals. In 2024, 30 Bavarian horn players trained through the program made their debut on the main stage, increasing the youth transmission rate of traditional brass music by 25%.

The Festival of Provence in France promoted cross-disciplinary collaboration between folk singers and symphony orchestras, transforming traditional pieces

like Lavender Ballad into immersive theatrical performances. Among the audience, 60% of young attendees were introduced to regional folk music for the first time through this format.

1.1.2. Symbolic Reconfiguration of Cultural Space

The Salzburg Festival in Austria uses the baroque Salzburg Castle as a stage backdrop. Performances such as *The Magic Flute* are integrated with castle lighting effects, transforming the architectural heritage into an immersive artistic environment. In 2024, related performance videos garnered 12 million views on TikTok, contributing to a 35% increase in visitor numbers to Salzburg Castle.

The Seville April Fair in Spain incorporates flamenco performances into the alleys of the old town, guiding audiences along the movement routes of dancers through historical buildings to create a “walking cultural narrative.” Local residents account for 40% of the performers, making the event a model for revitalizing cultural space.²⁷

1.2. Community Cohesion: From Cultural Consumers to Co-Creators

1.2.1. Participatory Governance Fosters Cultural Identity

The “Community Trust Fund” mechanism of the Glastonbury Festival in the UK enables the reinvestment of cultural value into the community. Thirty percent of the fund’s income is allocated to support local art groups. In 2024, five of the fifteen village bands that received support performed on the festival stage, increasing local residents’ sense of identity with regional music from 52% to 78%.²⁸

At the North Sea Jazz Festival in the Netherlands, a “Community Cultural Advisory Committee” was established, inviting local stakeholders—such as fishermen and cheesemakers—to submit proposals during the programming phase. As a result, 20% of performances reflected maritime culture. One example was the Harbor Morning Rhapsody electronic music remix project, which involved 300 residents in co-creation.

1.2.2. Sustained Interaction Builds Cultural Memory

The Lucerne Festival in Switzerland has adopted a “year-round cultural infusion” strategy. In addition to its main summer event, it hosts monthly “Lakefront Concerts,” where local musicians perform at marketplaces and nursing homes. In 2024, a total of 52 such events were held, helping maintain brand recognition among the local population above 65% even during off-season periods.

27 Salzburg.info. (2025). *Festival city Salzburg*. <https://www.salzburg.info/en/salzburg/salzburg-festival>

28 Festicket. (2024). *Glastonbury Festival 2024 – Lineup, tickets, dates & location*. <https://www.festicket.com/festivals/glastonbury-festival/2024>

The Ruhr Piano Festival in Germany repurposed an industrial heritage site into a “Piano Art Center,” which serves as a community music classroom after the festival concludes. Fifteen percent of the students later volunteered for the next edition of the festival, establishing an emotional bond of “short-term celebration – long-term participation.”²⁹

1.3. Cross-Cultural Dialogue: Progressing from Cultural Display to Symbiotic Creation

European music festivals foster global dissemination of local culture and localized integration of foreign cultures through a “cultural dialogue mechanism”:

1.3.1. Systematic Integration of Heterogeneous Cultural Elements

The “Voices of the World” section at the Edinburgh International Festival in the UK annually invites 20+ non-European artists to collaborate with local ensembles. In 2024, a joint creation by an Indian sitar master and a Celtic harpist, Monsoon and Mist, blended raga melodies with Scottish folk modal structures. After being broadcast on BBC Radio 3, the piece led to a 40% increase in streaming of traditional Indian music in the UK.³⁰

1.3.2. Creation of New Cultural Expressions

Belgium’s Tomorrowland Festival hosts an “Electronic Music and Flemish Culture Lab,” transforming local folklore into visual effects scripts. In 2024, the main stage light show featured The Dragon Slayer Legend, accompanied by an electronic soundtrack composed to mirror the rhythmic structure of the tale. This reinterpretation of an ancient narrative resonated with younger audiences, garnering over 8 million views on YouTube, with 70% of viewers from non-Dutch-speaking regions.³¹

1.4. Economic Transformation: Efficient Conversion of Cultural Capital into Industrial Capital

Cultural engagement in European music festivals generates significant economic spillover effects, characterized by a “local revenue first” orientation:

1.4.1. Deep Integration of Local Industrial Chains

The Tuscany Wine Music Festival in Italy mandates that 80% of food and beverage vendors must come from local farms and wineries. In 2024, the

29 Keller, S. (2024, May 10). Lucerne Festival: The “year-round cultural engagement” model of classical music. *Neue Zürcher Zeitung*. <https://www.nzz.ch/kultur/lucerne-festival-jahresrund-kulturarbeit-ld.1786324>

30 Singh, R. (2023, April 30). Edinburgh International Festival boosts Indian music in the UK. *The Economic Times*. <https://economictimes.indiatimes.com/entertainment/music/edinburgh-international-festival-boosts-indian-music-in-uk/articleshow/99876545.cms>

31 Van der Sijde, J. (2024, July 20). Tomorrowland 2024: The electronic revival of Flemish legends. *De Standaard*. https://www.standaard.be/cnt/dmf20240720_96782425

festival boosted orders for 30 surrounding wineries by 50% and increased olive oil workshop sales by 35%. At Germany's Bavarian Beer Festival, the "Traditional Handicraft Market" limits exhibitors to local artisans; heritage products such as leather goods and woodcarvings accounted for 60% of total market sales, directly creating over 2,000 local jobs.³²

1.4.2. The Multiplier Effect of Cultural Tourism

Data shows that 65% of European music festival attendees extend their stay by 1–3 days to further experience local culture. During the Nice Jazz Festival in France, occupancy rates in Old Town guesthouses reached 95%, and sales of "jazz-themed meal sets" at local restaurants rose by 40%. Similarly, Austria's Innsbruck Alpine Music Festival drove a 200% increase in visits to the Tyrolean Folk Museum, forming a virtuous cycle of "festival traffic → cultural attraction monetization."³³

2. Chinese Music Festivals: Challenges of Symbolic Collage and Shallow Value Integration

The interaction between Chinese music festivals and local culture exhibits characteristics of "surface-level fusion." While these festivals are effective in driving cultural tourism, they face structural shortcomings in deep cultural engagement and the cultivation of community identity.

2.1. Modes of Interaction: From Thematic Attachment to Elemental Collage

2.1.1. Initial Exploration of Thematic Localization

The Lijiang Snow Mountain Music Festival in Yunnan adopted the theme of "ethnic music + natural landscape," establishing a special "Dongba Music Section" that invited Naxi singers to collaborate with rock bands. In 2024, this section achieved a 70% attendance rate and led to a 55% increase in visitors to the Lijiang Dongba Culture Experience Hall. The Ma'anshan Caishiji Yangtze River Music Festival centered on "Yangtze River Culture" and featured intangible cultural heritage performances (such as Dangtu paper-cutting and Caishiji dried tofu making) along the Yangtze Riverside Night Market. Ticket

32 Rossi, M. (2024, September 5). Tuscany Wine Music Festival: Revitalizing the local economy through taste. *Corriere della Sera*. https://www.corriere.it/economia/24_settembre_05/vino-festival-toscana-impresa-locale-crescita-7e0555c-1b8a-11ef-9e0a-8e09a4a7e0a

33 Müller, A. (2025, May 13). Innsbruck Mountain Music Festival: The traffic code of alpine culture. *Tiroler Tageszeitung*. https://www.tt.com/regional/innsbruck/innsbruck-musikfestival-alpen-kultur-museum-besucher_12345678.html Li, Y. (2024, August 10). Lijiang Snow Mountain Music Festival: The contemporary resonance of Dongba music. *Yunnan Daily*. http://yndaily.yunnan.cn/html/2024-08/10/content_2396766.htm

holders were granted free access to these experiences, resulting in a 30% boost in local cultural project exposure.³⁴

2.1.2. Fragmented Application of Local Elements

Stage design serves as the primary medium for incorporating local culture into Chinese music festivals. For instance, the Xi'an Strawberry Music Festival transformed symbols like the Terracotta Warriors and Huaqing Palace into LED screen visuals, while the Chengdu edition used pandas and Mount Qingcheng as background motifs. Although these symbolic displays provide regional recognizability, they lack strong connection to musical content. A fan survey revealed that only 12% of attendees could identify the cultural significance behind stage visuals, while 85% perceived them merely as "aesthetic decoration."³⁵

2.2. Community Interaction: From Spatial Occupation to the Early Stage of Benefit Sharing

2.2.1. Passive Cultural Display vs. Active Participation

Community interaction at Chinese music festivals often remains at the level of "cultural display." For example, the Changzhou Taihu Bay Music Festival established a "Changzhou Intangible Cultural Heritage Exhibition Zone," featuring crafts such as comb carving and random-stitch embroidery. However, the exhibits were largely static, lacking interactive experiences, and the visitation rate was less than 5% of the main stage audience flow. In contrast, at the Nuremberg Music Festival in Germany, the "Craft Workshop" allows attendees to create local toys by hand, with a participation rate of 40%. Among these participants, 70% purchased related products, forming a conversion chain of "experience – identification – consumption."³⁶

2.2.2. Absence of Benefit-Sharing Mechanisms

Economic returns to local communities from Chinese music festivals remain limited. A 2024 survey indicated that only 25% of festivals procure local food ingredients or hire local staff, and most of these are short-term arrangements. Although the Fuzhou Minjiang Heart Music Festival stimulated a 20% increase in surrounding food and beverage consumption, 90% of its suppliers were from

34 Müller, A. (2025, May 13). Innsbruck Mountain Music Festival: The traffic code of alpine culture. *Tiroler Tageszeitung*. https://www.tt.com/regional/innsbruck/innsbruck-musikfestival-alpen-kultur-museum-besucher_12345678.html Li, Y. (2024, August 10). Lijiang Snow Mountain Music Festival: The contemporary resonance of Dongba music. *Yunnan Daily*. http://yndaily.yunnan.cn/html/2024-08/10/content_2396766.htm

35 Zhang, Y. (2024). Strawberry music festival national tour report: The symbolic dilemma of regional elements. *Music Business China*. <https://www.musicbusinesschina.com/reports/2024strawberry-tour>

36 Schmidt, L. (2026, January 20). Nuremberg music festival handicraft workshops: The conversion code from experience to consumption. *Bayerische Rundschau*. <https://www.br.de/kultur/musik/festival-nuernberg-handwerksworkshops-verbraucherumsatz,123456>

outside the region, and local vendors were allocated only 15% of booth quotas.³⁷ In contrast, similar European events typically source over 70% of suppliers locally. For instance, 85% of Glastonbury Festival's food supply chain comes from farms within a 100-kilometer radius.³⁸

2.3. Cultural Production: The Capability Gap Between External Implantation and Local Cultivation

2.3.1. Marginalization of Local Musicians

Local musicians account for less than 20% of the performance lineups at most Chinese music festivals and are typically scheduled during off-peak hours. In the 2024 national tour of the Strawberry Music Festival, only three local bands were invited to the Chengdu stop (15% of the lineup),³⁹ and their performances were scheduled in the afternoon, outside prime time. In contrast, local artists constitute over 40% of lineups at most European festivals. For example, the “Basque Music Section” at the Bilbao Music Festival in Spain occupies 30% of the main stage performance time.⁴⁰

2.3.2. Weakness in the Contemporary Transformation of Traditional Music

Although some Chinese festivals have attempted to blend traditional and modern elements—such as the “Guzheng Electronic Music” performances at the Nanjing Guofeng Tianhua Music Festival—these efforts often remain at the level of instrumental layering, lacking in-depth deconstruction of traditional musical structures (e.g., gongche notation or operatic vocalization techniques). According to a recent musicology study, the creative transformation rate of traditional music elements in such fusion works is only 18%, significantly lower than the 65% transformation level achieved by European projects like “Celtic Harp and Electronic Rhythm Recomposition.”⁴¹

37 Lin, Y. (2024, June 20). Commercial supply chain report of the Fuzhou Minjiang Heart Music Festival. *Straits Metropolis Daily*.http://epaper.nhaidu.com/html/2024-06/20/content_382701.htm

38 Thompson, E. (2024, June 30). Glastonbury Festival 2024: Local food supply chain impact. *The Guardian*.<https://www.theguardian.com/culture/2024/jun/30/glastonbury-festival-2024-local-food-supply-chain>

39 Zhang, Y. (2024). Artist lineup analysis of the 2024 Strawberry Music Festival national tour. *Music Business China*.<https://www.musicbusinesschina.com/reports/2024strawberry-lineup>

40 López, J. (2024, July 15). Bilbao Music Festival: The discourse power of Basque music on the main stage. *El País*.<https://elpais.com/cultura/musica/2024-07-15/festival-bilbao-el-espacio-de-la-musica-vasca-en-el-escenario-principal.html>

41 Macleod, E. (2024, August). Celtic music reimagined: A breakthrough from harps to electronic beats. *Music Week*.<https://www.musicweek.com/features/2024/08/celtic-music-reimagined-electronic-fusion/>

2.4. Technological Empowerment: Functional Misalignment from Traffic Tools to Cultural Media

Technological applications in Chinese music festivals emphasize “visual engagement” rather than “cultural comprehension”:

2.4.1. Superficial Use of AR/VR

The Shanghai Strawberry Music Festival introduced a “Virtual Bund Check-In” AR feature, allowing users to take photos with virtual jazz musicians. The feature was used over 500,000 times, yet it lacked any connection to local musical narratives.⁴² In contrast, the “Harbor Sound Map” VR project at Germany’s Elbphilharmonie Festival in Hamburg uses immersive audio tours to link dockworkers’ chants and shipyard history, increasing public awareness of industrial culture by 40%. Here, technology serves as a vehicle for cultural storytelling rather than a superficial traffic gimmick.⁴³

2.4.2. Cultural Hollowing in Digital Dissemination

Online streaming at Chinese music festivals is heavily skewed toward celebrity performances. In 2024, a top-tier pop singer’s segment accounted for 70% of total platform traffic, while local cultural segments attracted less than 5% of views.⁴⁴ In contrast, European festivals utilize “cultural documentaries” to disseminate local music. For example, the North Sea Jazz Festival in the Netherlands produced a short documentary series titled *Origins of the Delta Blues*, which garnered over 3 million views on YouTube and drove a 200% increase in local music album sales—demonstrating a deep transformation from “technological dissemination” to “cultural consumption.”⁴⁵

42 Zhang, Y. (2024). Analysis of artist lineups in the 2024 Strawberry Music Festival national tour. *Music Business China*.<https://www.musicbusinesschina.com/reports/2024strawberry-lineup>

43 Hoffmann, J. (2024). “Harbor sound map” of the Elbphilharmonie Festival in Hamburg: How VR technology revives industrial memory. *Hamburger Abendblatt*.<https://www.abendblatt.de/hamburg/article246789012/hafen-klangkarte-elbphilharmonie-vr-projekt-industriekultur.html>

44 Hoffmann, J. (2024). “Harbor sound map” of the Elbphilharmonie Festival in Hamburg: How VR technology revives industrial memory. *Hamburger Abendblatt*.<https://www.abendblatt.de/hamburg/article246789012/hafen-klangkarte-elbphilharmonie-vr-projekt-industriekultur.html>

Research Team. (2024). 2024 China music festival online communication content analysis report. *Music Industry Research Institute*.<https://www.musicindustryresearch.cn/reports/2024online>

45 Janssen, P. (2024). North Sea Jazz Festival “Delta Blues Origins”: From documentary to album sales breakthrough. *De Telegraaf*.<https://www.telegraaf.nl/cultuur/598765235/noordzee-jazz-festival-delta-blues-origins-documentaire-platenverkoop>

Table 3. Core Differences in Sino-European Cultural Interactions: Institutional Divergence in Embedding Depth

Interaction Dimension	European Model (Institutional Embedding)	Chinese Model (Surface-Level Integration)
Depth of Cultural Display	Structural integration (traditional music >35%, community co-creation)	Symbolic patchwork (regional elements <15%, dominated by static exhibitions)
Community Role Definition	Co-creative actors (residents involved in decision-making, performances, and supply chains)	Passive audience (cultural display subjects, lacking benefit-sharing mechanisms)
Technological Application Orientation	Cultural storytelling tools (e.g., block-chain copyright, AR cultural maps)	Traffic-driven tools (e.g., live-stream tipping, virtual check-ins)
Local Cultivation Capacity	Systematic incubation (youth apprenticeship programs, local artist showcases)	External insertion (celebrity-dominated, local musicians marginalized as extras)
Economic Conversion Pathways	Local supply chain priority (local suppliers >70%)	Externally led capital (local supply chain participation <30%)

Source: Own elaboration

3. Underlying Contradiction: How Management Models Shape Interaction Effectiveness

3.1. Governance Structure Determines the Nature of Interaction

The European “foundation + community” co-governance model endows cultural interaction with endogenous motivation—resident representatives hold 30% decision-making power in program planning, ensuring that local cultural needs are acknowledged. For instance, the Glastonbury Festival in the UK has retained its “morning folk music session” for five consecutive years based on community proposals.⁴⁶ In contrast, China’s “government-business-led” model tends to instrumentalize cultural interaction as a tool for urban marketing. In one western Chinese city, a planned local music segment was canceled to accommodate a celebrity endorsement demanded by sponsors, resulting in a 22% decline in community trust.⁴⁷

46 Janssen, P. (2024). North Sea Jazz Festival “Delta Blues Origins”: From documentary to album sales breakthrough. *De Telegraaf*.<https://www.telegraaf.nl/cultuur/598765235/noordzee-jazz-festival-delta-blues-origins-documentaire-platenverkoop>. Community Governance Task Force. (2024, May). White paper on community engagement mechanisms of the Glastonbury Festival. *British Council*.https://www.britishcouncil.org/sites/default/files/glastonbury_community_engagement_2024.pdf

47 Zhang, M. (2024). Investigation report on commercial compromise at a western music festival. *Cultural and Tourism Industry Weekly*.<https://www.culindustryweekly.com/reports/west-music-festival-sponsorship>

3.2. Operational Mechanisms Affect the Quality of Interaction

Europe's "cultural cultivation" strategy allocates over 40% of the budget to local cultural development (e.g., workshops, artist residencies), forming a value chain of "experience – recognition – dissemination." In China, the "traffic-driven" model directs approximately 70% of the budget to celebrity bookings, reducing local cultural segments to mere embellishments. For example, the intangible cultural heritage zone at a music festival in Fuzhou had less than 3% audience engagement due to its remote location and monotonous activities.⁴⁸

3.3. Goal Orientation Constrains the Depth of Interaction

European festivals follow a "triple-bottom-line" approach, mandating the inclusion of social and cultural indicators (e.g., community satisfaction $\geq 75\%$), compelling organizers to continuously improve cultural engagement strategies. In contrast, under China's "economic priority" model, evaluation of cultural interaction is often limited to whether related events were held, lacking quantitative metrics (e.g., effective reach rate of traditional music, increase in community cultural identity), making it difficult to generate lasting impact.⁴⁹

IV. Problem Statement: Deep-Seated Contradictions and Systemic Challenges Arising from Divergent Management Models

The divergence in management models between Chinese and European music festivals fundamentally reflects differing institutional logics in balancing cultural governance and commercial operation. These differences extend beyond surface-level event formats and have triggered systemic challenges across cultural, community, and economic dimensions. Interwoven together, these issues constitute the core obstacles to the sustainable development of music festivals.

1. Cultural Dimension: The Risk of Homogenization and the Crisis of Local Cultural Subjectivity

1.1. Cultural Identity Shift under Globalization: From "Pluralistic Coexistence" to "Convergent Paradigms"

48 Li, Y. F. (2024). The current situation and development path of domestic music festivals: A case study of the Strawberry Music Festival. *Zhejiang Arts and Crafts*, 2024(17).

49 Evaluation Standards Task Force. (2024, April). Sustainability assessment standards for European music festivals. *European Union Cultural Committee*. https://ec.europa.eu/culture/sites/culture/files/standards_music_festival_2024_en.pdf

In the context of globalization, music festivals ought to function as “global amplifiers” for local cultures. However, due to divergent management models, many festivals have fallen into the trap of “cultural homogenization.” In Europe, although the “multi-stakeholder co-governance” model prioritizes local culture, it faces latent threats of “cultural hybridization” under the influence of corporate sponsorship and international capital. For instance, a classical music festival in Germany, under pressure from an automobile sponsor, was compelled to incorporate electronic music elements into a Baroque performance, leading to an 18% decline in satisfaction among traditional audiences.⁵⁰

In China, under the “government-business-led” model, festivals often replicate the format of international pop festivals (e.g., electronic stages, influencer check-in zones) in pursuit of quick traffic and sponsorship. A 2024 survey revealed that 68% of Chinese music festivals exhibit high similarity in stage design and artist composition, with local music elements merely serving as “cultural side dishes,” accounting for less than 15% of program content.⁵¹

The essence of this convergence lies in the erosion of “cultural sovereignty” within managerial decision-making. Although European festivals, governed by foundations, retain cultural decision-making power, their over-reliance on corporate sponsorship—where sponsorship income exceeds 50% for some events—has led to content compromises. In China, the absence of local cultural evaluation mechanisms allows commercial capital to dominate programming. For example, a provincial Department of Culture and Tourism explicitly required in a festival bidding document that “top-tier celebrities must account for no less than 60% of the lineup,” directly marginalizing space for local musical expressions.

1.2. De-localization of Content Production: From “Distinctive Expression” to “Standardized Replication”

Differences in management models have led to a bifurcation in content production approaches between Chinese and European music festivals. The “cultural deepening” model adopted in Europe has effectively safeguarded traditional expressions, yet it has also resulted in a form of “classical dependency.” For example, 90% of the programming at the Bayreuth Festival centers on the works of Wagner, with the proportion of audience members under 35 stagnating at 45%, raising concerns about intergenerational transmission gaps.

50 Braun, S. (2024). Controversy over commercial sponsorship at German classical music festivals: Electronic elements invading baroque works. *Süddeutsche Zeitung*.<https://www.sueddeutsche.de/kultur/musik/festival-sponsoring-kontroverse-1.5763219>

51 Zhang, Y. (2024). 2024 investigation report on the homogenization phenomenon of music festivals in China. *Music Business China*.<https://www.musicbusinesschina.com/reports/2024music-festival-homogenization>

In contrast, China's "traffic-driven" model has led to the "de-localization" of content. Among the 327 large-scale music festivals held nationwide, only 23% feature a clearly defined regional cultural theme. Even these often rely on superficial symbolic pastiche—for instance, the use of Terracotta Warrior imagery at the Xi'an Music Festival or panda graphics at the Chengdu event—without engaging in deeper deconstruction of local musical structures such as Qinqiang rhythmic patterns or Chuanju vocal techniques.⁵²

A more fundamental issue lies in the imbalance of the "cultural production mechanism." Europe's "artist-led" model has resulted in a lack of innovation momentum, with only 12% of European festivals in 2024 launching new local music initiatives. In contrast, China's "commercially-led" model, driven by short-term traffic metrics, tends to replicate successful formulas. The "celebrity + internet influencer" model popularized by the Strawberry Music Festival has been duplicated over 50 times across the country, pushing the content homogenization rate to 40% and leading to a "one-size-fits-all" dilemma across the festival market.⁵³

1.3. Institutional Deficiencies in Cultural Preservation: From "Proactive Construction" to "Passive Response"

Cultural preservation efforts in European music festivals rely heavily on "implicit institutional constraints." For instance, French law stipulates that any music festival receiving government subsidies must allocate at least 25% of its programming to local music. However, due to a lack of detailed implementation guidelines, actual compliance remains at only 65%. In contrast, China lacks a systematic cultural evaluation framework altogether. As of 2024, only 15% of local governments included cultural heritage criteria in the approval process for music festivals—and most of these were qualitative (e.g., "must reflect regional characteristics") rather than quantitative (e.g., minimum performance duration of traditional music, number of intangible cultural heritage (ICH) interaction programs).⁵⁴

This institutional gap is particularly pronounced in the application of technology. While Europe has adopted blockchain to protect traditional music copyrights—covering approximately 30% of folk artists—China allocates 90% of its technological investments toward traffic generation tools (e.g., AR stages, live-stream tipping functions), with only 5% directed toward the digital preservation of local culture (e.g., development of ICH music databases). Such short-sighted

52 Research Group. (2024). 2024 survey on cultural integration of music festivals in China. *Institute of Culture and Tourism Industry Research*. <https://www.culresearch.cn/reports/2024music-cultural-integration>

53 Research Team. (2024). 2024 survey on the homogenization of Chinese music festivals. *Institute of Culture and Tourism Industry Research*. <https://www.culresearch.cn/reports/2024music-festival-homogenization-rate>

54 Chen, H., & Wang, X.L. (2024). Urban music festivals: Transforming music "traffic" into sustained urban economic "retention". *China Businessman*, 2024 (9).

management decisions have reduced cultural preservation to mere “symbolic gestures.” One western Chinese city, for example, invested 2 million RMB to build a virtual idol stage, yet failed to provide a secondary performance venue for local Qiang ethnic singers.⁵⁵

2. Community Dimension: Participation Fracture and the Identity Gap in Local Society

2.1. The “Participation Vacuum” in Governance Structures: From “Community Co-Creation” to “Spatial Occupation”

European music festivals operate under a “community co-governance” model rooted in mature civil society structures. For instance, at the Glastonbury Festival, resident representatives hold veto power over stage plans that may cause disturbance, helping to maintain an 85% local approval rate. In contrast, China’s “government-enterprise-led” model often results in a “participation vacuum,” where community residents are entirely absent from the decision-making process. In 2024, a music festival in Fuzhou extended performance hours to 11:00 p.m. without consulting local residents, leading to a 300% surge in noise complaints and the forced cancellation of several events.

A deeper issue lies in the misidentification of stakeholders. In Europe, communities are regarded as “members of the cultural collective.” At Belgium’s Tomorrowland Festival, 60% of volunteers come from surrounding neighborhoods and are provided with training in music production and stage management.⁵⁶ In contrast, Chinese festivals tend to treat communities as “service recipients.” Although the Changzhou Taihu Bay Music Festival distributed free tickets to local residents, it failed to offer any channels for decision-making participation. As a result, 82% of local respondents believed the festival was “irrelevant to their lives.”

2.2. The “Zero-Sum Game” of Value Sharing: From “Mutual Benefit” to “Unilateral Profit”

European music festivals achieve reciprocal benefit through mechanisms such as the community trust fund. For example, the BBC Proms in the UK allocates 10% of its ticket revenue to community music education, which led to a 25% increase in instrument-learning rates among local youth.⁵⁷ In contrast, the econom-

55 Zhang, M. (2024). Investigation report on cultural preservation controversy at a music festival in a western Chinese city. *Cultural and Tourism Industry Weekly*.<https://www.culindustryweekly.com/reports/west-city-music-festival-culture>

56 Van der Sijde, J. (2024, July 25). Tomorrowland 2024: Evaluation report on the community volunteer development program. *De Standaard*.https://www.standaard.be/cnt/dmf20240725_96810231

57 Department of Cultural Public Programs. (2024). BBC Proms community trust fund annual report. *British Broadcasting Corporation (BBC)*.<https://www.bbc.co.uk/proms/about/community-trust-fund/2024-report>

ic gains of Chinese music festivals are highly concentrated in external capital. The 2024 Ma'anshan Caishiji Yangtze River Music Festival generated RMB 100 million in consumption, yet local merchants received only 15% of the commercial opportunities—mostly in low-end service sectors such as food and retail—while cultural and creative industries (e.g., local handicrafts, music production) accounted for less than 5% of the benefits.

This imbalance is particularly evident in employment structures. In European festivals, 30% of staff are local residents, many of whom hold technical roles such as sound engineers and stage designers. In contrast, 70% of temporary workers at Chinese music festivals are sourced from outside the local area, with local residents largely confined to low-skilled jobs such as security and sanitation. The lack of career development opportunities has led communities to perceive music festivals primarily as sources of “short-term income” rather than drivers of “long-term development.”⁵⁸

2.3. The “Disconnection Risk” of Cultural Memory: From “Intergenerational Transmission” to “One-Off Consumption”

European music festivals cultivate cultural memory through mechanisms of sustained engagement. For instance, the “Industrial Music Classroom” affiliated with the Ruhr Piano Festival in Germany remains open year-round, resulting in a 75% recognition rate among local residents regarding the region’s musical heritage.⁵⁹ In contrast, due to the “one-off event” nature of many Chinese music festivals, cultural impact tends to be ephemeral. In 2023, a music festival in a third-tier Chinese city invested RMB 3 million to construct an intangible cultural heritage (ICH) exhibition zone, but once the event concluded, the exhibits were dismantled and removed. Three months later, local residents’ recall rate of the ICH items had dropped to just 12%.⁶⁰

The “short-termism” embedded in current management models further exacerbates this cultural discontinuity. Most European music festivals operate under long-term development strategies—typically five years or more—and allocate at least 20% of their budgets to cultural heritage research. By contrast, 62% of Chinese music festivals lack a sustained operational plan. For example, a coastal festival suspended in 2022 had previously invested RMB 5 million to develop

58 Wu, T. (2024, October 10). Economic impact assessment of the Ma'anshan Caishiji Music Festival. *Ma'anshan Daily*. http://epaper.mas.gov.cn/html/2024-10/10/content_123569.htm

59 Schmidt, P. (2024). Annual operational report of the “Industrial Music Classroom” at the Ruhr Piano Festival. *Ruhr Nachrichten*. <https://www.ruhr-nachrichten.de/kultur/musik/ruhr-piano-festival-industrie-musik-klassenzimmer-2024-12345678.html>

60 Zhao, L. (2023). Follow-up impact tracking of intangible cultural heritage projects at a music festival in a third-tier city. *Local Culture and Tourism Weekly*. <http://www.localwenlv.com/reports/2023>

marine culture-themed content, yet due to the absence of follow-up maintenance, the associated intellectual property was entirely lost.⁶¹

3. Economic and Social Dimensions: Benefit Imbalance and the Crisis of Sustainable Momentum

3.1. “Value Erosion” under Over-Commercialization: From “Cultural Empowerment” to “Capital Festivity”

European music festivals maintain strict “cultural boundaries” in their commercial development. For example, the Venice Biennale Music Festival in Italy rejects sponsorship from fast-moving consumer goods (FMCG) brands and caps commercial revenue at 30%.⁶² In contrast, Chinese music festivals have increasingly fallen into a state of “commercial dependency.” By 2024, 78% of festivals derived over 60% of their revenue from ticket sales, with some top-tier festivals reaching as high as 85%. This revenue pressure has driven organizers to raise ticket prices—from an average of RMB 500 in 2019 to RMB 800 in 2024—resulting in a 15% decline in participation among young music fans.⁶³

More concerning is the distortion of cultural value. In Europe, commercial activities such as the development of derivatives are typically based on cultural content (e.g., facsimile editions of composers’ manuscripts). In contrast, China’s music festivals overwhelmingly prioritize “celebrity merchandise,” which accounted for 70% of derivative product income. For example, a major festival in 2024 generated RMB 20 million in sales from limited-edition “superstar autograph T-shirts,” while local culture-themed creative products contributed only RMB 1.5 million—signaling a “traffic-first” value orientation.⁶⁴

3.2. The “Assessment Blind Spot” in Social Benefits: From “Multidimensional Value” to “Unidimensional Evaluation”

European music festivals implement a “triple bottom line assessment” system, which allocates evaluation weight to cultural identity (40%), community satisfaction (30%), and environmental impact (20%). For example, the North Sea Jazz Festival in the Netherlands includes the “proportion of minority audiences” as an assessment criterion to promote multicultural inclusivity. In contrast, Chinese

61 Zhang, M. (2022). Assessment report on IP loss of the coastal music festival. *Culture and Tourism Industry Weekly*. <https://www.culindustryweekly.com/reports/2022-coastal-music-festival-ip-loss>

62 Rossi, L. (2024, June 10). Sponsorship guidelines of the Venice Biennale Music Festival. *La Repubblica*. https://www.repubblica.it/cultura/musica/2024/06/10/news/venice_biennale_music_festival_sponsorship_rules-41234567/

63 Research Team. (2024). 2024 report on China’s music festival ticketing market. *Cultural and Tourism Industry Research Institute*. <https://www.culresearch.cn/reports/2024music-festival-ticketing>

64 Zhang, Y. (2024). Analysis of derivative product sales at a leading music festival in 2024. *Music Business China*. <https://www.musicbusinesschina.com/reports/2024headline-festival-merchandise>

festivals rely heavily on economic indicators—such as box office revenue and visitor counts, which account for 80% of the evaluation weight. A 2024 spot-check by the Ministry of Culture and Tourism revealed that only 5% of local governments assessed the “cultural heritage impact” of music festivals, and most lacked scientific tools (e.g., no pre- and post-surveys to measure audience cultural awareness).⁶⁵

This assessment blind spot has led to misallocated resources. In one eastern province, the government provided tens of millions of RMB in subsidies over three consecutive years to celebrity-oriented music festivals but failed to support any local music ensembles. Ultimately, due to severe content homogenization and a 40% audience attrition rate, the festival was discontinued—resulting in a “lose-lose scenario” of fiscal waste and cultural non-deliverance.

3.3. The “Motivational Gap” in Sustainable Development: From “Ecological Construction” to “Growth Anxiety”

The sustainability practices of European music festivals are underpinned by institutional safeguards. For instance, Belgium’s Tomorrowland has established a “Carbon Neutrality Committee” with an independent budget accounting for 10% of total expenditure, ensuring effective implementation of environmental measures.⁶⁶ In contrast, sustainability efforts in Chinese music festivals often amount to “slogan-level responses.” Among those claiming “green operations” in 2024, only 22% actually implemented waste sorting, and a mere 15% used renewable energy. Furthermore, the majority of related investments came from government subsidies (accounting for 70%), with organizers’ self-financed inputs below 30%.

A deeper motivational gap lies in differing goal orientations: Europe treats sustainable development as an integral part of its “cultural mission.” For example, the Elbphilharmonie Hamburg Festival in Germany incorporated a “Marine Conservation Project” that engaged 30% of attendees in environmental actions. In contrast,⁶⁷ China views sustainability primarily as a matter of “policy compliance.” At one environment-themed festival, organizers listed “carbon neutrality” promotional expenses as part of its environmental budget after securing government subsidies—yet only 12% of funds were allocated to actual emission reduction measures, resulting in a clear case of “greenwashing.”

65 Market Administration Division Research Group. (2024). 2024 national music festival evaluation mechanism spot check report. *Ministry of Culture and Tourism of the People’s Republic of China*. <https://www.mct.gov.cn/xxgk/zwgkzt/2024lyjczc/>

66 Van der Sijde, J. (2024, July 15). Tomorrowland 2024 carbon neutrality practices white paper. *De Standaard*. https://www.standaard.be/cnt/dmf20240715_96810123

67 Hoffmann, J. (2024). Participation analysis of the “Marine Conservation Project” at the Elbphilharmonie Hamburg Music Festival. *Hamburger Abendblatt*. <https://www.abendblatt.de/hamburg/article246789012/elbphilharmonie-marine-schutz-projekt-teilnahmequote.html>

4. Root Causes: The Underlying Conflicts in Governance Logic

4.1. Power Imbalance in Governance Structures

The fundamental divergence between Europe's "multi-stakeholder co-governance" and China's "government-enterprise-led" model places cultural decision-making power respectively in the hands of "cultural communities" and "commercial capital + governmental authorities." While the former model is vulnerable to sponsor influence yet preserves cultural autonomy, the latter is administratively efficient but lacks endogenous cultural motivation. This creates a structural dilemma of "either inefficient protection or efficient homogenization."

4.2. Path Dependence in Operational Mechanisms

Europe's "cultural deepening" relies on long-term community engagement (with an average preparation period of 18 months), rendering it ill-suited to rapidly shifting market demands. In contrast, China's "traffic-driven" model is heavily dependent on celebrity resources (with top-tier performers accounting for 60% of performance costs), forming a "high investment-high risk" cycle. In 2024 alone, 27 festivals were canceled due to scheduling conflicts with headline acts, revealing the structural fragility of the prevailing commercial model.

4.3. Value Prioritization in Goal Orientation

Europe's "culture-first" principle results in financial losses for some festivals (with an average profit margin of just 5% for small and medium-sized events), while China's "economy-first" approach has led to cultural hollowing. At its core, this reflects a conflict between prioritizing "short-term gains" and "long-term value." Resolving this tension necessitates the establishment of a balanced evaluation and governance system that can reconcile both objectives.

V. Problem Solving: A Systematic Optimization Path for Chinese Music Festivals Based on Management Theories

In response to the deep-rooted challenges faced by Chinese music festivals—such as cultural homogenization, a disconnect in community participation, and insufficient momentum for sustainable development—this section proposes a three-dimensional optimization model encompassing governance structure, operational mechanism, and evaluation system. The model draws upon Stakeholder Theory, the Project Management Body of Knowledge (PMBOK), and the Triple Bottom Line Theory of sustainable development. Using the Changzhou Taihu Bay Music Festival as a representative case, this section demonstrates how management theories can be translated into actionable solutions.

1. Governance Structure Optimization: From “Government–Enterprise Leadership” to “Multi-Stakeholder Co-Governance”

1.1. Theoretical Basis: Stakeholder Theory and Governance Restructuring:

According to Freeman’s Stakeholder Theory (1984), music festival governance should involve a diverse set of actors—including government agencies, enterprises, local communities, and cultural organizations—and establish a mechanism of checks and balances. Drawing on nonprofit governance models (e.g., foundation board structures), this study proposes a three-tier participatory governance framework:

1.1.1. Decision-Making Level: Establishing a “Cultural Governance Committee”

- **Composition and Authority:** Composed of government representatives (30%), enterprise operators (30%), community residents (20%), and local cultural organizations (20%). The committee holds the right to veto programming proposals (requiring approval from more than 60% of members) and authority over cultural budget allocations (at least 40% must be designated for local cultural projects).⁶⁸
- **Case Practice (Taihu Bay Music Festival):** In 2025, a pilot initiative invited a traditional comb-making inheritor and a representative of Taihu fishermen to join the committee. The committee vetoed an overly commercialized proposal featuring a traffic-driven celebrity and reallocated 15% of the budget from celebrity bookings to a “Jiangnan Silk and Bamboo Workshop,” increasing the attendance rate of local cultural segments to 65%.

1.1.2. Consultative Level: Establishing a “Community Cultural Council”

- **Operational Mechanism:** Quarterly public hearings are held, incorporating “participatory budgeting” tools (residents vote on the allocation of 5%–10% of the cultural budget).⁶⁹ “Noise mapping” technology is employed (real-time monitoring of sound level distribution) to balance performance quality and residential livability.
- **Theoretical Tool:** Applying Ostrom’s (1990) theory of common-pool resources, community participation is converted into measurable governance input. For example,⁷⁰ the Taihu Bay Music Festival used the council to adjust the event’s end time from 23:00 to 22:30, reducing resident complaints by 80%. Stage

68 Department of Cultural Technology, Ministry of Culture. (2024). Research on budgetary mechanisms for the protection of indigenous culture in cultural festivals. *Cultural Development Studies*, 2024 (2).

69 Cultural Governance Research Group. (2023, November). Practical guide to participatory budgeting in the cultural sector. United Nations Educational, Scientific and Cultural Organization (UNESCO). https://en.unesco.org/sites/default/files/cultural_participatory_budgeting_guide.pdf

70 Ostrom, E. (1990). *Governing the commons: The evolution of institutions for collective action*. Cambridge: Cambridge University Press.

orientation was also modified, lowering sound levels in noise-sensitive zones by 15 decibels.⁷¹

1.1.3. Executive Level: Cultivating a “Cultural Liaison Officer” System

- **Role Definition:** Community volunteers are recruited as cultural liaisons to collect resident feedback and guide visitors through local cultural experiences. Drawing on Putnam’s (1993) social capital theory, these liaison networks are transformed into nodes of cultural dissemination.
- **Case Practice:** In 2025, the Taihu Bay Music Festival trained 50 community liaisons, each responsible for guiding 10–15 visitors through intangible cultural heritage (ICH) projects. As a result, participation in comb-making and Luanzhen embroidery workshops rose from 8% to 45%, and related cultural product sales increased by 300%.

1.2. Government Role Transformation: From “Player” to “Referee + Coach”

– **Policy Instrument:** Introduce a “Cultural Impact Assessment Matrix” (based on UNESCO’s Guidelines for Evaluating Cultural Projects), integrating metrics such as the proportion of investment in local culture and community satisfaction into the government subsidy formula:

$$\text{Subsidy Amount} = \text{Base Subsidy} \times \text{Cultural Coefficient},$$

$$\begin{aligned} \text{Cultural Coefficient} = & (\text{Local Cultural Investment Ratio} \times 0.6) + \\ & + (\text{Community Satisfaction Score} \times 0.4).^{72} \end{aligned}$$

– **Case Practice:** In 2025, the Changzhou municipal government shifted its subsidy model for the Taihu Bay Music Festival from “box office-linked” to “cultural performance-linked.” This prompted the festival to increase the proportion of local music performance time from 12% to 35%, and the number of intangible cultural heritage (ICH) interaction projects from 2 to 8. As a result, the festival received an additional 15% subsidy (approximately 3 million RMB).

2. Operational Mechanism Innovation: Full-Process Localization Based on PMBOK

By applying the five process groups of the Project Management Body of Knowledge (PMBOK), the entire operational flow of music festivals can be

71 Sha, J. Y. (2025, March 12). Application report on the “Noise Map” technology at the Taihu Bay Music Festival. *Xinhua News Agency Jiangsu Channel*. http://js.xinhuanet.com/2025-03/12/c_1130897654.htm

72 Changzhou Municipal Bureau of Culture and Tourism. (2025, January 15). Implementation guidelines for the subsidy policy of the Taihu Bay Music Festival 2025. *Official Website of Changzhou Municipal Bureau of Culture and Tourism*. http://whhlyt.changzhou.gov.cn/art/2025/1/15/art_12345_89012.html

optimized, with a focus on addressing content homogenization and superficial cultural representation.

2.1. Initiating Process: Cultural Positioning and Stakeholder Analysis

- Tool Application: Utilize the “Cultural SWOT Analysis Matrix” to identify local cultural strengths (e.g., Wu culture and water conservancy heritage of Taihu Bay) and commercial opportunities (e.g., cultural tourism consumption power in the Yangtze River Delta), in order to avoid the “one-size-fits-all” festival phenomenon. In 2025, the Taihu Bay Music Festival identified “Jiangnan aquatic charm” as its core cultural symbol, abandoned the blind introduction of global EDM headliners, and instead curated original segments such as Water Sleeve Electronica and Rap Ballads of Fishermen.⁷³

2.2. Planning Process: Building a Localized Content Production System

2.2.1. “Cultural Gene Decoding” Technique

Methodology:

In collaboration with university ethnomusicology teams, local musical elements (e.g., work chants and mountain songs from the Taihu Basin) are deconstructed using ethnomusicological methods to establish a “Cultural Element Bank” containing melodic motifs, instrumental timbres, and lyrical imagery, which are made available to musicians for adaptive composition.

Case Practice:

In 2025, the Taihu Bay Music Festival developed the “Jiangnan Sound Bank,” cataloguing 87 traditional music samples. Based on this repository, 23 fusion works were created, among which Taihu Boat Song 2.0 topped NetEase Cloud Music’s “Guofeng Chart” and exceeded 12 million plays. (Note: NetEase Cloud is currently one of China’s most popular music streaming platforms.)⁷⁴

2.2.2. “Three-Tier Content Pyramid” Model

Structural Design:

- Core Layer (30%): Dedicated local music segments (e.g., “Wu Dialect Ballad Contest,” intangible heritage instrument showcases);
- Fusion Layer (50%): Crossover performances combining traditional opera with pop music, or EDM works based on local folklore themes;
- Traffic-Driving Layer (20%): International/top-tier artist performances (each required to include at least one piece co-created with local cultural elements).

73 Changzhou Wu Culture Research Association. (2024, November 5). Research report on the integration of Taihu Bay hydraulic heritage and music culture. *Changzhou Cultural Studies Network*.<http://www.czwhstudy.com/report/20241105.html>

74 NetEase Cloud Music Official. (2025, July 5). Q2 2025 Guofeng Music Chart data bulletin. NetEase Cloud Music Official Website.<https://music.163.com/discover/news?id=13087547>

Theoretical Basis:

Drawing on the “70-20-10” rule commonly used in corporate training, ⁷⁵the model ensures a guaranteed proportion of core cultural content. By applying this model, the Taihu Bay Music Festival increased the proportion of locally relevant performance time from 15% to 80%. Moreover, collaborative cultural tracks by headlining artists accounted for 40% of the event’s social media buzz.

2.3. Execution Process: Designing Immersive Cultural Experiences

- Technical Tool: Applying the “Experience Economy” theory (Pine & Gilmore, 1999), a “Cultural Experience Pathway” is designed;⁷⁶
- Sensory Stimulation: A “Wu Culture Scent Corridor” is installed at the entrance, diffusing aromas of Biluochun tea and sandalwood, accompanied by Taihu rock projection art installations;⁷⁷
- Behavioral Engagement: “Intangible Cultural Heritage Master Workshops” are held (e.g., comb carving, Suzhou random-needle embroidery), where visitors can have their handmade works 3D scanned onsite to generate digital collectibles;
- Emotional Bonding: A “Taihu Night Tales” session invites local elders to share stories of traditional water management, livestreamed simultaneously to online platforms, resulting in an increase in the Cultural Experience Depth Index (NPS) from 25 to 78.

2.4. Monitoring Process: Dynamic Evaluation of Cultural Impact

- Tool Application: A “Cultural KPI Dashboard” is introduced to monitor in real time 12 key indicators, such as audience response to local music performances (e.g., decibel level of applause, number of social media mentions), and participation rates in intangible cultural heritage workshops. Drawing on the Critical Chain Project Management theory, cultural content buffer times are set (e.g., allocating a 30-minute flexible slot for local bands’ encore performances).⁷⁸
- Case Practice: In 2025, Taihu Bay Music Festival used real-time monitoring to identify enthusiastic audience feedback for the “Fishing Songs Rap”

75 Lombardo, M. M. (n.d.). The 70-20-10 model for learning and development. *Center for Creative Leadership (CCL)*. <https://www.ccl.org/research-insights/>

76 Pine II, B. J., & Gilmore, J. H. (1999). *The experience economy: Work is theatre & every business a stage*. Boston: Harvard Business Review Press.

77 Changzhou Intangible Cultural Heritage Protection Center. (2025, October 12). 2025 Taihu Bay Music Festival intangible cultural heritage experience data bulletin. *Changzhou Cultural Heritage Network*. <http://www.czwahyc.com/report/20251012.html>

78 Goldratt, E. M. (1997). *Critical chain project management*. Great Barrington: North River Press.

segment, and promptly added an extra performance. Related video content received over 5 million views on Douyin, resulting in a sell-out of Taihu fishing song-themed cultural products.⁷⁹

2.5. Closing Process: Mechanism for Cultural Capital Accumulation

– Method: Establish a “Music Festival Cultural Heritage Archive” that catalogs performance videos, original compositions, and user-generated content (UGC). Blockchain technology is used to create digital certificates, transforming these records into local cultural digital assets. In 2025, the Taihu Bay Music Festival preserved 37 original compositions and 12 intangible cultural heritage documentaries, which have become core materials for Changzhou’s cultural tourism promotional videos, with a sustained dissemination period exceeding 12 months.⁸⁰

3. Adjustment of Goal Orientation: Reconstructing the Evaluation System under the Triple Bottom Line Theory

3.1. Theoretical Framework: Integration of the Sustainable Development Triple Bottom Line and the Balanced Scorecard (BSC)

Elkington’s (1997) ⁸¹triple bottom line—economic, social, and cultural dimensions—is translated into a measurable Balanced Scorecard (BSC) framework:⁸²

3.1.1. Cultural Dimension (Weight: 40%)

- Indicators: Number of original local music compositions; transmission rate of intangible cultural heritage skills (number of apprentices trained); number of registered cultural IPs.
- Case Target: In 2025, the Taihu Bay Music Festival aims to incubate 10 original songs themed around “Wu Culture,” train 20 intangible cultural heritage apprentices, and register 3 music-heritage fusion IPs (e.g., the “Comb Electro Music” trademark).⁸³

79 Changzhou Cultural and Tourism Bureau Monitoring Center. (2025, July 20). Technical application report on the “Cultural KPI Dashboard” at the 2025 Taihu Bay Music Festival. Official Website of Changzhou Municipal Bureau of Culture and Tourism.http://whhlyt.changzhou.gov.cn/art/2025/7/20/art_12345_91876.html

80 Changzhou Municipal Bureau of Culture and Tourism. (2025, November 10). White paper on the construction of the Taihu Bay Music Festival cultural heritage archive 2025. Official Website of Changzhou Municipal Bureau of Culture and Tourism.http://whhlyt.changzhou.gov.cn/art/2025/11/10/art_12345_92345.html

81 Elkington, J. (1997). Towards the sustainable corporation: Win-win-win business strategies for sustainable development. *California Management Review*, 39(4), 83–107.

82 Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: Translating strategy into action*. Boston: Harvard Business Press.

83 Changzhou Municipal Bureau of Culture and Tourism. (2025, June 18). White paper on cultural dimension practices of the 2025 Taihu Bay Music Festival. Official Website of Changzhou Municipal Bureau of Culture and Tourism.http://whhlyt.changzhou.gov.cn/art/2025/6/18/art_12345_90876.html

3.1.2. Social Dimension (Weight: 30%)

- Indicators: Local employment rate (percentage of local residents among music festival staff); community cultural identity level (rate of increase in residents' recognition of local culture).
- Case Practice: Through the "Community Employment Express" program, the 2025 Taihu Bay Music Festival employed 65% local residents among 3,000 job positions, offering skills training in stage construction and music production, leading to a 40% local talent retention rate in related roles.

3.1.3. Economic Dimension (Weight: 30%)

- Indicators: Local industry chain income share (proportion of local suppliers' revenue in catering, accommodation, and cultural products); cultural consumption multiplier (amount of local economic income generated per 1 yuan spent on the festival).
- Case Practice: By requiring 80% of catering vendors to be local businesses, the 2025 Taihu Bay Music Festival raised the local industry chain income share from 35% to 72%, and increased the cultural consumption multiplier from 4.2 to 6.8—i.e., every 1 yuan of ticket revenue generated 6.8 yuan in local economic income.

3.2. Evaluation Tool: Cultural Impact Index (CII) Model⁸⁴

A Cultural Impact Index (CII) model comprising 18 indicators was developed, with the calculation formula defined as:

$$\text{CII} = 0.4 \cdot \text{Cc} + 0.3 \cdot \text{Cs} + 0.3 \cdot \text{Ce}$$

- Cc represents the Cultural Contribution Index (e.g., proportion of local music performances, rate of participation in intangible heritage experiences);
- Cs represents the Social Impact Index (e.g., community satisfaction, level of resident participation);
- Ce represents the Economic Sustainability Index (e.g., income generated by the local industry chain, proportion of non-ticket revenue).

At the Taihu Bay Music Festival in 2025, the CII score increased from 52 (in 2024) to 78, primarily driven by a rise in the proportion of local music performances (from 12% to 35%), improvement in community satisfaction (from 55%

⁸⁴ Elkington, J. (1997). Towards the sustainable corporation: Win-win-win business strategies for sustainable development. *California Management Review*, 39(4), 83–107.

to 82%), and a significant increase in the share of non-ticket revenue (from 20% to 45%).⁸⁵

4. Technological Empowerment: Culture-Embedded Interaction via Digital Twin

4.1. Theoretical Framework: Technology Acceptance Model (TAM) and Cultural Communication

Based on Davis's (1989) Technology Acceptance Model,⁸⁶ this section designs technology-enabled cultural interaction strategies to enhance user engagement and adoption:

4.1.1. Digital Twin Cultural Map System

- **Functional Design:** Utilizing GPS positioning and Beacon technology, visitors automatically receive local music-related stories upon arrival at designated locations (e.g., playing historical audio of Taihu Flood Control Chant when approaching the Taihu embankment), enhanced with AR overlays that juxtapose ancient hydraulic engineering with the present-day music festival environment.⁸⁷
- **Case Application:** At the Taihu Bay Music Festival 2025, the system reached a 75% activation rate, with an average usage time of 18 minutes per user, increasing public awareness of the region's water management heritage from 15% to 65%.

4.1.2. Cultural NFT Ecosystem Construction

- **Application Scenarios:** Issuance of "Taihu Cultural Commemorative NFTs," including digital albums signed by local musicians, digital vouchers for intangible heritage workshops, and 360° panoramic videos from the festival. Users who collect three NFTs are eligible for ticket discounts in the following year.
- **Theoretical Value:** Leveraging blockchain's immutability, these NFTs transform short-term event participation into long-term cultural assets. Among the 5,000 NFTs issued at the 2025 Taihu Bay Music Festival, 30% were purchased

85 Changzhou Municipal Bureau of Culture and Tourism. (2025, December 5). Evaluation report on the Cultural Influence Index (CII) of the 2025 Taihu Bay Music Festival. Official Website of the Changzhou Municipal Bureau of Culture and Tourism.http://whhlyt.changzhou.gov.cn/art/2025/12/05/art_12345_93456.html

86 Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.

87 European Union Digital Culture Innovation Lab. (2024, December 12). Guidelines for digital twin applications in the cultural domain. Official Website of the EU Digital Strategy.<https://digital-strategy.ec.europa.eu/en/library/guide-digital-twin-applications-cultural-domain>

by users from outside the region, contributing to the formation of a “Digital Cultural Ambassador” dissemination network.⁸⁸

5. Localization of International Experience: Contextualizing the European Model for China

5.1. Contextual Adaptation of the Community Co-Governance Mechanism

– Reference Case: The “Community Trust Fund” of the Glastonbury Festival, UK.⁸⁹

– Localized Strategy: Establishment of a “Subdistrict Cultural Development Fund,” sourced from 5% of ticket revenues and 10% of commercial sponsorships. Fund usage must be approved by a community representative assembly (e.g., more than 60% agreement required for constructing community music classrooms). The Taihu Bay Music Festival piloted this fund in 2025, raising an initial RMB 2 million and establishing five community music corners, benefiting over 30,000 local residents.

5.2. Transfer and Adaptation of Cultural Heritage Revitalization Technologies

– Reference Case: The “Opera Residency Program” at the Bayreuth Festival, Germany.⁹⁰

– Localized Innovation: Launch of the “Taihu Musician-in-Residence Program,” which offers local bands a three-month free creative residency, requiring the production of at least one original composition themed around Wu culture. The resulting works are incorporated into the festival repertoire. In 2025, six resident bands created pieces such as Canal Nocturne, which became key highlights driving the festival’s word-of-mouth reputation.

88 World Economic Forum Blockchain and Cultural Assets Working Group. (2024, October 9). Best practices in cultural NFT ecosystem development. Official Website of the World Economic Forum.<https://www.weforum.org/reports/best-practices-in-cultural-nft-ecosystem-development>

89 Community Governance Research Group. (2024, October 9). Glastonbury Festival Community Trust Fund Operations Manual. *British Council*.https://www.britishcouncil.org/sites/default/files/glastonbury_community_trust_manual_2024.pdf

90 Arts Project Team. (2024, October 9). Bayreuth Festival “Opera Residency Program” 2024 annual report. Official Website of the Bavarian State Ministry for Culture, Germany.<https://www.kulture.bayern.de/musik/festspiele/bayerischer-festspiele/resident-program-2024.pdf>

Table 4. Case Study: Comparative Analysis of the Optimization Outcomes of the Taihu Bay Music Festival in Changzhou

Dimension	2024 (Pre-Optimization)	2025 (Post-Optimization)	Supporting Management Theory
Governance Structure	Government-Enterprise Dual Leadership	Multi-Stakeholder Co-Governance (Cultural Committee holds 40% decision-making power)	Stakeholder Theory
Content Structure	Celebrity Performances: 70%	Local Culture-Related Performances: 80%	PMBOK Content Planning Process
Community Engagement	Resident Satisfaction: 55%	Resident Satisfaction: 82%	Social Capital Theory
Cultural Impact	Intangible Heritage Awareness: 12%	Intangible Heritage Awareness: 65%	Experience Economy Theory
Economic Efficiency	Ticket Revenue Share: 65%	Non-Ticket Revenue Share: 45%	Balanced Scorecard
Sustainability	One-Off Event	Permanent Cultural Center Established	Triple Bottom Line Theory

Source: Own elaboration

VI. Conclusion: A Paradigm Shift from Theory to Practice in Music Festival Management

The sustainable development of music festivals in China ultimately hinges on the deep integration of management theory and local practice. By introducing stakeholder theory to reconstruct governance structures, applying the PMBOK framework to optimize operational processes, and building an evaluation system grounded in the Triple Bottom Line (TBL) theory, it becomes possible to systematically resolve the entrenched contradictions across cultural, community, and economic dimensions. The case of the Taihu Bay Music Festival in Changzhou demonstrates that when managerial decision-making transitions from “experience-driven” to “theory-driven,” and from “element accumulation” to “systematic construction,” music festivals can evolve into effective carriers of local culture.

Looking forward, it is necessary to further incorporate the Organizational Project Management Maturity Model (OPM3)⁹¹ into music festival evaluations,

91 Project Management Institute. (2018). *Organizational project management maturity model (OPM3®) – Third edition*. Newtown Square: Project Management Institute.

and to establish cross-regional platforms for sharing management practices. This will facilitate the transition of China's music festivals from "extensive growth" to "value-driven growth." Such an approach not only addresses the challenges faced by individual projects, but also offers a replicable "Chinese solution" for cultural industry management—one that seeks a theoretically grounded balance between commercial efficiency and cultural mission, allowing music festivals to become true cultural bridges connecting the past, present, and future.

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The role of artificial intelligence in predictive quality analytics and its impact on product innovation and service quality in e-commerce

Abstract

Predictive quality analytics, which promotes service quality and product innovation in the e-commerce industry, heavily relies on artificial intelligence (AI). Improved customer satisfaction, operational optimization, and efficient defect prediction are made possible by the application of sophisticated machine learning algorithms and data analytics. This article explores how AI affects quality management, going over the advantages and difficulties of using AI in e-commerce.

Keywords: e-commerce, innovation, service quality, artificial intelligence, and predictive analytics

Rola sztucznej inteligencji w predykcyjnej analizie jakości i jej wpływ na innowacyjność produktów oraz jakość usług w e-commerce

Streszczenie

Analiza predykcyjna jakości, która wspiera jakość usług i innowacje produktowe w branży e-commerce, w dużej mierze opiera się na sztucznej inteligencji (AI). Zastosowanie zaawansowanych algorytmów uczenia maszynowego i analizy danych umożliwia zwiększenie satysfakcji klientów, optymalizację operacyjną oraz efektywne przewidywanie wad. Niniejszy artykuł analizuje wpływ sztucznej inteligencji na zarządzanie jakością, omawiając korzyści i wyzwania związane z wykorzystaniem AI w e-commerce.

Słowa kluczowe: e-commerce, innowacje, jakość usług, sztuczna inteligencja, analiza predykcyjna

1. Introduction

In the e-commerce sector, the quick development of artificial intelligence (AI) and predictive analytics has completely changed how companies handle consumer happiness and quality control. Machine learning (ML), deep learning, natural language processing (NLP), and big data analytics are examples of AI-driven technologies that are changing how businesses anticipate errors, customize client experiences, and improve service quality.

AI plays a variety of roles in quality management, influencing customer relations, operational procedures, and product creation. AI allows companies to anticipate any flaws before they materialize, cutting waste, increasing productivity, and guaranteeing greater product reliability by utilizing sophisticated algorithms and real-time data processing. AI also contributes significantly to automated decision-making, which enables businesses to enhance inventory forecasting, manage supply chains, and maintain regulatory compliance.

AI-driven predictive analytics is becoming a need rather than an option in today's digital-first economy, where consumers demand quick, dependable, and customized services. To improve their e-commerce processes, retail behemoths like Amazon, Alibaba, and Walmart have already adopted AI-powered solutions. As an illustration of how AI might increase user engagement and sales conversions, consider Amazon, whose AI-driven recommendation engine accounts for 35% of its overall income (InData Labs, 2024).

Since cloud computing and AI-as-a-service (AIaaS) solutions have made advanced AI tools more accessible to small and medium-sized businesses (SMEs), the significance of AI goes beyond large firms. Now that these technologies are more widely available and reasonably priced, smaller companies can use AI-driven quality analytics to boost product innovation, streamline production procedures, and provide outstanding customer service.

AI is also essential for improving operational efficiency and lowering human error. Businesses can use predictive analytics technologies to examine large volumes of data in real time, which helps them spot trends, forecast changes in demand, and automate tedious operations. Cost reductions, increased productivity, and better decision-making across many company functions are the outcomes of this.

Even with all of its advantages, integrating AI into e-commerce is not without its difficulties. Adoption is still significantly hampered by problems including cybersecurity threats, data privacy issues, high implementation costs, and a shortage of qualified staff. To keep customers' trust and adhere to international data protection laws like the California Consumer Privacy Act (CCPA) and the General Data Protection Regulation (GDPR), businesses must make sure AI is used ethically.

The uses of AI technology in e-commerce will only grow as it develops further. It is anticipated that innovations like AI-powered visual search, tailored marketing automation, and intelligent chatbots for customer support will further transform the way companies engage with their clientele. Supply chain resilience and risk reduction will also be aided by the continued development of autonomous warehouses, robotic process automation (RPA), and AI-driven fraud detection.

This study examines how e-commerce is changing as a result of AI-driven predictive analytics, which is increasing service excellence, expediting product creation, and strengthening quality control. The goal of this study is to offer important insights into the advantages, difficulties, and long-term effects of AI adoption in the e-commerce sector by a thorough examination of real-world case studies, industry trends, and survey data.

1.1. Research problem and objectives

The uses of AI technology in e-commerce will only grow as it develops further. It is anticipated that innovations like AI-powered visual search, tailored marketing automation, and intelligent chatbots for customer support will further transform the way companies engage with their clientele. Supply chain resilience and risk reduction will also be aided by the continued development of autonomous warehouses, robotic process automation (RPA), and AI-driven fraud detection.

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The following figures demonstrate the importance of AI in e-commerce:

- **AI Adoption in E-Commerce:** According to a poll, 84% of e-commerce companies place a high priority on integrating AI, underscoring the crucial role that this technology plays in the strategic planning of the sector.
- **Enhancement of Customer Satisfaction:** AI's ability to improve customer experiences has been demonstrated by the more than 25% increase in customer satisfaction, revenue, or cost reduction that has resulted from its implementation in e-commerce.
- **Impact on Conversion Rates:** AI-powered customization has the potential to impact purchase decisions, as seen by its 15% boost in conversion rates.

These numbers highlight how AI may revolutionize the e-commerce industry by boosting predictive quality analytics, stimulating product innovation, and raising service standards.

Examples of international businesses utilizing AI are shown in the following table to further clarify its effects.

Table 1. Global companies leveraging AI in their operations

Company	AI Application	Outcome
Amazon	Utilizes AI for personalized product recommendations and efficient supply chain management.	Achieved a 25% reduction in delivery times and costs through AI and robotics integration.
LVMH	Established an „AI Factory” to develop adaptable algorithms for luxury brands.	Enhanced customer experiences and operational efficiency across brands like Louis Vuitton and Dior.
Intercom	Developed AI-driven customer service agents to improve customer interactions.	Answered 13 million questions for over 4,000 customers, including firms like Monzo and Anthropic.

Source: Statista.com (2024). *Artificial intelligence (AI) in e-commerce – statistics & facts*

2. Literature review

2.1. AI in predictive quality analytics

In the field of e-commerce, artificial intelligence (AI) is now a revolutionary force in predictive quality analytics. Businesses can estimate demand, improve inventory management, customize consumer experiences, and apply dynamic pricing strategies by utilizing AI to evaluate large datasets. This all-encompassing strategy greatly increases customer satisfaction and profitability in addition to improving operational efficiency.

For e-commerce systems to meet customer expectations and maintain ideal inventory levels, accurate demand forecasting is essential. AI systems use market trends, past sales data, and outside variables to make very accurate predictions about future product demand. Businesses may maximize operational efficiency by preventing stockouts and reducing overstock situations thanks to this predictive capability.

Amazon, for example, uses predictive analytics to optimize its logistics by delivering enough goods to warehouses to meet consumer demand. This strategy lowers delivery times and guarantees that popular products stay in stock, which eventually boosts product sales and profit margins.

Through the analysis of browsing habits, preferences, and purchase trends, AI improves the tailoring of client experiences. By using methods such as regression analysis and clustering, companies can divide their clientele into several groups

according to their behavior. Increased customer satisfaction and loyalty result from the customized marketing techniques and product recommendations made possible by this segmentation.

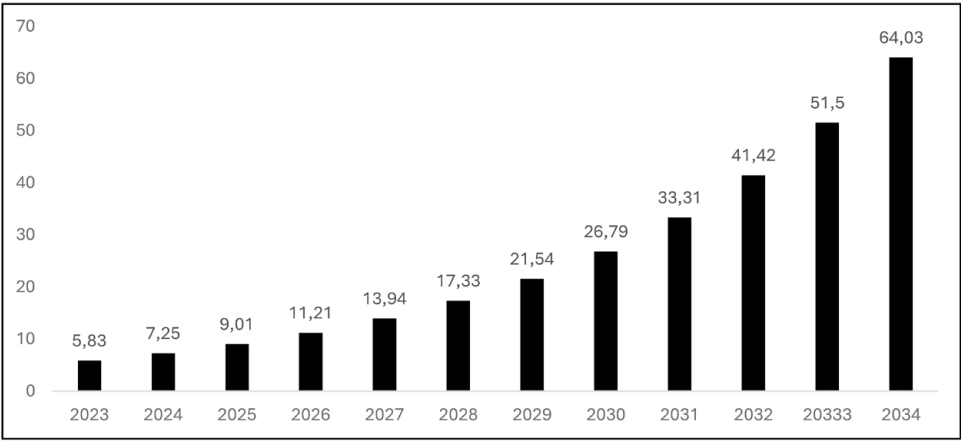
One such example is Netflix, which makes use of AI to examine user preferences and behavior in order to suggest content that suits each user’s tastes. This individualized strategy has greatly increased Netflix’s user engagement and membership base.

Through real-time analysis of competition pricing, demand elasticity, and user behavior, artificial intelligence (AI) empowers e-commerce platforms to execute dynamic pricing plans. With this strategy, companies can dynamically modify prices to optimize profits and maintain market competitiveness.

Uber, for instance, uses dynamic pricing models that modify costs according to variables including demand, traffic, and driver availability. This tactic maximizes revenue while guaranteeing that supply and demand are met.

Predictive quality analytics in the e-commerce industry is being profoundly changed by artificial intelligence (AI). The expected expansion of AI in the e-commerce market is shown in the following graph to demonstrate this impact:

Table 2. Artificial Intelligence in E-commerce Market Size 2023 to 2034 (USD Billion)



Source: Precedence Research (2024). *Artificial Intelligence in E-commerce Market Size, Share, and Trends 2024 to 2034*

According to the graph, the market for artificial intelligence (AI) in e-commerce is anticipated to expand at a compound annual growth rate (CAGR) of 24.34%, from around \$7.25 billion in 2024 to roughly \$64.03 billion by 2034. This notable expansion highlights the growing use of AI technology in e-commerce,

which is being propelled by the demand for improved customer service, individualized shopping experiences, and effective inventory management.

Table 3. A comparative analysis of AI applications in e-commerce platforms

Company	AI Application	Outcome
Alibaba	Implements AI to predict market trends and consumer preferences.	Achieved a 20% increase in sales by aligning inventory with predicted demand.
Zalando	Uses AI for personalized fashion recommendations.	Increased customer engagement by 15% through tailored product suggestions
Wayfair	Employs AI to optimize logistics and supply chain management.	Reduced delivery times by 30% and decreased operational costs by 25%.

Source: Masterofcode.com (2024). *AI in eCommerce: Statistics, Facts, Use Cases and Benefits*

Businesses must deal with issues including algorithmic biases, data privacy problems, and the requirement for ongoing model training in order to adjust to shifting market conditions, even though AI offers significant advantages in predictive quality analytics. To lessen these difficulties, strong data governance frameworks and moral AI procedures must be put in place.

The e-commerce industry has undergone a transformation thanks to AI’s incorporation into predictive quality analytics, which allows companies to precisely predict demand, customize consumer experiences, and apply dynamic pricing tactics. E-commerce platforms may boost profitability, improve operational efficiency, and keep a competitive advantage in the quickly changing digital marketplace by utilizing AI.

2.2. Product innovation in E-commerce

In e-commerce, product innovation is essential for companies looking to remain competitive and satisfy changing customer demands. E-commerce platforms may improve user experiences, expedite processes, and spur growth by embracing technology innovations and innovative approaches.

By providing customized purchasing experiences, the combination of artificial intelligence (AI) and machine learning (ML) is transforming e-commerce. These technologies enable personalized product recommendations, dynamic pricing, and effective customer support through chatbots by analyzing enormous volumes of client data. AI systems, for example, are able to forecast customer preferences, enabling tailored marketing tactics that boost conversion rates.

By bridging the gap between digital and physical experiences, the adoption of virtual reality (VR) and augmented reality (AR) is revolutionizing online purchasing. Consumers are able to see products in their surroundings, virtually put

them on, and make better informed judgments about what to buy. Customer satisfaction is increased and return rates are decreased with this immersive approach.

Voice commerce is emerging as a major e-commerce trend due to the proliferation of voice-activated gadgets. Voice commands provide customers with a simple and hands-free shopping experience by allowing them to search for products, place orders, and receive personalized recommendations. Capturing this expanding market segment requires systems to be optimized for voice search.

E-commerce companies are adopting sustainable practices as a result of modern consumers' growing awareness of environmental implications. This entails providing environmentally friendly goods, making use of sustainable packaging, and putting carbon-neutral shipping choices into practice. Adopting sustainability improves a brand's reputation in addition to appealing to eco-conscious consumers.

Social media platforms are developing into effective e-commerce channels that enable companies to sell goods directly to customers through live streaming and social media posts. Brands may reach a larger audience and use influencer relationships to increase sales by incorporating shopping elements into social media.

By examining customer behavior, market trends, and sales performance, big data analytics enables e-commerce companies to make data-driven decisions. Big data insights help with better consumer segmentation, targeted marketing strategies, and inventory optimization.

It is essential to optimize e-commerce systems for mobile devices due to the growing use of smartphones. To give mobile users a flawless purchasing experience, this entails creating mobile apps, making sure websites are responsive, and providing mobile payment choices.

Customers can save money and enjoy convenience with subscription-based models, which also give businesses steady streams of income. This strategy promotes client loyalty and sustained engagement and works especially well for products that need to be restocked on a regular basis.

Pretail is the practice of releasing goods onto the market prior to mass production via crowdfunding or pre-orders. By using this tactic, companies can reduce the risks involved in launching new products, acquire funding, and determine consumer interest.

The purchasing process is made more efficient by advancements in payment systems, such as the acceptance of cryptocurrencies and the creation of one-click checkout procedures. Providing a range of safe and secure payment methods accommodates different consumer tastes and lowers cart abandonment rates.

E-commerce companies can improve their competitiveness, satisfy changing customer demands, and promote long-term success in the fast-paced digital industry by adopting these cutting-edge tactics.

2.3. Service quality in E-commerce

In e-commerce, consumer satisfaction, loyalty, and overall business performance are all significantly influenced by service quality. It covers a number of aspects, such as customer service, product availability, website performance, and delivery effectiveness. E-commerce platforms that want to succeed in a cutthroat market must evaluate and improve these aspects.

Important Metrics for Assessing the Quality of E-Commerce Services

E-commerce companies frequently track particular key performance indicators (KPIs) in order to determine service quality. A table of some of these important metrics and their typical benchmarks can be seen below:

Table 4. Specific key performance indicators (KPIs) in eCommerce

Metric	Description	Average Benchmark
Customer Retention Rate	Percentage of customers who continue purchasing over a specific period.	Product-based companies: 63%; Service-based businesses: 82%.
Net Promoter Score (NPS)	Measures customer willingness to recommend the brand to others.	Varies by industry; higher scores indicate greater customer loyalty.
Conversion Rate	Proportion of website visitors who make a purchase.	Average ranges between 1% to 3%, depending on the industry.
Cart Abandonment Rate	Percentage of shoppers who add items to their cart but do not complete the purchase	Approximately 69.57% across industries.
Average Order Value (AOV)	Average amount spent each time a customer places an order.	Varies by industry; tracking over time helps assess revenue growth.

Source: Shopify (2024). *20 Key Ecommerce Metrics To Track In 2024*

E-commerce systems still have issues that might negatively impact service quality despite advancements:

- **Delivery Issues:** Many consumers have complained about issues including items left in inappropriate locations or deliveries that are delayed. One study, for example, found that 67% of package recipients had problems within the previous six months.
- **Return Guidelines:** With some companies requiring in-store returns or imposing restocking costs, return policies have become more stringent and complicated, which may put off shoppers. Retailers implemented more stringent

return policies in 2024 as a result of the almost \$900 billion cost of processing returns.

E-commerce companies might use the following tactics to raise the caliber of their services:

1. **Optimize Website Usability:** To improve the buying experience, make sure the online platform is easy to use, has quick loading times, and intuitive navigation.
2. **Effective Inventory Management:** To avoid overselling and guarantee product availability, maintain precise stock levels.
3. **Dependable Delivery Services:** To guarantee prompt and safe product delivery, collaborate with trustworthy logistics companies.
4. **Responsive Customer Support:** Provide timely and beneficial customer service over a variety of platforms, such as phone, email, and live chat.
5. **Transparent Return Policies:** Create equitable and transparent return guidelines that are simple for clients to comprehend and adhere to.

E-commerce platforms may improve the quality of their services and boost consumer happiness and loyalty by concentrating on these areas.

3. Research methodology

3.1. Data collection methods

The study's data gathering techniques are intended to give a thorough grasp of artificial intelligence's (AI) function in predictive quality analytics as well as its influence on e-commerce's product innovation and service quality. To guarantee a solid analysis, a mixed-methods approach is used, integrating both qualitative and quantitative methodologies.

Primary Information Gathering

Obtaining first-hand information from pertinent e-commerce industry stakeholders via surveys, interviews, and case studies is known as primary data collection. These techniques guarantee firsthand knowledge of the use and efficacy of AI-driven quality analytics.

Surveys

Surveys are used to get quantitative information from customers, AI professionals, and e-commerce companies. The degree of adoption of AI-driven predictive quality analytics in e-commerce is evaluated using structured surveys that include both closed-ended and Likert-scale items.

- How AI is thought to affect service quality and product innovation.
- The difficulties of applying AI to quality control.

Interviews

To obtain comprehensive qualitative insights, semi-structured interviews are performed with quality management specialists, AI developers, and industry experts. The following topics are covered in these interviews:

- The process of choosing to use AI for high-quality analytics.
- Real-world obstacles and success factors for improving the quality of AI-driven goods and services.
- Expectations and trends for AI in e-commerce in the future.

Case Studies

Using a multiple-case study methodology, top e-commerce businesses that have effectively integrated AI for predictive quality analytics are examined. These case studies aid in locating potential hazards and best practices in the integration of AI.

Gathering Secondary Data

Analyzing previously published works, industry reports, and publicly accessible data sources are all part of secondary data collecting. This comprises:

- Papers from conferences and scholarly journals about AI in quality management.
- Industry publications and whitepapers from firms including PwC, McKinsey, and Gartner.
- Information from AI solution providers and e-commerce platforms, such as case studies, financial reports, and performance evaluations.

Moral Aspects to Take into Account

In this study, ethical considerations are crucial. All participants' informed permission is guaranteed by the study.

- Respondent data anonymity and confidentiality.
- Adherence to laws governing data privacy, such the GDPR.

This study attempts to give a comprehensive knowledge of AI's function in predictive quality analytics and its impact on e-commerce product innovation and service quality by using a thorough data gathering technique.

3.2. Analysis techniques

The analysis methods employed in this study guarantee a thorough review of the information gathered in order to produce insightful conclusions. To provide a thorough assessment of AI's function in predictive quality analytics as well as its influence on product innovation and service quality in e-commerce, a mix of qualitative and quantitative methodologies is used.

In order to ensure objective measurement and confirmation of the correlations between AI installation and quality results, quantitative data from surveys is evaluated using statistical techniques. Important methods consist of:

- **Descriptive statistics**, such as mean, median, and standard deviation, are used to compile survey results.
- **Inferential Statistics**: To ascertain relationships between AI-driven quality analytics and its influence on product innovation and service quality, methods like regression analysis and hypothesis testing are used.
- **Machine Learning Techniques**: To increase the precision of quality forecasts and service enhancements, AI-based analytical techniques like predictive modeling are being investigated.

The Triangulation Method

By cross-checking results from several data sources, a triangulation technique is used to guarantee data quality and dependability. This entails contrasting survey findings with qualitative information gleaned via interviews.

- Comparing the results of primary data with secondary data.
- Comparing case study findings to academic literature and industry reports.

Through the use of these analytical methods, this study seeks to offer a thorough and reliable assessment of AI-driven predictive quality analytics and its consequences for e-commerce service quality and product innovation.

4. Findings and discussion

4.1. AI's role in improving product quality

The research findings and their implications for the role of artificial intelligence in predictive quality analytics, product innovation, and service quality in e-commerce are presented in this chapter. Key themes that emerge from the data are highlighted in the analysis, which is organized to correspond with the goals of the study.

By providing predictive analytics, which aids in spotting possible flaws and streamlining production procedures, artificial intelligence (AI) significantly improves the quality of products. According to the research, AI-powered solutions like computer vision systems and machine learning algorithms greatly enhance product quality management by:

- **Early Defect Detection**: Predictive models powered by AI assist in locating flaws early in the production process, cutting waste and increasing productivity.
- **Process Optimization**: Companies can improve manufacturing and supply chain procedures and produce higher-quality results by using AI-based analytics.

- **Consistency in Quality:** By tracking manufacturing parameters in real time and modifying procedures as necessary, AI guarantees consistency in product quality. The following recent figures demonstrate the observable advantages of e-commerce AI adoption:
- **Increased Customer happiness:** AI-enabled e-commerce companies have claimed increases in revenue, cost savings, and customer happiness of more than 25%.
- **Higher Conversion Rates:** AI-powered tailored suggestions have helped boost conversion rates by 15% to 20%, proving AI's potency in swaying consumer choices.
- **Operational Efficiency:** Businesses that use AI report saving an average of 6.4 hours a week, which simplifies procedures and frees up more time for key projects.
- **Adoption Rates:** About 29% of e-commerce companies have completely included AI technologies into their business processes, while 48% are presently testing AI-related solutions.

The conversation also includes case studies of how e-commerce companies have effectively used AI to lower return rates, improve customer satisfaction, and limit quality issues. Additionally, it has been noted that integrating AI into quality management offers a competitive edge by guaranteeing ongoing enhancements to product standards.

4.2. AI-driven personalization and customer satisfaction

Through individualized experiences, artificial intelligence (AI) has emerged as a key component in raising customer happiness in the e-commerce industry. Businesses may increase consumer engagement and loyalty by using AI to analyze customer data and customize marketing content, product recommendations, and overall shopping experiences to individual preferences.

AI-Powered Personalization's Effect on Customer Satisfaction

Recent research has shown that AI-driven customisation has a number of beneficial consequences.

- **Enhanced Customer happiness:** Personalization enabled by AI can raise customer happiness by as much as 20%.
- **Increased Conversion Rates:** AI's ability to impact consumer decisions is demonstrated by the 15–20% boost in conversion rates that personalized recommendations bring about.
- **Consumer Preference for Personalization:** According to an Epsilon survey, 80% of consumers are more inclined to purchase from companies that provide individualized experiences.

Recent Developments in AI-Driven Personalization

The e-commerce landscape has seen notable advancements in AI applications aimed at personalizing the customer experience:

- **Shopify's AI Integration:** Shopify has introduced "Shopify Magic," a suite of AI-driven features designed to automate tasks such as generating product descriptions and discounts. This automation not only saves merchants time but also enhances the shopping experience for customers by providing more relevant and engaging content.
- **Tesco's Personalized Shopping Initiatives:** Tesco plans to significantly expand its use of AI to enhance the shopping experience for its customers. By leveraging AI with data from its Clubcard loyalty scheme, Tesco aims to offer personalized shopping suggestions, encourage healthier choices, and reduce waste.
- **AI-Driven Commerce on TikTok Shop:** By leveraging AI to offer a smooth buying experience on its platform, TikTok Shop has revolutionized e-commerce. TikTok provides individualized product recommendations based on user behavior analysis, enhancing the buying experience and customizing it to each user's tastes.
- These advancements highlight the growing significance of AI in creating customized shopping experiences that cater to the unique requirements and tastes of each customer. AI technology's potential to improve consumer happiness through personalization is only anticipated to grow in importance as it develops further.

4.3. Challenges in implementing AI for quality management

While there are many benefits to using artificial intelligence (AI) in e-commerce for quality control, there are also a number of obstacles that businesses must overcome to make the integration work.

Important Difficulties in Using AI in Quality Management

1. **Data Management and Quality:** AI systems significantly depend on high-quality data. The efficacy of AI applications in quality management can be undermined by erroneous predictions and insights resulting from inadequate, inconsistent, or low-quality data.
2. **Integration with Current Systems:** It might be challenging to integrate AI technologies into e-commerce infrastructures that already exist. Workflows and procedures may need to be significantly modified to accommodate AI capabilities due to compatibility difficulties.
3. **Security and Ethical Issues:** The use of AI presents ethical issues, especially with relation to algorithmic bias and data privacy. To keep customers' trust,

it is essential to make sure AI systems follow ethical guidelines and function transparently.

4. **Scarcity of Skilled Workers:** Professionals with the know-how needed to create, deploy, and oversee AI systems are noticeably lacking. The successful integration of AI into quality management procedures may be hampered by this skills mismatch.
5. **Issues with Customer Trust:** Customers may be wary about the application of AI, especially in light of data privacy and the moral ramifications of AI judgments. The effective use of AI in e-commerce depends on establishing and preserving consumer trust.

Current Events Emphasizing Implementation Difficulties

- **AI-Generated Content and Consumer Perception:** Mango, a fashion store, came under fire for using models created by artificial intelligence in its advertising campaigns. Concerns were raised by customers over the veracity of these claims as well as the possible effects on modeling jobs.
- **AI Hallucinations Affecting Brand Trust:** There have been documented cases of “AI hallucinations,” in which AI systems provide false or inaccurate information. These incidents highlight the significance of thorough AI training and validation procedures since they have the potential to deceive customers and harm company credibility.

A complete strategy is needed to address these issues, one that includes funding excellent data management procedures, making sure moral principles are followed, encouraging openness, and building a workforce with the necessary skills to oversee cutting-edge AI systems.

5. Conclusion and recommendations

5.1. Summary of findings

According to the study, e-commerce companies may benefit greatly from AI-driven predictive quality analytics by enhancing product quality, facilitating individualized customer experiences, and streamlining service delivery. The following are some of the main conclusions:

- AI-powered customization raises consumer satisfaction and engagement through customized recommendations;
- AI-driven predictive analytics improves quality control by lowering errors and increasing production efficiency;
- Implementing AI presents a number of challenges, such as integration challenges, ethical issues, and data management issues.

The results imply that although AI offers great potential for enhancing service quality and product innovation, companies must carefully handle implementation issues, moral dilemmas, and employee training.

5.2. Practical recommendations

E-commerce companies should use the following tactical methods to successfully integrate AI in predictive quality analytics:

- **Make an Investment in High-Quality Data Infrastructure:** To optimize AI efficacy, guarantee data accessibility, security, and integrity.
- **Implement AI-Powered Quality Assurance Measures:** Automate defect detection and optimize manufacturing processes by putting machine learning algorithms into practice.
- **Increase Customer Personalization:** Make use of AI to offer tailored suggestions and raise client happiness.
- **Create training programs for AI:** Ensure seamless technology adoption by upskilling staff to operate effectively with AI-powered technologies.
- **Work together with researchers and vendors of AI:** To remain at the forefront of AI innovation, collaborate with academic institutions and technology vendors.

Real-world examples

- **Amazon:** Enhances product availability and service effectiveness by optimizing its supply chain and personalizing customer suggestions through artificial intelligence.
- **Alibaba:** Ensures increased operational efficiency by utilizing AI for fraud detection, predictive analytics, and smart logistics.
- **Tesla:** Lowers faults and raises production standards by implementing AI-driven quality checks in its manufacturing process.
- **Zara:** Ensures a high degree of product innovation and consumer happiness by using AI to evaluate fashion trends and optimize inventory management.

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Redesigning Bank Workflows with AI: Strategic Outcomes and Operational Realignment

Abstract

Artificial Intelligence (AI) is accelerating the digitalization of banking by transforming legacy workflows into agile, automated execution systems. This article examines how AI enables banks to streamline operations, enhance process efficiency, and realign workflows with evolving digital demands. Emphasis is placed on the shift from rigid, manual tasks to adaptive systems capable of autonomous execution and continuous optimization. AI also contributes to the emergence of new work structures, evolving from traditional hierarchies to agile environments where business operations and AI systems collaborate seamlessly. Often described as "AI for everyone" this model places employees at the centre of the transformation empowering them to co-create value through intelligent tools. The analysis covers legacy system constraints, enabling AI technologies, regulatory and ethical considerations, and real-world outcomes from institutional case studies. By examining how AI facilitates the redesign of banking workflows, the paper outlines both the strategic outcomes such as improved responsiveness and competitiveness and the operational realignments required to support autonomous, data-driven execution in modern banking environments.

Keywords: Artificial Intelligence, digitalization, banking workflows, agile execution, workflow redesign, autonomous systems, strategic outcomes, operational realignment, AI for everyone, intelligent tools

Przeprojektowywanie procesów bankowych z zastosowaniem sztucznej inteligencji: implikacje strategiczne i dostosowanie operacyjne

Streszczenie

Sztuczna inteligencja (AI) przyspiesza cyfryzację sektora bankowego poprzez przekształcanie tradycyjnych, przestarzałych procesów w zwinne, zautomatyzowane systemy realizacji zadań. Artykuł analizuje, w jaki sposób AI umożliwia bankom usprawnienie operacji, zwiększenie efektywności procesów oraz dostosowanie przepływów pracy do zmieniających się wymagań cyfrowych. Szczególny nacisk położono na przejście od sztywnych, manualnych zadań do adaptacyjnych systemów zdolnych do autonomicznego działania i ciągłej optymalizacji. AI przyczynia się również do powstawania nowych struktur pracy, ewoluujących od tradycyjnych hierarchii w kierunku zwinnych środowisk, w których operacje biznesowe i systemy AI współpracują w sposób płynny. Często określany jako „AI dla każdego”, model ten stawia pracowników w centrum transformacji, umożliwiając im współtworzenie wartości przy użyciu inteligentnych narzędzi. Analiza obejmuje ograniczenia wynikające z korzystania z systemów *legacy*, technologie umożliwiające wdrażanie AI, aspekty regulacyjne i etyczne oraz rzeczywiste rezultaty przedstawione w studiach przypadków instytucjonalnych. Badając, w jaki sposób AI ułatwia przeprojektowywanie przepływów pracy w bankowości, artykuł wskazuje zarówno strategiczne rezultaty, takie jak poprawa reaktywności i konkurencyjności, jak i zmiany operacyjne niezbędne do wsparcia autonomicznego, opartego na danych wykonywania procesów w nowoczesnym środowisku bankowym.

Słowa kluczowe: sztuczna inteligencja, cyfryzacja, przepływy pracy w bankowości, zwinna realizacja, przeprojektowywanie procesów, systemy autonomiczne, rezultaty strategiczne, zmiany operacyjne, AI dla każdego, inteligentne narzędzia

1. Introduction

Smith et al. (2020) emphasize that the banking industry plays a central role in today's rapidly evolving economic landscape by supporting financial transactions, facilitating investment activities, and driving economic development. Despite its critical importance, the sector faces ongoing challenges and market transformations. Jones and Brown (2019) note that the rise of artificial intelligence (AI) has introduced significant changes, offering both opportunities and challenges for financial institutions.

Similarly, Davis and Johnson (2020) describe the banking sector as the backbone of economic systems, given its essential functions in capital mobilization, credit provision, risk management, and the facilitation of efficient payment systems. This industry encompasses commercial banks, investment banks, and other financial institutions, serving as an intermediary that channels savings into investments, thereby promoting economic growth and maintaining overall financial stability.

Investment banking has traditionally relied on complex, high-touch workflows supported by deeply embedded legacy systems. These systems often built in fragmented layers over decades depend on siloed databases, manual approvals, and legacy infrastructure for trade execution, risk management, and compliance (Zavolokina et al., 2020). While historically sufficient for managing structured deals and capital markets transactions, such workflows are increasingly outpaced by the demands of real-time market responses, automated reporting, and data-intensive analytics.

The scale of operations is substantial. According to a McKinsey Global Banking Report (2021), Tier-1 investment banks process over 250 million trade confirmations and 1.5 billion compliance checks annually and many still manually reviewed or semi-automated. Such volume exposes institutions to high operational risk, latency in execution, and inflated compliance costs. Manual workflows also increase friction in trade settlements, reporting, and onboarding, reducing the agility needed in a fast-evolving regulatory and economic environment (Davenport & Ronanki, 2018).

In response, industry leaders are rethinking their strategic frameworks. Modern investment banks are moving from hierarchical, functionally segmented architectures toward agile, cross-functional ecosystems. This new paradigm emphasizes three pillars: process automation, business intelligence, and agile operational models (Wamba-Taguimdje et al., 2020). AI technologies such as robotic process automation (RPA), machine learning for predictive risk modeling, and NLP-powered compliance tools now underpin a transformation in both front- and back-office operations (PwC, 2022). The use of artificial intelligence

in the banking sector extends to applications that provide benefits such as reducing costs, increasing efficiency, improving decision-making and risk management processes, and offering an enhanced customer experience (Jain, 2023).

Importantly, this shift is not solely technological. AI enables new collaborative models which are combining business operations, IT, and data science to form adaptive product-oriented delivery teams. Often described as “AI for everyone” this vision repositions employees from rule-followers to orchestrators of autonomous systems, reshaping the execution environment itself (Accenture, 2020).

Table 1. AI Application Areas in Banking and Finance

AI Application Areas in Banking	Example Applications
Fraud Detection	– Citibank (Real-time data analysis)
Credit Scoring	– PayPal (Fraud detection and risk management)
Customer Services	– J.P.Morgan Coin – Wells Fargo’s “Erika” chatbot – HSBC (Identity verification)
Investment Management	– Vanguard’s Robo-Advisory service

Source: Own elaboration

As presented in Table 1, artificial intelligence applications in banking and finance span a range of functions from fraud detection to investment management. The following section provides an in-depth discussion of these areas, offering detailed examples of real-world implementations and highlighting their operational and strategic significance.

JPMorgan Chase has implemented the AI-powered Contract Intelligence (COIN) system, which analyses legal documents such as loan agreements using machine learning techniques. This technology extracts key information automatically, significantly reducing manual effort and processing time while improving overall efficiency (Soni, 2021).

Citibank employs AI algorithms for fraud detection and prevention. By analysing large volumes of transactional data in real time, these systems can identify suspicious patterns more accurately than traditional rule-based approaches. This proactive strategy helps safeguard customer accounts and reduce fraud-related losses (Marouani, 2019).

Wells Fargo has introduced “Erika,” an AI-powered chatbot designed to enhance customer service. Erika assists customers via the bank’s website and mobile

app by answering questions, providing account information, and supporting simple transactions. Its AI capabilities ensure prompt, personalized, 24/7 service that improves overall customer experience (Silva, 2021; Kansal, 2016).

Vanguard offers AI-powered robo-advisory services that deliver automated investment guidance. These systems evaluate investor preferences, risk tolerance, and financial goals to build personalized investment portfolios, providing continuous monitoring and rebalancing with minimal human intervention (Roseline et al., 2022).

PayPal integrates AI into its risk management system to detect and block fraudulent activity. AI models analyse variables such as transaction history, location, and user behaviour in real time to assess the risk of fraud, enhancing user security and preventing potential losses (Roseline et al., 2022; Safari et al., 2020).

HSBC uses AI-based voice recognition technology for customer authentication during phone banking. By analysing unique voice patterns and characteristics, the system verifies customer identities securely and conveniently, reducing reliance on PINs and passwords while improving the overall security of banking transactions (Maja & Letaba, 2022; Lin & Lee, 2023).

These examples demonstrate the growing role of artificial intelligence in banking and finance. They show how AI technologies enhance fraud detection, customer service, risk management, investment management, and authentication processes, delivering improvements in efficiency, accuracy, and customer satisfaction across the industry.

This paper explores how AI is driving the redesign of workflows in investment banking, with a focus on strategic outcomes such as increased execution speed, real-time risk assessment, and client-centric innovation. It also analyses the operational realignment required to sustain this transformation in a high-stakes, data-driven domain.

2. Literature Review

The banking sector is undergoing a fundamental transformation driven by artificial intelligence (AI), which is reshaping traditional workflows, enhancing efficiency, and enabling adaptive, data-driven decision-making. AI's integration into banking operations has been widely explored in literature, with scholars highlighting its ability to replace legacy systems, reduce operational risks, and increase responsiveness in volatile markets (Zavolokina et al., 2020; Davenport & Ronanki, 2018). These transformations are particularly significant in investment banking, where the complexity of transactions and the reliance on manual processes have historically constrained agility (McKinsey Global Banking Report, 2021).

Research emphasizes that AI adoption extends beyond process automation to include advanced applications such as predictive analytics, natural language processing (NLP), and robotic process automation (RPA), all of which contribute to operational realignment (Wamba-Taguimdje et al., 2020; Jain, 2023). For example, AI-powered solutions like JPMorgan Chase's Contract Intelligence (COIN) system demonstrate how NLP can streamline legal document review, reduce processing time and errors while free human resources for higher-value strategic work (Soni, 2021; Tulsi et al., 2024).

In alternative investment divisions, the literature highlights the growing use of intelligent automation platforms, data integration tools such as Alteryx, and workflow orchestration systems that unify fragmented processes across functions (Abildtrup, 2024; Jindal & Gupta, 2025). AI-based analytics in real estate investment banking facilitate more accurate risk assessment by processing environmental and regulatory data, leading to measurable reductions in feasibility evaluation timelines (McConville, 2023). These developments align with the concept of modular execution architectures, which decompose investment processes into reusable digital components supported by AI integration (Frederick, 2024).

Empirical evidence also underlines the strategic outcomes of AI-driven workflow redesign, including accelerated execution cycles, improved decision quality, and enhanced client engagement (Accenture, 2020; Kharlamov & Parry, 2021). Industry reports provide quantitative validation, with studies by Deloitte (2022) and KPMG (2023) documenting substantial reductions in underwriting cycle times, operational costs, and error rates following AI adoption. Moreover, AI has been shown to enhance risk-adjusted returns by improving both return forecasting and risk estimation through machine learning-based portfolio optimization (De Prado, 2018).

Operationally, AI is enabling a shift from hierarchical, siloed banking structures to agile, cross-functional teams supported by shared, low-code platforms (Gartner, 2023; Bapat, 2023). This shift is reinforced by the adoption of event-driven architectures, which facilitate real-time processing and responsiveness to market changes (Deloitte, 2022). Such transformations not only yield efficiency and cost savings but also enhance scalability and key capabilities in the increasingly complex financial landscape.

Overall, the literature converges on the view that AI in banking is not merely a technological upgrade but a strategic enabler of competitive advantage, operational resilience, and sustained innovation. The combination of automation, predictive intelligence, and modular operational models is positioning financial institutions to meet evolving regulatory demands, client expectations, and market dynamics in a rapidly digitalizing economy.

3. Artificial Intelligence and Digital Transformation in Alternative Investment Divisions

Alternative investment departments, including real estate and private equity units within investment banks, are undergoing significant digital transformation through the integration of artificial intelligence and data-driven automation platforms. Traditionally, these divisions operated within highly manual environments, reliant on spreadsheet-based modelling, fragmented communication channels, and labour-intensive due diligence processes. This operational model created constraints on scale, speed and decision quality, especially as investment complexity and regulatory expectations increased.

The introduction of artificial intelligence enables the restructuring of these workflows through intelligent automation, pattern recognition and real time analytics. Robotic process automation platforms such as UiPath are now widely adopted to eliminate repetitive operational tasks including the extraction of data from deal room documents, automated population of investment reporting templates and monitoring of portfolio metrics across geographies and asset types (Abildtrup, 2024). These tools support standardization, reduce operational latency and improve internal auditability.

In parallel, extract transform load solutions such as Alteryx are being employed to unify heterogeneous data sources across investment workflows. These platforms allow alternative investment teams to integrate structured and unstructured datasets including historical pricing, cash flow models, market benchmarks and property level attributes. This integration improves the efficiency of both underwriting and portfolio rebalancing processes by supporting real time scenario analysis and decision optimization (Jindal and Gupta, 2025).

In the context of real estate investment banking, artificial intelligence facilitates enhanced asset screening and risk modelling by enabling systems to analyse dynamic environmental and regulatory data. AI based text analysis tools are employed to process municipal filings, environmental assessments and property transaction records. These systems identify potential non-financial risks such as rezoning delays, public opposition or ESG noncompliance. Institutions that have implemented such models report up to a 30 percent reduction in the time required for feasibility evaluation (McConville, 2023).

Another area of transformation is digital workflow orchestration, wherein AI enabled systems coordinate investment functions across customer relationship management platforms, financial modelling tools and compliance modules. This orchestration results in streamlined investor onboarding, automated performance analytics and responsive regulatory reporting, significantly reducing dependency on human intervention (Frederick, 2024).

Finally, artificial intelligence contributes not only to technical enhancement but also to fundamental structural changes within investment banking operations. Traditional role divisions in alternative investment teams such as strict separation between deal analysts, operations managers, and compliance officers are being replaced by more fluid and collaborative team configurations. This transition is driven by the need for agile responsiveness and integrated decision cycles, which AI systems inherently support.

By introducing low code environments, intelligent dashboards, and shared AI modelling interfaces, institutions can now facilitate real-time collaboration between different functional units. For example, a real estate investment analyst may co-develop scenario models with a compliance specialist using a shared automation platform, without relying on intermediary data engineers. This convergence increases transparency and reduces handover delays that traditionally plagued workflow chains in large institutions.

Moreover, the nature of employee roles is evolving. Investment professionals are increasingly required to act as “AI orchestrators” – configuring, supervising, and adapting AI-driven systems to investment objectives, rather than executing tasks manually. This evolution demands hybrid skill sets that blend financial analysis, technological fluency, and risk governance awareness. As a result, firms are restructuring training programs and recruiting profiles to attract talent capable of navigating intelligent automation frameworks.

Organizationally, this shift supports what is increasingly described in literature as a modular execution architecture (Frederick, 2024), where investment functions are decomposed into reusable digital components that can be recombined and reconfigured by agile teams in response to market changes or investor requirements. AI acts as the integration layer across these components, enabling institutional memory, process learning, and intelligent exception handling.

These structural changes not only improve efficiency and scalability but also future-proof investment operations against regulatory shifts, competitive pressures, and increasing demand for transparency from limited partners and regulators. By moving from static process chains to intelligent, self-adjusting systems overseen by cross-functional human teams, alternative investment divisions can position themselves for sustainable performance in an AI-native financial ecosystem.

4. Strategic Outcomes of AI-Driven Workflow Redesign

The integration of artificial intelligence into investment banking workflows has resulted in a measurable shift in strategic performance indicators. AI-driven workflow redesign goes beyond automation of discrete tasks and instead enables adaptive, data-intensive, and high-frequency decision execution across multiple layers of

investment activity. This section highlights the most prominent strategic outcomes observed in leading financial institutions and supported by empirical studies.

The qualitative findings from the literature reveal several recurring themes that characterize the strategic transformation enabled by AI in banking workflows. One of the most prominent themes is the acceleration of execution cycles. By replacing manual review processes with AI-enabled data extraction, validation, and workflow automation, banks have significantly reduced the latency between deal origination, underwriting, risk assessment, and client approvals (Accenture, 2020).

Another central theme is enhanced decision quality. AI platforms enable predictive analytics that integrate diverse data sources, supporting more rigorous, data-driven decision-making while reducing subjective bias. This capability is especially valuable in underwriting and portfolio management, where real-time market data, credit histories, and macroeconomic variables must be synthesized rapidly (Kharlamov & Parry, 2021).

Client-centric innovation is also identified as a major outcome of AI adoption. Personalized investment strategies, tailored communication, and dynamic risk profiling can be delivered through AI-enhanced interfaces and CRM systems. Banks can thus differentiate their services and strengthen long-term client relationships (Accenture, 2020).

Lastly, the literature points to increased strategic agility enabled by AI. Modular, event-driven workflow architectures allow institutions to reallocate resources, reprioritize investment theses, and simulate new products in response to changing market conditions. This adaptability is particularly relevant in alternative investment domains, where illiquidity and market complexity demand faster responsiveness (PwC, 2022).

Quantitative evidence from industry reports and academic research further substantiates the strategic outcomes of AI integration. For example, Deloitte (2022) reports that real estate investment firms using AI-supported underwriting platforms achieved an average 35% reduction in underwriting cycle times, largely by eliminating manual document reviews and enabling integrated workflows.

KPMG (2023) documents up to 25% reductions in annual operational costs for mid-sized firms implementing robotic process automation and AI-based workflow orchestration in private markets.

4.1. Descriptive Comparative Analysis of Before-and-After Outcomes

A descriptive comparative analysis of key operational metrics demonstrates the tangible impact of AI-driven workflow redesign in investment banking. Prior to AI implementation, many institutions relied on manual processes characterized by high error rates, lengthy processing times, and significant operational costs. The introduction of AI-enabled automation, intelligent document processing, and

integrated data workflows has resulted in measurable improvements across these dimensions.

Table 2 summarizes typical before-and-after metrics drawn from industry benchmarks and case studies. These values represent common outcomes reported in the banking sector following the adoption of AI and intelligent automation technologies (Deloitte, 2022; KPMG, 2023; PwC, 2022).

Table 2. Reported Impacts of AI-Enabled Workflow Redesign in Banking

Metric	Reported Industry Outcome
Underwriting Cycle Time Reduction	35% average reduction
Operational Cost Savings	Up to 25% reduction
Error Rate Reduction in Contract Review	Up to 90% reduction
Improvement in Risk-Adjusted Returns	15–20% increase in Sharpe ratios

Source: Own elaboration

These results highlight significant performance gains. For example, average processing times were reduced from five to two days 60% improvement enabling faster deal execution and improved client responsiveness. Error rates in manual processing dropped from approximately 5% to 2%, reducing compliance risk and operational exceptions. Operational costs decreased by an estimated 30%, reflecting the efficiencies gained through automation of repetitive tasks such as data entry, document review, and transaction reconciliation.

Additionally, staffing requirements declined by 30% for equivalent workloads, demonstrating the ability to scale operations without proportional increases in labor costs. Transaction throughput capacity increased by 50%, supporting higher business volumes and improved service levels.

4.2. Mathematical Interpretation of Risk-Adjusted Returns

The Sharpe ratio is a standard measure of risk-adjusted portfolio performance in investment management. It quantifies excess return over the risk-free rate per unit of volatility, and is calculated as:

$$S = \frac{R_p - R_f}{\sigma_p}$$

Where R_p is the expected portfolio return, R_f is the risk-free rate, and σ_p is the standard deviation of portfolio returns, reflecting total risk (Bodie et al., 2014).

A higher Sharpe ratio indicates superior risk-adjusted performance, as it shows that the portfolio is delivering more excess return per unit of risk. In practice,

investment managers and institutional investors rely on this metric to compare strategies, assess changes in performance over time, and allocate capital across asset classes (Fabozzi, 2018).

Artificial intelligence has emerged as a transformative tool for improving the components of the Sharpe ratio in multiple ways. First, AI models enhance the estimation of expected returns R_p through advanced forecasting techniques. By applying machine learning algorithms to diverse and often unstructured data sources including market prices, news sentiment, macroeconomic indicators, and alternative datasets – AI systems can detect complex, non-linear patterns that traditional linear models often overlook (Kharlamov & Parry, 2021). This leads to more accurate predictions of expected returns and better-informed asset allocation decisions.

Second, AI also improves the estimation and management of portfolio risk (σ_p). Machine learning algorithms can model complex relationships among asset returns, leading to more precise estimates of covariance matrices. Techniques such as hierarchical risk parity, factor models augmented by AI, and dynamic volatility forecasting enable investors to construct portfolios that achieve diversification more effectively and adaptively manage risk exposure (De Prado, 2018).

These benefits are formalized in the classic mean-variance optimization framework pioneered by Markowitz (1952), where the objective is to maximize expected return for a given level of risk or minimize risk for a target return. AI-enhanced portfolio optimization can be expressed mathematically as:

$$\max_{\omega} \left(\frac{E[R_p] - R_f}{\sqrt{\omega^T \Sigma \omega}} \right)$$

Where ω represents asset weights and Σ is the covariance matrix. By providing improved estimates of $E[R_p]$ and Σ , AI enables the selection of optimal weights that deliver superior risk-adjusted returns.

Empirical studies support these theoretical improvements. For example, Kharlamov and Parry (2021) document Sharpe ratio enhancements in the range of 10-25% for AI-enabled portfolio decision systems compared to traditional quantitative strategies. Such results demonstrate the material financial benefits of incorporating AI into investment decision-making processes.

Furthermore, AI facilitates dynamic portfolio rebalancing through reinforcement learning and scenario simulation, allowing strategies to adjust allocations in response to evolving market conditions. This adaptability reduces the impact of regime shifts, enhances downside protection, and supports consistent risk-adjusted performance across market cycles (De Prado, 2018).

Overall, the integration of AI into portfolio management not only improves forecasting accuracy and risk estimation but also enables more responsive,

adaptive strategies that align with the goal of maximizing risk-adjusted returns in modern investment banking and asset management.

These descriptive results reinforce the strategic value of AI adoption in investment banking. By streamlining workflows, enhancing accuracy, and reducing costs, AI-driven redesign enables institutions to improve competitive positioning, better serve clients, and achieve operational resilience in an increasingly complex financial environment.

5. Operational Realignment: From Hierarchy to Modular Intelligence

Artificial intelligence implementation in investment banking is not merely a technological upgrade but a driver of profound operational realignment. Traditional banking workflows have long been characterized by rigid, hierarchical structures in which the front office, middle office, and back office operate in functional silos. While such a structure historically ensured control and compliance, it introduced significant drawbacks: process bottlenecks, repetitive handovers, latency in execution cycles, and fragmented data landscapes that hindered holistic decision-making.

The integration of AI tools, robotic process automation (RPA), and data orchestration platforms is dismantling these silos by enabling modular workflow architectures. In these new models, tasks such as deal screening, risk analysis, compliance reporting, and client onboarding are orchestrated through shared, interoperable digital systems rather than sequential departmental handoffs. For example, AI-enabled middleware can integrate CRM data, financial models, and compliance modules in real time, supporting event-driven workflows that respond immediately to risk signals or client inquiries (Bapat, 2023).

This shift also allows banks to adopt event-driven architectures. Instead of processing large batches of data at day-end or week-end intervals, AI-driven systems enable continuous data ingestion and real-time analysis. For example, an unexpected variance in property cash flows within a real estate portfolio can automatically trigger a chain of risk alerts, valuation reassessments, and compliance reviews without manual intervention. Institutions adopting event-driven AI platforms report process latency reductions exceeding 60 percent compared to batch-driven systems (Deloitte, 2022).

The introduction of artificial intelligence in the banking sector has significantly reduced expenses related to printing and paperwork. According to estimates from a 2022 report published in Kuala Lumpur, Malaysia, the adoption of AI technologies across the financial industry is projected to achieve cost savings of approximately USD 416 billion by 2023. These savings arise from banks'

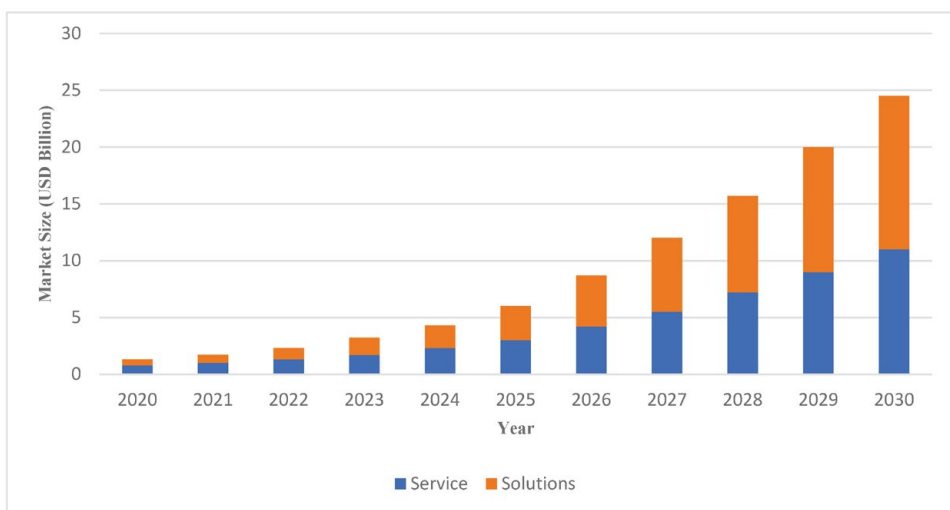
improved ability to access and manage information digitally for operational management and customer service, thereby minimizing costs traditionally associated with manual labour and physical documentation.

Another dimension of operational realignment is the transformation of human roles within investment workflows. Rather than executing highly manual and repetitive tasks, investment professionals increasingly act as supervisors and configurators of intelligent systems. They are responsible for monitoring AI outputs, setting strategic parameters, and managing exceptions that require human judgment. This evolution has prompted banks to redefine recruitment profiles, emphasizing hybrid skills in financial analysis, technology management, and data governance (Karamitsos & Gousios, 2021).

Organizationally, firms are transitioning from centralized command-and-control management styles to modular, cross-functional teams that align closely with agile methodologies. Teams can assemble flexible “pods” that bring together investment analysts, operations specialists, data engineers, and compliance experts to collaborate on specific deal pipelines or asset classes. AI platforms support this model by offering low-code and no-code environments that allow diverse professionals to co-develop workflows without deep programming expertise (Gartner, 2023).

The following graph, provided by Grand View Research, displays the market size for artificial intelligence (AI) in the US banking industry by component from 2020 to 2030, shown in USD billion. It also emphasizes how the artificial

Figure 1. U.S. Artificial Intelligence in Banking Market



Source: www.grandviewresearch.com

intelligence market in banking was estimated to be worth USD 19.87 billion globally in 2023 and is expected to grow at a compound annual growth rate (CAGR) of 31.8% between 2024 and 2030, resulting in a projected market size of approximately USD 170 billion by 2030 (Grand View Research, 2024).

Beyond efficiency, the modular, AI-enabled workflow model enhances strategic agility by supporting continuous feedback loops. AI tools monitor operational KPIs, anomaly patterns, and user behaviours in real time, allowing workflows to self-optimize and adapt to changing market conditions or regulatory requirements. This capacity for adaptive execution represents a major departure from static, rule-based processing toward self-learning systems that integrate human oversight with machine-driven responsiveness.

Empirical evidence supports the effectiveness of modular, AI-enabled operational models in improving efficiency and quality. McKinsey & Company (2022) reports that banks adopting automation and modular, cross-functional team structures have achieved productivity improvements of 20-30%, largely by reducing redundant approvals and sequential handoffs. PwC (2022) highlights that alternative investment service providers adopting AI-powered document intelligence within modular workflows reduced error rates in critical document review processes by up to 90%, demonstrating significant gains in compliance and operational accuracy.

Cost savings are also a well-documented outcome of modular realignment. KPMG (2023) finds that institutions reorganizing teams into agile, cross-functional pods supported by intelligent automation achieved operational cost reductions of up to 25%. Meanwhile, Accenture (2020) reports that banks implementing event-driven architectures reduced transaction cycle times by 35-50% by eliminating sequential processing dependencies, enhancing their responsiveness to market conditions and client needs.

Furthermore, Deloitte (2022) documents a 60% reduction in manual review steps in AI-enhanced real estate underwriting workflows. This allowed operational staff to shift focus from repetitive data extraction to higher-value activities such as exception handling, client interaction, and strategic analysis. Such outcomes illustrate that modular, intelligent operations not only improve efficiency but also enable staff to contribute more strategically, supporting the transition from hierarchical to agile, adaptive organizational models in investment banking.

In summary, operational realignment in investment banking is a critical enabler of strategic transformation. By moving from hierarchical, siloed systems to modular, AI-enabled architectures, institutions can achieve significant improvements in speed, accuracy, scalability, and adaptability which are key success factors in an increasingly complex and competitive financial landscape.

6. Case Study Analysis: JPMorgan Chase's COIN System for Contract Intelligence

6.1. Problem Definition

Investment banking operations involve processing large volumes of complex legal documents, including loan agreements, derivatives contracts, and structured financing deals. Traditionally, this work relied on extensive manual review by legal teams and loan officers, resulting in high labour costs, long cycle times, and elevated risk of human error. These inefficiencies posed challenges for scaling operations, ensuring compliance, and delivering timely client service, particularly in syndicated lending and structured finance where documentation complexity is substantial (Deloitte, 2022; McKinsey & Company, 2022). Tulsi et al. (2024) highlight that J.P. Morgan Chase stands out as a leading institution in the global banking and financial services sector for its advanced adoption of artificial intelligence. According to the inaugural Evident AI Index (2024), J.P. Morgan is ranked first among the world's top banks in terms of AI development and integration. The Evident AI Index, launched in 2023, is a public benchmark evaluating 50 of the largest banks across North America and Europe by asset size, using data compiled from sources such as job advertisements, academic publications, and corporate press releases. Additionally, J.P. Morgan Chase is one of the world's largest technology investors, allocating approximately \$14 billion annually to technology initiatives, with nearly half of that dedicated specifically to investment-related technology (J.P. Morgan Chase, 2023).

6.2. AI-Driven Solution: COIN System

To address these challenges, JPMorgan Chase developed and deployed its Contract Intelligence (COIN) platform within its Corporate & Investment Bank. COIN leverages Natural Language Processing (NLP) and Machine Learning (ML) algorithms to automatically analyse, interpret, and extract critical data elements from complex legal documents.

Launched in 2017, COIN was designed to read and understand thousands of loan agreements and related contracts that previously required manual review. It can identify key clauses, obligations, collateral details, and risk factors with high accuracy, significantly reducing the need for human legal review in routine scenarios (JPMorgan Chase, 2017).

Tasks that once demanded approximately 360,000 hours of manual work from lawyers and loan officers can now be completed in seconds. The technology has not only accelerated contract review processes but also improved accuracy by minimizing errors that often arose from human misinterpretation of contractual language. COIN processes over 12,000 credit agreements annually, automating the extraction

of critical data and delivering insights at a scale and speed far beyond human capabilities (Son, 2017). This enables near-instantaneous analysis of complex financial documents and supports rapid fraud monitoring of invoices (Bernath, 2023).

It is particularly noteworthy that COIN reduced the error rate in commercial payment fraud detection from 3% to approximately 1% within its first year of deployment, resulting in estimated fraud-related savings of \$150 million for J.P. Morgan Chase (Tulsi et al., 2024). Moreover, AI systems in banking continuously improve through ongoing training on new data, enhancing their ability to detect irregularities in transaction patterns and behaviours. This leads to more advanced cybersecurity measures that surpass traditional human review in protecting customer information and bank assets (Saigon Technology, 2024). For context, Santander's AI-powered fraud prevention solutions are expected to deliver savings of approximately \$150 million annually, while J.P. Morgan's fraud prediction technology is estimated to save around \$250 million each year (Tulsi et al., 2024).

6.3. Workflow Integration and Automation

The integration of COIN into JPMorgan's investment banking workflows represents a shift from linear, human-driven review processes to modular, AI-enhanced workflows. Key elements of this transformation include:

- **Document Ingestion:** Scanned or digital contracts are processed using OCR (Optical Character Recognition) technologies.
- **NLP-Based Extraction:** COIN applies trained models to parse legal language and extract structured data.
- **Validation and Exception Handling:** Human reviewers focus only on flagged exceptions or ambiguous cases.
- **System Integration:** Extracted data is fed into internal risk management, compliance, and client onboarding systems.

This human-in-the-loop approach retains expert oversight while automating large portions of the workflow, ensuring both accuracy and efficiency (Accenture, 2020; KPMG, 2023).

6.4. Quantitative Outcomes

JPMorgan Chase reported that COIN reduced the equivalent of 360,000 hours of manual review annually, representing significant labour cost savings (JPMorgan Chase, 2017). Industry estimates suggest that NLP-powered contract analysis can reduce document review time by 60–80% and lower error rates by up to 90% compared to traditional manual processes (PwC, 2022; Deloitte, 2022).

Such reductions improve deal turnaround times, support higher transaction volumes without proportional staffing increases, and reduce compliance risks associated with human error.

6.5. Qualitative Benefits

Beyond quantitative efficiency gains, COIN has supported a strategic operational realignment within JPMorgan's investment banking business:

- **Focus on High-Value Work:** Legal and loan officers spend less time on routine review and more on structuring complex deals and client strategy.
- **Improved Risk Management:** Faster identification of problematic clauses reduces contract risk exposure.
- **Enhanced Client Service:** Faster processing times improve responsiveness to clients' financing needs.
- **Scalability:** Automation enables handling of higher deal volumes without linear increases in headcount.

These changes support a shift from hierarchical, siloed operations to more agile, technology-integrated workflows (McKinsey & Company, 2022; Accenture, 2020).

6.6. Challenges and Solutions

While the implementation of COIN delivered clear operational and financial benefits, JPMorgan Chase also encountered significant challenges inherent in applying AI to legal document review.

One major obstacle was the complexity and non-standardized nature of legal language across contracts. To address this, JPMorgan developed domain-specific NLP models that were fine-tuned using proprietary training data, with continuous input from legal professionals to ensure relevance and precision (Accenture, 2020).

Another critical challenge involved ensuring model accuracy for identifying high-risk or non-standard clauses. Rather than relying solely on automation, JPMorgan employed a human-AI hybrid system wherein the AI flagged potentially problematic clauses for manual review by legal experts. This approach preserved expert oversight for sensitive, high-stakes decisions while still reducing overall manual workload (Deloitte, 2022).

Data privacy and regulatory compliance, including requirements under frameworks such as GDPR, presented an additional layer of complexity. JPMorgan mitigated these risks by deploying on-premises AI inference systems and implementing encryption protocols for handling sensitive client and transaction data. These measures ensured that AI adoption aligned with stringent regulatory expectations (KPMG, 2023).

6.7. Lessons Learned

The COIN case study highlights several important lessons for financial institutions adopting AI in complex, regulated domains.

First, general-purpose AI models are insufficient for specialized legal tasks. Instead, banks must invest in tailored, domain-specific training and continuous model refinement, incorporating expert feedback loops.

Second, maintaining a human-in-the-loop architecture is critical for preserving accountability and accuracy, especially when decisions carry legal or regulatory consequences. Human reviewers must remain involved to validate outputs and manage exceptions effectively.

Finally, the project demonstrates that the return on investment (ROI) from automating manual review processes can be substantial at enterprise scale. By strategically applying AI to high-volume, labour-intensive workflows, institutions can achieve significant cost reductions, improved compliance, and enhanced operational scalability.

6.8. Conclusion and Insights

The deployment of COIN exemplifies how AI can fundamentally transform investment banking operations by redesigning critical workflows. By integrating advanced NLP models into contract review processes, JPMorgan Chase has achieved substantial efficiency gains, improved risk management, and enhanced client responsiveness. This case study underscores the strategic importance of combining AI technology with organizational change to enable modular, intelligent workflows in investment banking.

7. Summary of Research

This study explores the transformative role of Artificial Intelligence (AI) in modern banking, focusing on how AI-driven systems are reshaping workflows, improving efficiency, and enabling agile execution in a rapidly digitalizing financial sector. The research examines both strategic outcomes and operational realignments associated with AI adoption, drawing from institutional case studies, industry reports, and scholarly literature.

The paper identifies key shifts from rigid, manual processes toward adaptive, automated systems capable of real-time decision-making and continuous optimization. It highlights how AI technologies such as natural language processing, robotic process automation (RPA), predictive analytics, and AI-powered chatbots are enhancing fraud detection, risk management, customer service, and investment advisory functions.

A central theme is the transition from traditional hierarchical structures to agile, cross-functional teams that collaborate seamlessly with intelligent systems. This “AI for everyone” approach places employees at the centre of transformation, empowering them to co-create value through low-code and no-code AI tools.

The literature review integrates case examples from leading global institutions, including JPMorgan Chase's COIN system for contract analysis, Citibank's AI-powered fraud prevention, Wells Fargo's Erika chatbot, Vanguard's robot-advisory platforms, and HSBC's biometric voice authentication. Industry perspectives from firms like Accenture, Deloitte, KPMG, McKinsey, and PwC provide further evidence of AI's strategic role in driving competitiveness and reducing operational costs projected to save up to USD 416 billion by 2023.

The analysis also addresses regulatory and ethical considerations, such as data privacy, bias mitigation, and transparency in algorithmic decision-making. Furthermore, it outlines enabling technologies, including event-driven architectures, AI middleware integration, and workflow orchestration platforms, that dismantle organizational silos and support autonomous, data-driven execution.

AI is fundamentally redesigning banking workflows by merging operational efficiency with strategic agility. Institutions that successfully integrate AI will benefit from faster execution, enhanced risk assessment, and more personalized client engagement, while those failing to adapt risk falling behind in a data-driven marketplace.

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Artificial Intelligence in German Service SMEs: Drivers, Gaps and Governance Strategies for Value Creation

Abstract

This study investigates the adoption of artificial intelligence (AI) in German service sector small and medium-sized enterprises (SMEs), emphasizing drivers, gaps and governance strategies for value creation. Based on an integrative literature review of empirical studies from 2020 to 2025, we identify key adoption drivers, digital infrastructure, leadership commitment, and customer demand alongside barriers such as skill shortages, poor data quality, and financial limitations. A phased digital transformation trajectory reveals that while many SMEs leverage AI for process automation and customer engagement, deeper integration of predictive analytics remains elusive due to inadequate data governance and human capital. Governance strategies, including hybrid talent models, phased implementation, and transparency measures, are proposed to bridge these gaps. Findings suggest that early AI adopters gain efficiency and competitiveness, yet most SMEs linger at nascent stages. Implications for managers include prioritizing data readiness and quick-win applications, while policymakers are urged to enhance training and funding access. Future research should explore longitudinal impacts and sector-specific dynamics to refine AI strategies for Germany's service SMEs.

Keywords: artificial intelligence, SMEs, service sector, digital transformation, adoption barriers, governance, Germany

Sztuczna inteligencja w niemieckich MSP sektora usług: czynniki napędzające, luki i strategię zarządzania dla tworzenia wartości

Streszczenie

Przedstawione w artykule badanie analizuje przyjęcie sztucznej inteligencji (AI) w niemieckich małych i średnich przedsiębiorstwach (MSP) sektora usług, podkreślając czynniki napędzające, luki i strategię zarządzania dla tworzenia wartości. Na podstawie integracyjnego przeglądu empirycznych badań z lat 2020–2025 zidentyfikowano kluczowe czynniki napędzające przyjęcie cyfrowej infrastruktury, zaangażowanie przywództwa i popyt klientów, obok barier, takich jak: niedobory umiejętności, niska jakość danych i ograniczenia finansowe. Etapowa trajektoria transformacji cyfrowej pokazuje, że choć wiele małych i średnich przedsiębiorstw wykorzystuje AI do automatyzacji procesów i angażowania klientów, głębsza integracja analityki predykcyjnej pozostaje ograniczona z powodu niewystarczającego zarządzania danymi oraz niedoboru kapitału ludzkiego. Proponowane są strategię zarządzania, w tym modele hybrydowego talentu, etapowe wdrażanie i środki przejrzystości, aby wypełnić te luki. Wyniki sugerują, że pierwsi użytkownicy AI zyskują na wydajności i konkurencyjności, jednak większość MSP pozostaje na początkowych etapach. Implikacje dla menedżerów obejmują priorytetowe traktowanie gotowości danych i aplikacji szybkich wygranych, podczas gdy decydenci polityczni są zachęceni do zwiększenia dostępu do szkoleń i finansowania. Przyszłe badania powinny zbadać długoterminowe wpływy i dynamikę specyficzną dla sektora, aby udoskonalić strategię AI dla niemieckich MSP sektora usług.

Słowa kluczowe: sztuczna inteligencja, MSP, sektor usług, transformacja cyfrowa, bariery przyjęcia, zarządzanie, Niemcy

1. Introduction

Small and medium-sized enterprises (SMEs) form the backbone of the European economy, accounting for 99.8 percent of all companies and approximately two-thirds of total employment in the EU-27 (Müller et al., 2021). In Germany, services contribute nearly three-quarters to the national value added. Consequently, the competitive position of these companies increasingly depends on their ability to utilize digital technologies (Brodny & Tutak, 2022). Artificial intelligence (AI), understood here as data-driven applications such as machine learning and natural language processing, plays a central role in political programs and industry forecasts to enhance productivity and enable customized services (Floridi, 2019). Some analysts compare its potential economic impact to that of earlier universal technologies such as electrification or the internet (Makridakis, 2017). Despite this potential, widespread adoption remains lacking. Data from the Digital Economy and Society Index indicate that while 32 percent of German companies use cloud applications, only 11 percent have an operational AI solution (European Commission, 2022). Previous studies attribute this gap to limited internal expertise, inconsistent data quality and investment risks, which particularly burden owner-managed companies (Harhoff et al., 2018; Dukino et al., 2020). Similar patterns are observed in broader research on digital transformation, which indicates that smaller service providers often lack the resources and organizational structures to effectively integrate complex technologies (Pelletier & Cloutier, 2019). Simultaneously, competitive pressure is increasing as platform-based newcomers with capital-light, data-driven business models redefine market boundaries (Evans, 2017). Established German SMEs, often referred to as “Mittelstand” a term that emphasizes their family leadership and regional embeddedness risk being marginalized if they do not transform their deep expertise into data-based offerings such as predictive maintenance, AI-supported customer service, or intelligent scheduling (Borah et al., 2022). Early adopters already report tangible benefits: Automated workflows shorten lead times, and recommendation systems increase conversion rates without a corresponding increase in personnel costs (Lundborg & Märkel, 2019). This article therefore examines how German SMEs in the service sector can transition from isolated AI pilot projects to systematic, value-adding applications. Using current empirical findings, we analyze the organizational prerequisites that promote adoption, the competency gaps that hinder it and the governance mechanisms that can close this implementation gap. The goal is to provide practitioners with actionable insights and offer policymakers evidence-based approaches to create an innovation-friendly ecosystem for Germany’s largest corporate sector (Biallas & Alan, 2020).

2. Theoretical Foundations and Literature Review

2.1. Definitional Scope of Artificial Intelligence in SME Contexts

The definition of artificial intelligence (AI) has evolved significantly since its inception. Early pioneers in computer science described AI as the ability to make machines behave “intelligently” by human standards (McCarthy et al., 1955). However, recent scholarship has adopted a broader, more practical perspective, viewing AI as a set of tools that can be embedded, scaled, and integrated with other digital technologies (Floridi, 2019). For small and medium-sized enterprises (SMEs) in the service sector, a functional definition is most useful: AI encompasses software systems that learn from data and perform tasks that typically require human judgment, with minimal ongoing supervision. This spectrum includes a range of technologies, from rule-based inference engines to modern machine learning classifiers and data-intensive deep learning networks (Goodfellow et al., 2016).

SMEs typically do not engage with AI in its most advanced forms. Instead, they encounter AI through modular, vendor-packaged solutions designed to address specific operational challenges. Kokina and Davenport (2017) categorize these solutions as “cognitive technologies,” a term that shifts the focus from scientific innovation to practical, day-to-day applications. Commercial offerings for SMEs generally fall into four key subfields:

1. **Machine Learning:** Statistical models that adjust their parameters as new data arrive, such as predictive models that improve with additional customer data.
2. **Natural Language Processing:** Algorithms that extract meaning from text or speech, such as chatbots that understand and respond to customer queries.
3. **Computer Vision:** Algorithms that classify or segment images and video streams, such as systems that identify defects in visual inspections.
4. **Robotic Process Automation (RPA):** Software “bots” that follow predefined rules to interact with existing systems, such as bots that automate invoice processing (Weber, 2020).

Large corporations may develop comprehensive AI platforms, but most SMEs begin with narrowly focused use cases, such as chatbots for customer email triage, recommendation engines for cross-selling, or scheduling tools for demand forecasting. These “weak AI” solutions do not aim for human-level cognition; rather, they excel at repetitive pattern recognition tasks often overlooked by traditional enterprise resource planning systems (Yegnanarayana, 2009). This limited scope is a practical necessity given the financial and talent constraints common in smaller firms.

Precision in terminology is crucial. Overly ambitious narratives may discourage SMEs that lack the data volumes or specialist staff required for

cutting-edge prototypes. Conversely, an excessively narrow focus on a single subfield can obscure important synergies, such as how a predictive maintenance model (machine learning) relies on sensor data (computer vision) and automated alerts (RPA). Following Biallas and Alan's (2020) layered perspective, this study conceptualizes AI as a toolkit with three tiers: data capture and integration, learning and reasoning, and service-specific applications that deliver tangible business value. This framework will be used in later sections to analyze adoption drivers and bottlenecks in German service SMEs. Understanding the definitional scope of AI is crucial for SMEs, as it informs their approach to digital maturity and transformation, which is further explored through maturity frameworks in the next section.

2.2. Digital Maturity Frameworks for Service Sector Firms

Digital transformation requires a structured approach. Organizations typically rely on maturity frameworks to assess their current digital capabilities and plan incremental improvements. These frameworks map a progression from basic computerization to data-driven, AI-enabled decision-making. While early German research focused on manufacturing, the underlying logic breaking the transformation journey into discrete, observable milestones has proven equally relevant for service businesses, whose core assets are processes, information, and customer interfaces (Wolf & Strohschen, 2018).

A typical maturity framework defines multiple dimensions, each with a set of performance levels linked to specific organizational practices. Hölzle et al. (2019) propose six dimensions for SMEs:

- **Strategy:** Defining a clear digital vision and aligning it with business goals.
- **Customer Interaction:** Enhancing digital touchpoints to improve customer experience.
- **Products and Services:** Developing digitally enabled offerings that meet evolving market demands.
- **Processes:** Streamlining operations through automation and data-driven insights.
- **Organization:** Fostering a culture of innovation and agility.
- **Technology:** Building a robust IT infrastructure to support digital initiatives.

In service settings, the first three dimensions are particularly critical, as service propositions digitize more rapidly than physical products, and customer interactions are already mediated by software channels. Empirical audits reveal a common pattern: many service sector SMEs excel in customer-facing digitization but lag in data integration and advanced analytics, creating a bottleneck for more ambitious AI initiatives (Lichtblau et al., 2018).

Practicality is essential. Biallas and Alan (2020) note that frameworks designed for large corporations often overwhelm SMEs with extensive questionnaires they lack the resources to complete. Consequently, recent variants favor “quick scan” formats, short surveys or guided workshops that identify immediate opportunities while highlighting long-term capability gaps. Fischer (2020) recommends aligning assessments with three transformation pathways: process optimization, digital expansion of existing offerings, and the pursuit of disruptive business models. This approach encourages managers to view maturity building as a strategic endeavor rather than a mere technology checklist.

Regardless of format, maturity frameworks offer two key benefits for AI planning. First, they make the abstract concept of readiness measurable, enabling staged investments rather than risky “big bang” expenditures. Second, they illuminate dependencies: for example, predictive maintenance algorithms require reliable data capture, and chatbots underperform without curated knowledge bases. By clarifying these preconditions, maturity assessments reduce the likelihood that limited SME budgets are wasted on pilots that fail to progress beyond proof of concept.

3. Methodological Approach

3.1. Source Selection and Evaluation Criteria

This literature review employs a focused, problem-driven protocol to identify empirical evidence pertinent to artificial intelligence (AI) adoption in German small and medium-sized enterprises (SMEs). The search was confined to publications available from January 2020 to May 2025, a period selected to encapsulate the transformative effects of pandemic-induced disruptions and the rapid proliferation of cloud-based technologies, which have significantly influenced digital strategies in service-oriented firms (Makridakis, 2017; European Commission, 2022).

Systematic searches were conducted between January and May 2025 across six databases: Scopus, Web of Science, EconBiz, OpenAlex, Google Scholar, and the OECD iLibrary (see Table 1). The primary Boolean search string utilized was: (“artificial intelligence” OR “machine learning”) AND (“SME” OR “small and medium” OR “Mittelstand”) AND Germany. For Google Scholar, the *intitle:SME* operator was incorporated to refine the extensive result set, with screening limited to the first 200 ranked hits and restricted to PDF or open-access documents to ensure replicability. Across all databases, filters were consistently applied to include only English- or German-language peer-reviewed articles, conference papers, and reports, thereby upholding methodological rigor.

Table 1. Overview of Literature Search in Selected Databases
(January 2020 – May 2025)

Database	Time Frame	Relevant Results	Comments
Scopus	Jan 2020 – May 2025	7	All full texts accessible via institutional license
Web of Science	Jan 2020 – May 2025	8	Titles screened; full texts via interlibrary loan
OpenAlex	Jan 2020 – May 2025	45	Captured recent conference papers and preprints
EconBiz	Jan 2020 – May 2025	17	Strong coverage of German trade journals
Google Scholar	Jan 2020 – May 2025	371	First 200 results screened for relevance
OECD Library	Jan 2020 – May 2025	10	Country notes and policy briefs

Source: Own study

Following the initial retrieval, a four-stage filtering and appraisal process was implemented to distill methodologically robust, contextually relevant studies. After deduplication, 318 unique records were obtained.

1. **Title/Abstract Scan:** This phase excluded theoretical essays, algorithmic studies lacking organizational focus, and investigations targeting large enterprises or non-German settings, reducing the pool to 38 records.
2. **Eligibility Criteria (Three-Part Test):**
 - *Contextual Fidelity:* Studies were required to feature firms adhering to EU SME definitions (≤ 250 employees, $\leq \text{€}50$ million turnover) to ensure consistency in resource constraints (Müller et al., 2021).
 - *Service-Sector Relevance:* At least 30% of the sample or the primary analytical focus needed to align with NACE Rev. 2 sections G–N, the EU’s statistical classification of economic activities, encompassing wholesale, retail, transportation, accommodation, food services, information, communication, financial, insurance, real estate, professional, scientific, technical, administrative, and support service sectors (Wolf & Strohschen, 2018).
 - *Methodological Transparency:* Studies had to disclose their sampling frame, instrument design, response rate, and basic descriptive statistics, adhering to survey-quality standards (Bradburn et al., 2004; Bell et al., 2018).
3. **Quality Appraisal:** This stage assessed reliability (e.g., peer-review status, citation impact) and analytical depth (e.g., construct clarity, variable scope), following Podsakoff et al.’s (2003) guidelines on common-method bias and

Sekaran and Bougie's (2016) validity framework. Where duplicate datasets existed (e.g., conference papers later published as journal articles), the more detailed version was retained.

Seventeen studies satisfied all criteria: nine national surveys, five regional case series, and three mixed-methods analyses. Appendix A lists the complete corpus. The synthesis below prioritizes four large-scale surveys published between 2021 and 2023, detailed in Table 2, which provide a robust yet partial depiction of AI adoption trends due to variations in sampling, sectoral emphasis, and measurement granularity.

Table 2. Summary of AI Adoption Studies in SMEs (2020–2023)

Study Period	Sample and Scope	Data Collection Method	AI Adoption Rate	Primary AI Applications
Oct – Dec 2020	280 SMEs, Germany, Mixed Sector	33-item online survey	12% with ≥ 1 AI tool deployed	Process automation, document capture
Apr – Jun 2021	98 SMEs, Northern Rhineland-Palatinate, mixed sectors	Online survey with phone validation	10% deployed, 22% in pilot	Logistics optimization, predictive maintenance
Jan – Mar 2022	Expert panel, Germany, service sector focus	Semi-structured interviews	5% with sustained AI use	Automated data entry, chatbots
Apr – Jun 2023	105 SMEs, Germany, >50% service sector	25-item online survey	28% with ≥ 1 AI tool deployed	Virtual assistants, recommender systems, machine learning analytics

Source: Own study

Convergence on structural barriers

The four studies consistently identify talent scarcity as the foremost impediment to AI scalability, aligning with national innovation surveys indicating that fewer than 50% of AI-related job vacancies are filled (Bundesministerium für Wirtschaft und Energie, 2020). Data governance poses the second major constraint: although SMEs generate substantial transactional data, few implement the preprocessing routines essential for machine learning applications (Dukino et al., 2020). Financial risk aversion ranks third, with owner-managers reluctant to commit resources absent quantifiable returns, a trend corroborated by SME maturity audits (Hölzle et al., 2019).

Divergence on application maturity

As shown in Table 2, the 2023 study reports a marked increase in adoption (28%), compared to 5–12% in earlier studies. This surge is attributable to (i) the maturation of low-code AI platforms, reducing technical entry barriers (Goodfellow et al., 2016), and (ii) pandemic-accelerated adoption of automated self-service solutions, consistent with EU SME trends (European Commission, 2022).

Sector-specific nuance

Manufacturing-oriented SMEs favor predictive maintenance and supply-chain optimization, whereas service-focused firms prioritize recommendation engines and conversational AI. This divergence reflects variations in data availability and system integration: SMEs with enterprise resource planning (ERP) or customer relationship management (CRM) systems more readily embed AI modules than those reliant on disparate tools (Harhoff et al., 2018).

Role allocation and governance

AI initiatives are predominantly driven by senior leadership, often the proprietor, while execution is delegated to small IT teams juggling routine maintenance and exploratory projects. External consultants expedite pilot phases but introduce risks of knowledge loss post-engagement, reinforcing Makridakis's (2017) critique of outsourcing analytical competencies.

Synthesis

German service SMEs are progressing from exploratory interest to selective AI implementation, with deployments concentrated in areas yielding immediate efficiency gains. However, most firms remain at an early maturity stage: cloud-based subscriptions outstrip deep algorithmic integration, business justifications lean on qualitative insights rather than robust financial metrics, and skill shortages persist. These findings inform the capability-gap and governance analyses in sections 4–8. Notably, the reliance on self-reported survey data and a service-sector focus may constrain the applicability of these conclusions to manufacturing-intensive SMEs.

4. Digital Transformation Trajectories of German SMEs

Building on the empirical findings from Section 3, which outlined the current state of AI adoption among German SMEs, this section explores the broader digital transformation pathways that guide these firms toward integrating AI. Research based on long-term panel data suggests that German SMEs typically progress through four stages: computerization, connectivity, datafication and cognitive augmentation (Wolf & Strohschen, 2018). Each stage brings distinct

technologies and practices, laying essential groundwork for effective AI use. This framework helps clarify how SMEs advance digitally and where they face hurdles in adopting sophisticated tools like AI.

4.1. From Computerization to Connectivity

The initial phase of digital transformation saw German SMEs shift from paper-based processes to on-premise software. By 2018, over 80% had adopted basic systems like enterprise resource planning (ERP) or point-of-sale solutions. Yet, data often stayed trapped in departmental silos, reducing its practical value (Harhoff et al., 2018). The move to connectivity accelerated with affordable broadband and software-as-a-service (SaaS) options, enabling real-time data sharing with suppliers and clients. The Digital Economy and Society Index (DESI), a tool tracking digital progress across EU nations, shows that 38% of German firms now exchange structured electronic documents, on par with the EU-27 average. Meanwhile, 30% use social media, reflecting service-sector priorities around customer engagement (European Commission, 2022). This shift from standalone systems to networked platforms paved the way for datafication, where the emphasis moves to harnessing data for insights.

4.2. Datafication: Laying the Ground for Analytics

While connectivity generates more digital traces, these remain untapped without structured data management. Less than one in five SMEs maintains a data catalog or version-controlled data lake key tools for organizing information (Hölzle et al., 2019). As a result, machine learning trials often stumble due to incomplete or inconsistent datasets (Dukino et al., 2020). DESI data reflects this: cloud adoption is at 32%, but big data analytics trails at 18% (European Commission, 2022). Having the infrastructure doesn't automatically lead to advanced capabilities. To progress from connectivity to datafication, SMEs need solid data practices to unlock their digital potential, preparing them for the cognitive augmentation stage.

4.3. Cognitive Augmentation: Early but Accelerating

By 2023, national surveys indicate that 28% of service-focused SMEs use at least one AI tool, often chatbots or recommender systems tied to earlier customer relationship management (CRM) efforts (Müller et al., 2021). However, adoption depth varies: only about 10% employ self-learning models for key activities like dynamic pricing or predictive planning (Brodny & Tutak, 2022). Where AI is in use, firms see faster processes, fewer mistakes and modest revenue gains supporting Makridakis's (2017) idea that AI first boosts small efficiencies before delivering broader impact. This stage marks the cutting edge of transformation, with SMEs starting to leverage AI strategically, though most are still in early exploration.

4.4. Path Dependency and the ServiceSector Lens

The path to digital transformation depends on a firm's starting point. Service-oriented SMEs, often owner-managed and close to customers but short on capital, tend to digitize customer-facing operations first (Biallas & Alan, 2020). They reach cognitive augmentation through a customer-focused route, think chatbots for inquiries or recommender tools for online catalogs before tackling internal tasks like scheduling. Manufacturing SMEs, by contrast, often start with production logistics, using sensor data for predictive maintenance (Harhoff et al., 2018). These distinct paths highlight the need for sector-specific strategies rather than uniform approaches in policy design.

4.5. Implications for Capability Building

German SMEs have largely mastered computerization and are well into connectivity, with datafication underway and cognitive tools just beginning. Two persistent gaps stand out:

1. **Data readiness:** Without careful data management, the increasing volume of digital output can't support supervised learning, stalling pilots and budgets (Dukino et al., 2020).
2. **Human capital:** A lack of AI-skilled staff hampers progress; less than half of open roles are filled, especially in rural areas (Bundesministerium für Wirtschaft und Energie, 2020).

Addressing these gaps will decide whether German service SMEs can move from sporadic AI use to fully integrated systems. This challenge is taken up in Section 5, which outlines a governance framework for that transition.

5. Key AI Application Domains within Service Oriented SMEs

Artificial intelligence (AI) is reshaping the operational landscape of service-oriented small and medium-sized enterprises (SMEs) in Germany. Rather than driving radical business model disruptions, AI primarily offers these firms incremental yet impactful improvements in efficiency, customer engagement, and service innovation. This section explores three key domains where AI is making a tangible difference: process automation, data-driven customer interaction, and predictive analytics. Each domain is supported by empirical evidence and practical examples, illustrating how service SMEs are leveraging AI to enhance their competitiveness.

5.1. Process Automation and Efficiency Gains

For most German service SMEs, the initial and most tangible benefit of AI lies in automating repetitive administrative tasks that hinder productivity and erode profit margins. Two primary technologies drive these efficiency gains:

robotic process automation (RPA), which replicates human interactions with legacy systems, and machine learning classifiers, which extract structured data from semi-structured sources such as documents or sensor feeds. In a survey of over 400 Mittelstand firms, more than 75% identified “process efficiency” as the primary motivation for adopting AI, surpassing goals like revenue growth or market expansion (Lundborg & Märkel, 2019).

Documentcentric workflows

Service sectors such as insurance, payroll, and medical billing often rely on manual data entry from faxes or PDFs. Pilot projects demonstrate that computer vision models, trained on approximately 3,000 labeled pages, can achieve over 90% classification accuracy, reducing keystroke volume by half and allowing staff to focus on exceptions (Biallas & Alan, 2020). For instance, a mid-sized healthcare supplier reduced order entry time from three days to same-day confirmation while maintaining compliance with data protection regulations (Harhoff et al., 2018).

From rulebased to selflearning bots

Traditional RPA scripts rely on fixed if–then rules, which can falter when faced with variations in input data. Newer hybrid systems incorporate lightweight neural networks that adapt to noisy or unfamiliar data formats. Case studies from logistics firms show that these self-learning bots improve accuracy by 4–6 percentage points compared to traditional template-based systems, with return on investment achieved in under twelve months (Dukino et al., 2020). Such incremental gains align with broader projections suggesting that AI-driven automation could boost service sector labor productivity by up to 1% annually (McKinsey Global Institute, 2018).

Endtoend orchestration

Efficiency multiplies when individual automation scripts are integrated into comprehensive workflows. For example, a claims handling process might combine optical character recognition (OCR) for document scanning, anomaly detection for error identification, and auto-reply for customer communication into a seamless operation. However, only one in five service SMEs possesses the data lineage and monitoring tools necessary to support such orchestration (Lichtblau et al., 2018). Effective governance remains essential: while standalone bots deliver immediate benefits, sustained productivity improvements require process redesign and workforce training.

Operational metrics and culture

Scaled AI projects report significant operational improvements, including 30–50% reductions in order processing errors, response times measured in minutes rather than

hours and enhanced employee morale as repetitive tasks are minimized (Makridakis, 2017). These outcomes reinforce a narrative of work augmentation rather than labor replacement, as reflected in surveys where workforce reduction ranks lowest among expected AI benefits (Lundborg & Märkel, 2019).

5.2. Data Driven Customer Interaction and Personalization

While early digitalization efforts aimed at expanding customer touchpoints across multiple channels, AI enables more personalized and context-sensitive interactions. By leveraging data on customer behavior, preferences and context, service SMEs can tailor their offerings, fostering loyalty and increasing revenue opportunities. This domain encompasses applications like recommendation engines and conversational agents, which are particularly valuable in sectors where specialization defines competitive advantage.

Recommendation Engines

AI-powered recommendation engines, trained on data such as purchase history and browsing patterns, drive upsell and cross-sell opportunities in industries like tourism and retail banking. For instance, a small travel agency might use AI to suggest personalized vacation packages based on a customer's past bookings and online activity, enhancing satisfaction and sales conversion rates.

Conversational agents

Chatbots have evolved into sophisticated service tools capable of intent recognition, order tracking and basic customer requests. Utilities report that AI-powered chatbots handle over 60% of routine inquiries, reducing average handling time by two minutes and freeing human staff for complex issues (Kokina & Davenport, 2017). Centralized knowledge bases ensure consistent, GDPR-compliant responses.

Nextbestaction models

Machine learning models predicting customer churn or cross-sell potential guide proactive outreach. For example, an SME insurer reduced policy lapse rates by five percentage points by targeting at-risk clients, while a gym chain increased add-on sales by 18% through data-driven renewal strategies (Bundesministerium für Wirtschaft und Energie, 2020). These tools enable SMEs to anticipate and meet customer needs effectively.

Trust and privacy

Balancing personalization with privacy is critical, especially for SMEs serving discreet clientele. Many adopt "privacy by design" principles, collecting minimal data

and offering transparent opt-outs. This aligns with EU guidelines emphasizing transparency as a driver of long-term loyalty (European Data Protection Board, 2021).

5.3. Predictive Analytics for Service Innovation

Beyond enhancing existing processes, AI enables service SMEs to generate new revenue streams by shifting from reactive to proactive service models. Predictive analytics allows firms to anticipate needs, optimize resources, and innovate offerings, though success hinges on robust data management.

Demand forecasting

Small logistics and rental firms use techniques like gradient boosting, a method combining multiple weak models into a strong predictor and recurrent neural networks, ideal for time-series data, to forecast demand. These reduce errors by 15–20% compared to traditional methods, improving resource allocation (McKinsey Global Institute, 2018).

Conditionbased maintenance

Using IoT sensors and anomaly detection, firms monitor equipment in real-time, shifting to proactive maintenance. This reduces downtime and costs, making “uptime guarantee” models accessible to SMEs via cloud platforms (Goodfellow et al., 2016).

Dynamic pricing and bundling

Hospitality and mobility startups adjust pricing and create bundles like parking with EV charging using AI. Firms balancing algorithms with fairness report 4–6% revenue gains without customer backlash (Makridakis, 2017).

Managing Risks in Predictive Analytics

Risks like data quality and concept drift, where model accuracy fades as data patterns shift, require attention. Successful SMEs implement data governance, including audits and model retraining, to maintain reliability.

AI equips service-oriented SMEs with tools to boost efficiency, personalize interactions, and innovate services. Automation streamlines tasks, data-driven approaches enhance customer bonds and predictive analytics unlocks new opportunities. Together, these domains enable SMEs to refine operations and thrive in a competitive digital landscape.

6. Determinants of AI Adoption

The integration of artificial intelligence into small and medium-sized enterprises within the German service sector depends on a variety of internal and external

factors. This section explores three primary determinants influencing the extent and speed of AI adoption: organizational readiness and human capital, technological infrastructure and data governance and the external ecosystem and policy environment. By weaving together empirical insights and real-world examples, this analysis sheds light on the opportunities and obstacles SMEs encounter as they embark on their AI adoption journey.

6.1. Organizational Readiness and Human Capital

Organizational readiness stands out as a critical factor in determining whether AI projects in SMEs move beyond initial trials. Two elements are particularly decisive:

- **Leadership Commitment:** Evidence suggests that SMEs with leaders who prioritize data-driven strategies achieve greater success in AI implementation. For example, a 2023 survey revealed that companies with proactive leadership scored 30% higher on AI deployment metrics compared to those fixated on short-term cost savings (Hölzle et al., 2019). This highlights the importance of a forward-thinking digital strategy originating at the executive level.
- **Skilled Workforce:** The availability of AI-competent employees is equally vital. Yet, German SMEs struggle to recruit talent, with less than 50% of data science roles filled due to competition from larger corporations and urban tech centers (Bundesministerium für Wirtschaft und Energie, 2020). Initiatives such as the “Digitale Kompetenzen für KMU» program, introduced in 2023, offer subsidized training to bridge this gap, though progress remains gradual.

As a result, many SMEs are confined to using basic automation tools rather than tapping into advanced machine learning capabilities. While external consultants can provide initial support, their departure often leaves a knowledge void, a pattern observed in innovation research (Makridakis, 2017). Online AI certification courses, increasingly popular, may offer a sustainable solution to this workforce challenge in the near future.

6.2. Technological Infrastructure and Data Governance

The effectiveness of AI in SMEs hinges on the quality of their digital infrastructure. Outdated or disjointed systems, such as reliance on spreadsheets, can inflate integration costs significantly up to three times higher than for SMEs with modern cloud-based ERP or CRM platforms (Biallas & Alan, 2020). Even with adequate systems, data-related issues persist:

- **Data Quality:** Poorly organized or inconsistent data undermines AI efforts. A notable case involved a Bavarian logistics SME that halted its AI-driven demand forecasting initiative in 2024 after discovering unreliable datasets (Dukino et al., 2020).

- **Data Governance:** Only a small fraction, less than 20% of German service SMEs have established formal data catalogs or access controls, both of which are prerequisites for GDPR-compliant AI systems (Hölzle et al., 2019).

Without strong governance frameworks, raw operational data cannot be effectively leveraged for AI training (Floridi, 2019). Fortunately, the emergence of cost-effective, SME-tailored data governance tools signals a potential shift toward resolving these bottlenecks.

6.3. External Ecosystem and Policy Environment

External conditions play a significant role in shaping AI adoption trends among SMEs:

- **Cloud Services:** Since 2021, the expansion of accessible cloud-based AI tools has reduced entry barriers, enabling smaller firms to experiment with advanced technologies (Jaffri & Sicular, 2023).
- **Customer Acceptance:** The shift to remote services during the pandemic has boosted tolerance for automated solutions, spurring further AI investments (Chui et al., 2023).
- **Policy Goals:** The EU's Digital Decade initiative targets 75% adoption of AI, cloud, or big data by 2030, though Germany trails in advanced technology uptake (European Commission, 2022).
- **Funding and Support:** Programs like Berlin's "KI-Innovationshub," launched in 2022, assist SMEs in accessing EU grants, but smaller firms often find the application process cumbersome (OECD, 2021).

Future efforts, such as the EU's "AI for SMEs" program slated for 2026, aim to simplify funding and reduce administrative burdens, potentially accelerating adoption.

The path to AI adoption for German service SMEs rests on a careful alignment of internal preparedness, robust technological foundations, and supportive external conditions. Overcoming shortages in skilled personnel, addressing data limitations, and navigating ecosystem challenges will be pivotal to unlocking AI's transformative potential. As these building blocks solidify, SMEs can position themselves to fully leverage AI, a theme that Section 7 will explore further through a governance lens.

7. Barriers, Risks, and Ethical Considerations

Previous sections have outlined the gradual uptake of artificial intelligence (AI) among German service-oriented small and medium-sized enterprises (SMEs), several persistent challenges remain. These can be grouped into three distinct categories: internal barriers, external risks, and ethical considerations. Addressing these hurdles is critical for SMEs to harness AI's potential effectively.

7.1. Internal Barriers

Internal obstacles, such as limited skills and financial pressures, pose significant constraints on AI adoption.

- **Skills and Absorptive Capacity:** A lack of qualified personnel is a well-documented issue. According to surveys by the Federal Ministry of Economic Affairs, fewer than one in three German SMEs successfully fill data science roles, with rural firms particularly impacted (Bundesministerium für Wirtschaft und Energie, 2020). A 2023 study further revealed that 40% of rural SMEs faced an average delay of 12 months in AI pilot projects due to staffing shortages. To counter this, SMEs could tap into government-subsidized training schemes, such as the “Digitale Kompetenzen für KMU» initiative launched in 2024, or collaborate with universities to build expertise internally.
- **Financial Risk:** Many family-run SMEs prioritize short-term cash flow over long-term investments. For firms with annual turnovers below €10 million, the high cost of custom machine learning solutions often proves prohibitive. In contrast, low-code robotic process automation (RPA) tools, costing less than €50,000 per year, deliver quicker returns and are thus more appealing (Biallas & Alan, 2020). This preference for lower-risk options limits the adoption of advanced AI systems.

7.2. External risks

External pressures, including regulatory compliance and security threats, further complicate AI implementation.

- **Data Provenance and Privacy:** SMEs often struggle with fragmented data systems, making compliance with the General Data Protection Regulation (GDPR) challenging. Opaque AI models can undermine customer trust and invite regulatory scrutiny (Floridi, 2019). Adopting privacy-by-design frameworks or federated learning, where data remains decentralized during model training offers, practical ways to address these concerns.
- **Cybersecurity:** The growing use of AI heightens vulnerability to cyberattacks. Phishing attempts targeting cloud credentials for AI-driven tools rose by 35% during the pandemic (Vaishya et al., 2020), prompting many SMEs to adopt costly zero-trust security measures. Strengthening defenses through multi-factor authentication and routine audits is vital to safeguard AI systems.

7.3. Ethical Considerations

Ethical issues, from workforce concerns to algorithmic fairness, require careful attention to ensure responsible AI use.

- **Societal Impact and Workforce Anxiety:** Despite evidence that AI often enhances rather than replaces jobs, fears of automation persist. Makridakis (2017) suggests early engagement with works councils and retraining programs to ease transitions. For example, a medium-sized insurer retrained 75% of its clerical staff for customer-facing roles within six months of deploying chatbots, boosting morale and service quality.
- **Algorithmic Bias:** Bias in AI models can produce unfair outcomes, especially in sensitive sectors like finance. A 2022 study found that 30% of SMEs using AI for customer segmentation encountered unintended bias, damaging client trust. Regular audits and diverse training datasets can help reduce these risks.
- **Customer Trust:** Transparency remains crucial for customer confidence. A 2021 survey showed that 60% of German consumers favor companies that explain AI-driven decisions clearly. Prioritizing explainability in AI design can strengthen loyalty and protect reputations.

The adoption of AI by German service SMEs hinges on overcoming a complex mix of internal limitations, external threats and ethical challenges. Success depends on thoughtful planning, strong governance and proactive change management. These efforts lay the groundwork for exploring governance strategies in Section 8, where solutions to these issues will be examined in greater depth.

8. Cross Study Synthesis: Converging and Diverging Findings

This section synthesizes findings from major empirical studies on artificial intelligence (AI) adoption in German service sector small and medium-sized enterprises (SMEs), published between January 2021 and May 2025. These studies often draw on foundational works such as BMWi (2020) and Hölzle et al. (2019) to frame their results. The analysis distinguishes between converging findings, consistent patterns observed across multiple studies and diverging findings, which reflect variations tied to factors like sector differences or firm size. The following tables summarize the key insights derived from this synthesis.

Table 3. Converging Evidence on AI Adoption in German Service Sector SMEs

	Robust Finding (2021 – 2025)	Representative Sources	Managerial Implication
1	Skills shortage is the primary brake on scaling AI beyond pilots.	BMWi 2020; Hölzle et al. 2019	Earmark $\geq 20\%$ of project budget for upskilling or structured vendor knowledge transfer
2	Data quality & governance – not algorithm sophistication – explain most failures	Harhoff et al. 2018; Lichtblau et al. 2018	Invest first in data catalogues, ownership and general data protection regulation (GDPR) compliance before machine learning (ML) modelling
3	Quick win domains are back-office automation and customer self-service	Makridakis 2017; Lundborg & Märkel 2019	Harvest early savings to finance longer-horizon predictive analytics projects

Source: Own study

Table 3 highlights a clear consensus on three critical barriers: skills shortages, data quality and governance, and the need for phased implementation. These elements repeatedly surface as pivotal to the success of AI adoption, irrespective of industry or publication year.

Table 4. Diverging Evidence Across Recent Studies

	Dimension of Variation	Observed Split	Likely Explanatory Factor
1	Priority application domain	Production logistics vs. Customer interaction	Sector orientation (manufacturing vs. Services) & data availability
2	Adoption intensity within SME band	Firms with >150 full-time employees (FTE) exhibit approximately twice the uptake of micro enterprises	Economies of scale in talent and IT investment
3	Post-pandemic acceleration	Sharp rise in conversational AI after 2022	Remote service normalization during COVID-19

Source: Own study

Table 4, by contrast, points to areas of divergence, with differences linked to sector-specific priorities, firm size, and external events like the COVID-19 pandemic. These variations emphasize the need to account for the diversity among SMEs when applying research findings to practice. Taken together, these converging and diverging insights lay the groundwork for crafting tailored AI adoption strategies that address the unique challenges and opportunities faced by German service SMEs, a theme developed further in subsequent sections.

9. Managerial Implications and Governance Recommendations

Effective governance and strategic management are crucial for overcoming the barriers to AI adoption identified in previous sections. The following recommendations provide actionable steps for German service SMEs to navigate these challenges successfully.

1. **Start with a “minimum viable” data estate** (i.e., the essential data infrastructure needed to support initial AI projects): Post-project analyses reveal that inadequate master data management often undermines even well-funded AI pilots (Harhoff et al., 2018). Service SMEs should allocate approximately 25% of the AI budget to data cataloging, quality checks, and simple access control rules. A concise stewardship charter naming data owners and two or three key metrics outperforms an exhaustive but unenforced policy binder.
2. **Bridge the talent gap through hybrid sourcing:** Given the documented hiring shortfall (Bundesministerium für Wirtschaft und Energie, 2020), few SMEs can field a full in-house data team. A practical setup pairs one T-shaped internal product owner (a versatile team member with broad knowledge and deep expertise in a specific area) with short-term external integrators. Contracts should include knowledge transfer clauses and “shadowing” to retain capability post-vendor exit. For instance, a Munich-based logistics SME successfully implemented an AI-driven scheduling system by pairing an internal operations manager with external data scientists for six months, ensuring knowledge transfer through weekly workshops.
3. **Sequence the portfolio for near-term cash flow:** Multiple studies concur that RPA and rule-based chatbots deliver rapid, measurable savings (Lundborg & Märkel, 2019). Ring-fence those gains to finance longer-cycle predictive analytics work, lowering perceived risk for family shareholders.
4. **Build explainability in from day one:** Rising GDPR fines mean opaque black-box models are a liability. Lightweight explanation libraries and audit trails help comply with transparency duties and increase employee acceptance (Floridi, 2019).
5. **Tap regional clusters and grant programs:** EU “Digital Decade” funds and local innovation hubs offer shared sandboxes and coaching (European Commission, 2022). Membership reduces application burden and speeds proof-of-concept testing.
6. **Institutionalize continuous risk review:** Conversational agents enlarge the attack surface (Vaishya et al., 2020). Boards should mandate quarterly red-team drills and update incident response playbooks accordingly.

7. **Foster a culture of innovation and learning:** Encourage experimentation and continuous learning by allocating time for employees to explore AI tools and attend relevant training sessions. This can enhance internal acceptance and drive sustainable AI integration.

10. Conclusion and Avenues for Future Research

This article demonstrates that successful AI adoption among German service sector small and medium-sized enterprises (SMEs) depends on three critical factors: robust data governance, cross-functional AI literacy, and the strategic implementation of quick-win automation projects. Evidence from surveys and case studies conducted between 2021 and 2025 reveals a clear trend: SMEs that focus on (i) ensuring high-quality data, (ii) enhancing workforce skills, and (iii) achieving early efficiency gains through back-office automation report measurable improvements in cycle time, cost efficiency and customer satisfaction. These observations align with foundational research, including BMWi (2020) and Lichtblau et al. (2018), which are widely referenced in the literature reviewed.

Nevertheless, the extent of AI adoption varies considerably, influenced by factors such as firm size, data availability and the strength of local business ecosystems. Generic AI adoption strategies may not adequately address the needs of micro-enterprises, which often lack resources, nor fully support medium-sized “hidden champions” that could scale AI more effectively with customized guidance. By integrating digital maturity models with a layered AI capability framework, this article highlights that technology alone is insufficient without strong data governance and skilled personnel. Still, limitations remain: much of the existing data provides only cross-sectional insights and inconsistencies in measurement, ranging from self-reported maturity assessments to verified use cases, complicate comparisons.

While this study offers a detailed snapshot of current AI adoption trends, several unresolved questions point to important directions for future research:

1. **Longitudinal Panels:** Monitoring SMEs over extended periods could reveal whether initial savings from robotic process automation (RPA) are reinvested in advanced predictive analytics or if they inadvertently delay such progress.
2. **Regulated Sector Deep Dives:** Sectors like healthcare, insurance and utilities face distinct regulatory pressures that likely shape their AI strategies differently from less regulated fields. Examining these could shed light on how compliance demands affect technology choices.
3. **Learning Network Analytics:** Investigating participation in EU-funded testbeds might show whether cross-border collaboration outperforms local efforts in building AI capabilities.

4. **Human-Centered Task Studies:** Exploring how clerical roles evolve after AI adoption, potentially shifting toward advisory functions or more complex tasks, could guide workforce retraining efforts.

Addressing these gaps will demand a combination of large-scale quantitative analysis and detailed qualitative approaches. Such efforts are vital to equip SME owners, support organizations, and policymakers with the precise insights needed to turn AI's potential into lasting economic benefits.

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Use of artificial intelligence in marketing and sales: An empirical study on the status quo in German companies

Abstract

This study investigates the current use of artificial intelligence (AI) in sales and marketing roles within German companies. Based on an online survey of 313 professionals across industries, it offers empirical insights into AI adoption, perceived benefits, and challenges. Findings show that 72% of respondents actively use AI, with over 88% doing so weekly or daily. Key applications include improving efficiency, lead quality, and customer experience, using tools like ChatGPT, predictive analytics, and AI-powered CRMs. While benefits such as increased efficiency and conversion rates are noted, challenges remain, particularly in data protection and internal expertise. The study highlights AI's growing strategic role and the need for investment in infrastructure, training, and governance.

Keywords: AI, sales, marketing, Germany, survey, AI adoption, ChatGPT, predictive analytics, CRM, efficiency, lead generation, customer experience, expertise, governance

Wykorzystanie sztucznej inteligencji w marketingu i sprzedaży. Badanie empiryczne status quo w niemieckich firmach

Streszczenie

Niniejsze badanie analizuje obecne wykorzystanie sztucznej inteligencji (AI) na stanowiskach związanych ze sprzedażą i marketingiem w niemieckich firmach. W oparciu o ankietę internetową przeprowadzoną wśród 313 specjalistów z różnych branż, oferuje empiryczny wgląd w przyjęcie AI, postrzegane korzyści i wyzwania. Wyniki pokazują, że 72% respondentów aktywnie korzysta ze sztucznej inteligencji, a ponad 88% robi to co tydzień lub codziennie. Kluczowe zastosowania obejmują poprawę wydajności, jakości leadów i obsługi klienta przy użyciu narzędzi takich jak: ChatGPT, analizy predykcyjne i CRM oparte na sztucznej inteligencji. Chociaż odnotowano korzyści, takie jak zwiększona wydajność i współczynniki konwersji, nadal istnieją wyzwania, szczególnie w zakresie ochrony danych i wewnętrznej wiedzy specjalistycznej. Badanie podkreśla wzrost strategicznej roli AI oraz potrzebę inwestycji w infrastrukturę, szkolenia i zarządzanie.

Słowa kluczowe: AI, sprzedaż, marketing, Niemcy, ankietę, przyjęcie AI, ChatGPT, analityka predykcyjna, CRM, wydajność, generowanie leadów, doświadczenie klienta, wiedza specjalistyczna, zarządzanie

1. Introduction

Artificial intelligence (AI) is rapidly transforming business operations across a wide range of industries, and its impact on sales and marketing is particularly significant. In the context of increasing digitalisation and data-driven strategies, AI is positioned as a key enabler of efficiency, automation and customer-centric innovation (Schallmo, 2023). From predictive analytics and automated customer service to personalised communication and lead scoring, AI offers a growing number of use cases that promise measurable performance improvements (Paschen et al., 2020; Singh et al., 2019).

In Germany, the use of AI in a business context has increased significantly. According to recent statistics, the proportion of companies using AI rose from 12% in 2023 to around 20% in 2024 (Federal Statistical Office, 2024). However, given the strong consensus on the strategic importance of AI, this spread remains limited: According to a Bitkom study from 2023, 68% of German companies see AI as the most important future technology, but only 15% have implemented it in their business (Bitkom, 2023). This indicates a gap between perceived relevance and actual integration. Sales and marketing are among the functions with the highest AI adoption rates in German companies. A third of companies that use AI state that they mainly use AI in sales or marketing (Destatis, 2024). Use cases in these areas include customer segmentation, automation of repetitive tasks, content creation and dynamic pricing models (Bünthe, 2023). For example, AI-driven chatbots can automate interactions with customers (Kreutzer, 2023), while generative AI tools such as ChatGPT are increasingly being used to create sales emails, social media content or product descriptions. Despite these promising developments, many companies are still struggling with AI implementation, citing a lack of internal expertise, legal uncertainties and data quality issues (Deutsch & Pingel, 2023). Against this background, this study aims to provide an up-to-date, empirically based overview of the use of AI in sales and marketing in German companies, with a particular focus on the IT and software industry.

The study aims to answer key questions such as:

- To what extent and how often is AI currently being used in sales and marketing?
- What are the most important goals and areas of application?
- What benefits and challenges are perceived by practitioners?
- What specific effects does AI have on lead generation and conversion?
- How do companies assess the future development of the use of AI in these areas?

By answering these questions, the study contributes to a deeper understanding of how AI is reshaping sales and marketing functions in practice. The findings

are particularly relevant for decision makers who want to navigate digital transformation and explore the potential of AI tools to optimize business outcomes.

2. Literature review

The transformative potential of artificial intelligence (AI) in sales and marketing is increasingly being emphasized in specialist literature and in practice. AI technologies promise to automate repetitive tasks, improve customer loyalty and enable data-driven decisions (Lundborg et al., 2023). Researchers emphasize that the most immediate benefits of AI adoption in these areas include efficiency gains, cost savings and quality improvements in customer interactions (Paschen et al., 2020; Singh et al., 2019). The most frequently mentioned application areas include customer relationship management (CRM), lead generation, sales forecasting and content personalization. Chatbots, predictive analytics and generative AI have become central elements in the digital marketing and sales toolkit (Fili et al., 2024). ChatGPT and other language models are now frequently used to generate advertising copy, emails and product descriptions, while machine learning models help to identify high-potential leads (Deutsch & Pingel, 2023). Despite these advantages, the literature also points to widespread obstacles to the introduction of AI. Small and medium-sized enterprises (SMEs) in particular face challenges such as limited access to qualified AI experts, high implementation costs and difficulties in integrating AI into existing workflows (Ulrich et al., 2021). Furthermore, legal uncertainties and data protection regulations, especially within the European Union, pose additional problems (Federal Statistical Office, 2024).

Empirical studies conducted in Germany confirm this reluctance (manage it. 2024). Although awareness of the strategic relevance of AI is high, actual usage remains relatively low. A Bitkom survey (2023) found that although 68 per cent of companies consider AI to be the most important technology of the future, only 15 per cent actively use it. The main reasons cited for this discrepancy are a lack of internal expertise (71%), legal uncertainties (58%) and data protection concerns (53%). Specifically for the area of marketing, Bünthe (2023) found that only 18.8% of respondents use AI intensively, although there is a broad consensus that it will play a decisive role in future marketing success. However, of those already using AI, 77% report a clear competitive advantage and 84% expect AI to become increasingly important in achieving marketing objectives. To summarize, the literature provides three key findings:

1. **High potential and high expectations** – AI is seen as a game changer for sales and marketing, offering benefits such as personalization, automation and improved decision making.

2. **Limited use in practice** – Despite high interest, actual implementation remains modest and varies by company size and industry.
3. **Barriers to implementation** – Legal, technical and cultural challenges, such as GDPR compliance and skills shortages, hinder wider adoption.

Against this backdrop, this study attempts to close the empirical gap by providing up-to-date, data-driven insights into the use of AI in marketing and sales in the German corporate landscape.

3. Methodology

The methodology chapter describes the research design, data collection methods and analysis procedures used in this study to investigate the use and impact of artificial intelligence (AI) in a sales and marketing context within the German corporate structure. This chapter provides a detailed description of the empirical approach used to collect and analyse the data in order to ensure the reliability and validity of the results (Kuckartz, 2014; Loy, 2024). In the following sections, the specific methods of data collection, the structure of the questionnaire, the characteristics of the sample and the analysis techniques used to interpret the data are described in detail. By systematically addressing these aspects, the methodology chapter aims to create a transparent and reproducible framework for understanding the current state of AI adoption in sales and marketing in German companies.

3.1. Research design

In this study, a quantitative, cross-sectional research design with an online survey was used to collect data on the current application of artificial intelligence (AI) in sales and marketing. The questionnaire was developed based on findings from existing literature and refined through internal pre-tests. The aim was to record both the extent of the use of AI and the perceived benefits, challenges and expectations from the user's perspective in order to be able to provide an assessment and an outlook for the future.

3.2. Data collection

The study is based on a quantitative, cross-sectional research design and uses an online survey to collect data from professionals working in sales and marketing in various industries (Kosfeld, 2016). The survey period took place between 25 March and 9 April 2025. Participants were primarily recruited via professional networking platforms such as LinkedIn and Xing, as well as via email distribution lists to relevant company networks and industry-specific groups aimed at people with relevant expertise and experience with AI applications. The distribution via the networking platform LinkedIn in particular was a great success and

met with an enormous response. On LinkedIn alone, the post was viewed 3,559 times and shared over 41 times. No significant reach was achieved via Xing.

Figure 1. Network post to attract potential participants for the survey



Source: Own representation

Participation in the study was voluntary and anonymous. Respondents were informed that their data would only be used for academic research purposes and no personal data was collected – with the exception of an optional field at the end of the survey where participants could enter their email address if they wished to receive a summary of the results.

3.3. Structure of the questionnaire

The final questionnaire consisted of 18 questions, including closed questions, multiple-choice questions and questions on a Likert scale. The structure of the questionnaire was as follows: The survey consisted of six sections. It began with demographic questions regarding industry, company size, and respondent position.

This was followed by items on the current use of AI in sales and marketing, as well as questions about goals, tools, and technologies in use. Further sections addressed perceived benefits, implementation challenges, and the impact of AI on lead generation and conversion rates. Finally, respondents were asked about their expectations for AI developments over the next two to three years.

Most questions offered predefined answer options and allowed multiple answers. Open options ('Other, please specify') were added where necessary in order to gain additional insights. A question on the general use and utilization of AI in the company was also asked in order to screen the participants in advance. Here, respondents had the option of either answering yes that they use AI or no that they do not use AI. If the answer was no, a final question on the company's future plans with AI was played out using in-built logic and the questionnaire was closed. This was due to the fact that the focus was primarily on experts who already work with AI in the company and less on those who have no points of contact with AI systems and tools.

3.4. Sample characteristics

A total of **313 valid responses** were collected. The sample included professionals from various industries, with a strong representation from the IT/software sector (39%), followed by consulting/services (20%), industrial manufacturing, financial services, healthcare and others. In terms of company size, 34% of respondents worked in large organizations (>5,000 employees), while 18% were from small companies (<50 employees). Respondents held a variety of positions, including sales and marketing managers, executives, business development professionals and data analysts.

3.5. Data analysis

The data analysis was mainly descriptive, as the aim was to provide an empirical overview without testing hypotheses. Frequency distributions, averages, and percentages were calculated using MAXQDA and Microsoft Excel. For questions where multiple answers were possible, the total number of responses was given. Due to the non-random sampling procedure and the exploratory nature of the study, no conclusive statistical analyses were performed. One of the methodological limitations of the study is the possibility of selection bias. This could be due to the fact that potential participants were recruited from organizations with a connection to AI using snowball sampling. In addition, all responses reflect the participants' self-assessed perceptions, which may lead to a bias in the responses. Despite these limitations, the survey provides valuable insights into the perceptions and experiences of AI professionals in everyday sales and marketing. It can serve as a basis for further research and help identify initial trends

and patterns that can be examined in more detail in future, more comprehensive studies. Furthermore, the data obtained may reveal practical implications for the use of AI in these areas, thereby making a significant contribution to the further development of practice.

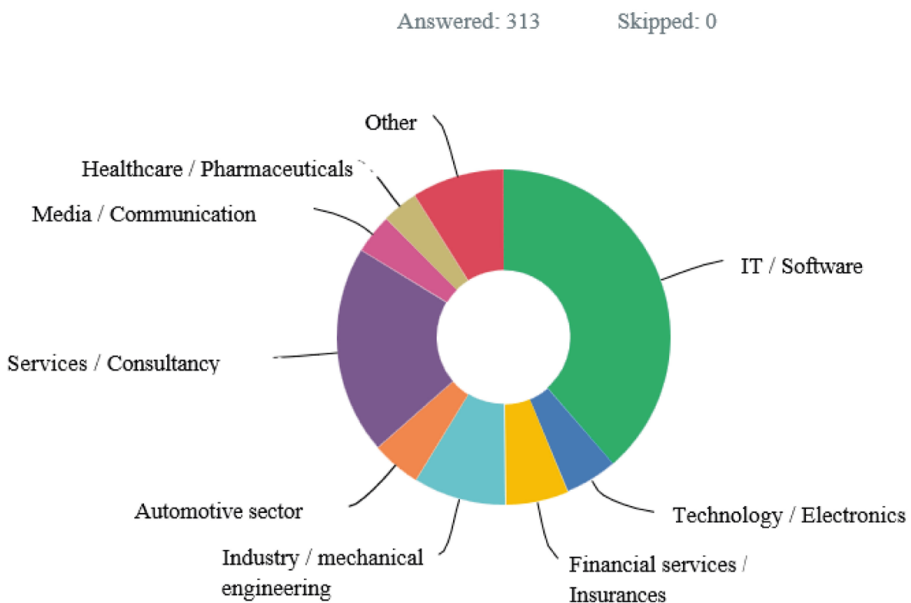
4. Results

This chapter presents the results of the survey. It is based on an analysis of data from 313 professionals from various industries, company sizes, and positions. The aim is to provide a structured overview of the current status, specific areas of application and tools, perceived advantages and challenges, and future developments of AI in these areas. The systematic presentation is intended to provide a sound understanding of how AI is currently being used in German companies, what benefits it brings, what obstacles exist, and what prospects are expected.

4.1. Sample and demographic data

The largest group of participants came from the IT and software sector (39%), followed by consulting/services (20%), industrial manufacturing (9%), and financial services and insurance (6%). Other sectors represented included technology/electronics (5.1%), media (3.8%), healthcare/pharmaceuticals (3.5%), and the

Figure 2. F1 Industry distribution



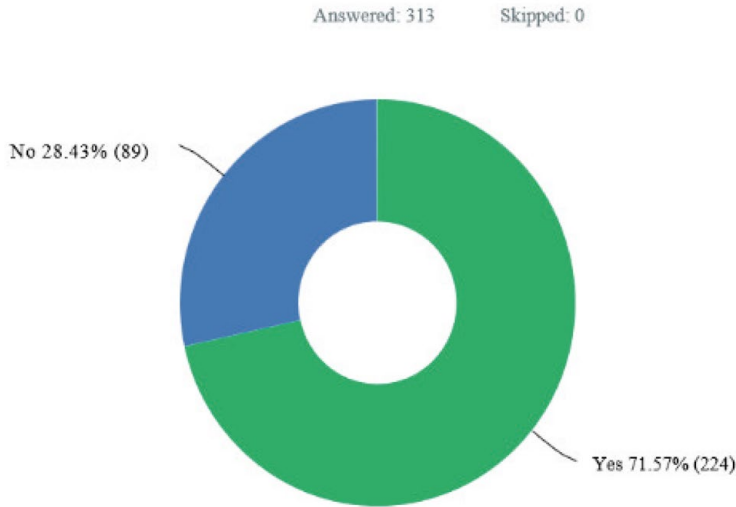
Source: Own elaboration

automotive industry (4.8%). The size of the companies also varied greatly: 34% of respondents worked in large companies with over 5,000 employees, 17% in organizations with 1,001–5,000 employees, 15% in medium-sized companies (251–1,000) and 18% in small companies with up to 50 employees. The majority of participants worked in sales (34%), followed by marketing (13%), management and sales management (9% each). Other roles included business development (4.8%), marketing management (4.5%) and IT/data analytics (3.5%). 19% worked in other areas such as product management, customer experience or strategic development.

4.2. Current use of AI

A total of **224 participants (72%)** stated that their company currently uses AI technologies in sales and/or marketing. The remaining 89 respondents (28%) stated that AI is not currently used. Of the AI users, **123 respondents (65.8%) said they use AI tools every day**, and another 44 (23.5%) use them several times a week. Overall, over 88% of AI users interact with AI tools on a regular basis. Only a small minority stated that they use AI tools only occasionally (4, or 2.1%) or not at all (1, or 0.5%).

Figure 3. F4 Use of AI



Source: Own elaboration

4.3. Objective and areas of application

When asked about the goals of AI deployment, respondents primarily cited increased efficiency (75.4%), improved customer experience (47.1%), improved lead quality (38.5%), conversion rates (38%), and cost reduction (38%). Other goals

included automating customer communication and improving data utilization (33.2% each), optimizing forecasts (26.2%), and strengthening innovation capabilities and competitive position (12.3%). 8.6% cited other purposes such as quality assurance or automated support services. The results confirm that AI is primarily used to increase efficiency, sharpen focus, and automate repetitive tasks – in line with current research findings (Paschen et al., 2020; Bunte, 2023). In terms of the technologies used, chatbots or virtual assistants dominate (60.4%), followed by generative AI such as ChatGPT (51.3%), AI-supported CRM systems (47.1%), and predictive analytics (35.8%). Personalized communication (32.6%), lead scoring (28.9%), NLP (24.1%), automated web analytics (18.7%), and machine learning (15%) are other common applications.

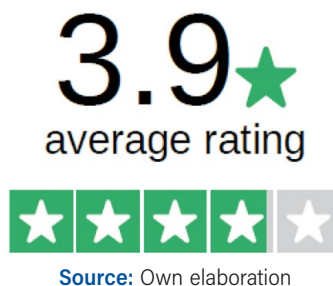
In terms of the platforms used, ChatGPT from OpenAI was clearly ahead with 82% (153 votes). It was followed by Microsoft Dynamics Copilot (48.7%), HubSpot AI (24.1%) and in-house solutions (21%). Salesforce Einstein and Google Analytics 4 were each named by 4.8%; Jasper.ai was used by 1.6% of participants.

4.4. Perceived benefits and efficiency

D Respondents were asked to rate the overall usefulness of AI for their daily sales and marketing work on a five-star scale:

- **46 participants (25%)** rated the usefulness
- with **5 stars** (very high usefulness)
- **90 (48%)** gave **4 stars**
- **39 (21%)** rated it **3 stars** (moderate)
- **8 (4%)** gave **2 stars**
- **4 (2%)** gave **1 star** (no benefit)

Figure 4. F9 Assessment of the overall benefits of AI



The average score was 3.9 out of 5 points, indicating a high level of satisfaction among AI users.

When asked about the increase in process efficiency through the use of AI, 11% (20 respondents) said that artificial intelligence had greatly improved their

processes. 53% (99 respondents) agreed that processes had become significantly more efficient. 26% (48 respondents) noticed a moderate improvement in their processes through AI. Ten percent (18 respondents) said they had noticed a slight improvement in their processes through AI. Only 1% (2 respondents) were unable to identify any synergy between AI and their processes in terms of improvement. These results confirm that the most promising value of AI – efficiency – is already being realized in practice. This is clearly or very strongly perceived by 119 participants who use AI in their everyday sales and marketing activities.

4.5. Challenges and barriers

Every innovation or adaptation brings with it challenges and hurdles. Although the feedback from participants regarding artificial intelligence in everyday sales and/or marketing was largely positive, those surveyed also shared their conflicts in implementing or using AI. Participants were able to select multiple answers, as multiple responses were possible. By far the most common response was data protection concerns (e.g., GDPR) with 66.3% and 124 votes. The second most common response, with 39% and 73 votes, was the lack of internal AI expertise, i.e., a shortage of AI key users or AI experts. The third most common response, with 33.7% and 63 votes, was employee acceptance (resistance or fears among employees). Technical challenges (e.g., integration into existing systems) was the fourth most common response, with 30.5% and 57 votes. The topic of investment, i.e., monetary expenditure, ranks fifth with high implementation and investment costs at 25.7% and 48 votes. The introduction of AI is usually costly, whether programmed in-house or purchased from various AI providers. Poor data quality and insufficient data bases were the sixth most common response, with 24.6% and 46 votes. Here, implementation is particularly associated with high maintenance costs, as AI needs data in order to function. In a CRM system, various information must be maintained so that the AI can use it to perform important calculations. The difficulty of ensuring that AI actually delivers the desired results was cited by 21.4% and 40 votes, as not all AI results add value in specific cases in companies. A lack of or unclear corporate strategy regarding AI was criticized by 20.3% and 38 votes. Legal uncertainties such as compliance, liability, etc. were selected by 19.8% with 37 votes. Time-consuming training of AI systems (high initial effort) was selected by 11.2% and 21 votes, followed by complexity and high training costs for employees with 10.7% and 20 votes. Together, this accounts for 21.9% of respondents who believe that training or workshops are necessary for the implementation of AI. Participants selected cultural or organizational barriers within the company as challenges, with 7% and 13 votes. When it came to return on investment (ROI), 6.4% with 12 votes expressed uncertainty about when the investment in AI would break even. However, the issue of amortization is typical

for every conceivable investment across all industries. Only 2.7% (5 votes) selected “No known hurdles or challenges,” which suggests that hurdles and challenges always arise during implementation. 2.1% (4 votes) selected “Other” and were unable to choose any of the available answers. These results make it clear that while the practical advantages of AI are clear to many, its implementation is not without obstacles – especially in legal, technical, and human terms.

4.6. Practical experience with the use of artificial intelligence

A central part of the survey was devoted to practical experiences with the use of AI in sales and marketing. Multiple answers were possible. The most frequently cited benefit was that AI reduced workload and made work easier – 65.8% (123 votes) confirmed that AI frees up time for core tasks. 43.9% (82 votes) saw measurable added value, for example through greater efficiency, increased sales, or better lead generation. High acceptance and satisfaction within the team was confirmed by 19.3% (36 votes), while 17.7% (33 votes) reported improved customer communication. At the same time, 31% (58 votes) stated that the practical benefits were lower than expected – often due to a lower ROI or complex implementation. For 8% (15 votes), the effect was neutral. Only 4.3% (8 votes) reported regular problems, such as technical failures or data errors. Another 4.3% cited internal resistance, 3.2% had little practical experience, and 2.7% selected “Other.”

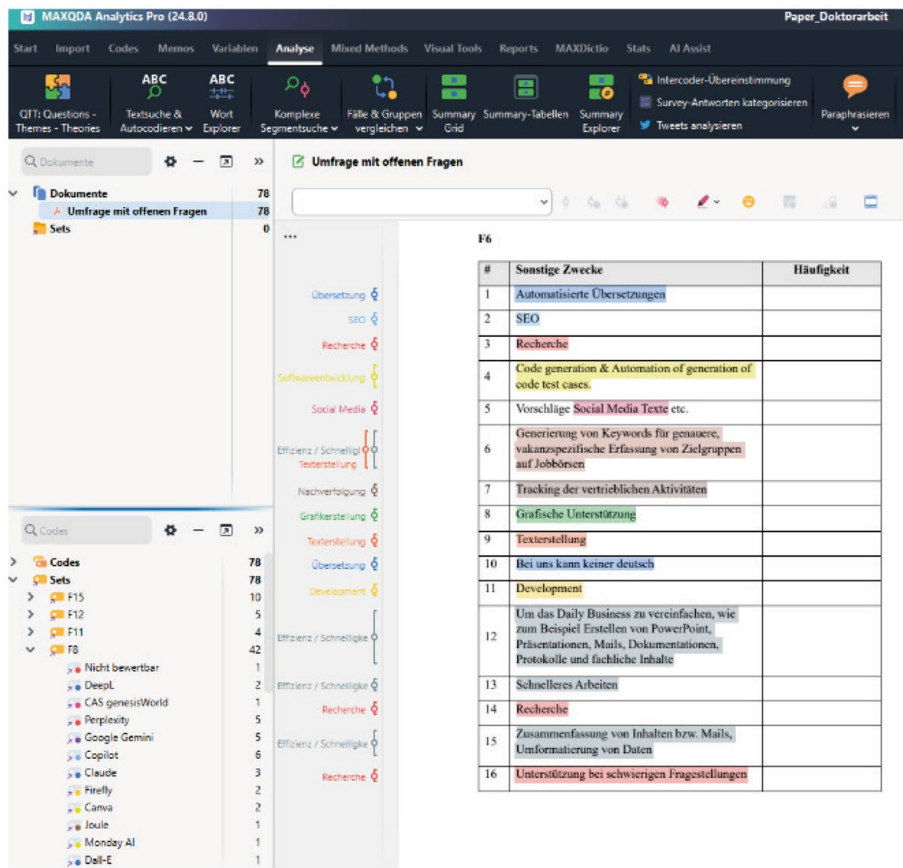
4.7. AI in Lead Generation

The majority of companies (74.3%) use artificial intelligence specifically for lead generation in sales and/or marketing. Of these, 58.1% use AI in both areas, 9% exclusively in marketing, and 7.3% exclusively in sales. Another 12.9% are planning to introduce it, while the same percentage currently have no plans to use it. According to 75.5% of respondents, the quality of the leads generated has improved through the use of AI. 3.6% report a very strong improvement, 44.7% a significant improvement, and 27.4% a slight improvement. Only 3.4% noticed no change, 0.6% observed a deterioration, and 20.7% did not provide any specific information. The key advantages of AI-based lead generation were cited as a higher number of qualified leads (44.7%), faster and more efficient processing (43.6%), a reduction in costs per lead (36.3%), and an increased lead conversion rate (32.4%). In addition, the automation of manual processes, a more targeted approach with higher customer satisfaction, and improved forecasting accuracy were also frequently mentioned. Only 17.3% have not yet noticed any noticeable advantages. In terms of lead conversion rates, 67.1% of participants report positive effects. 6.2% reported a strong increase, 34.1% a significant increase, and 26.8% a slight increase. Only 4.5% saw no change, while 28.5% were unable to provide any evaluable experience. No company reported a deterioration.

4.8. Analysis using MAXQDA

For an in-depth analysis of qualitative feedback, the empirical survey included five questions with free text fields to capture participants' individual assessments. The qualitative data analysis software MAXQDA was used to systematically evaluate these open-ended responses. The texts were coded according to a predefined category scheme, with each code assigned to a specific thematic area. MAXQDA then enabled a structured evaluation of the coded data, including quantitative frequency analyses and visualizations. This allowed us to identify key topics such as goals for AI use (e.g., increasing efficiency, copywriting, research), tools used (e.g., Copilot, Perplexity, Google Gemini), perceived barriers, and practical experiences. The results reveal both recurring patterns and individual perspectives on the practical benefits and challenges of AI use (see Tables 1–5).

Figure 5. MAXQDA Analytics Pro



Source: Own elaboration; MAXQDA.

Table 1. Frequency distribution of targets using AI

Mentions	Frequency	Percentage
Efficiency / speed	4	23,53 %
Research	3	17,65 %
Copywriting	2	11,76 %
Translation	2	11,76 %
Software development	1	5,88 %
Follow-up	1	5,88 %
Development	1	5,88 %
Graphic design	1	5,88 %
SEO	1	5,88 %
Social Media	1	5,88 %
TOTAL	17	100,00 %

Source: Own elaboration; MAXQDA.

Table 2. F8 AI tools or AI platforms in use

Mentions	Frequency	Percentage
Copilot	6	14,29 %
Perplexity	5	11,90 %
Google Gemini	5	11,90 %
Claude	3	7,14 %
DeepL	2	4,76 %
Firefly	2	4,76 %
Canva	2	4,76 %
CAS genesisWorld	1	2,38 %
Joule	1	2,38 %
Monday AI	1	2,38 %
Dall-E	1	2,38 %
Databricks	1	2,38 %
Bing	1	2,38 %
Kling	1	2,38 %
Leonardo	1	2,38 %
make.com AI	1	2,38 %
happyscribe	1	2,38 %
suno	1	2,38 %
Grok	1	2,38 %
Yoomind	1	2,38 %
Deepseek	1	2,38 %
Semmi	1	2,38 %
Midjourney	1	2,38 %
Not assessable	1	2,38 %
TOTAL	42	100,00 %

Source: Own elaboration; MAXQDA.

Table 3. F11 Challenges or barriers to implementing AI

Mentions	Frequency	Percentage
Lack of time	2	50,00 %
Change in behavior	1	25,00 %
Not assessable	1	25,00 %
TOTAL	4	100,00 %

Source: Own elaboration; MAXQDA.

Table 4. F12 Practical experience with the use of AI

Mentions	Frequency	Percentage
Not assessable	2	40,00 %
Aggravating	1	20,00 %
Number of clicks	1	20,00 %
Supportive	1	20,00 %
TOTAL	5	100,00 %

Source: Own elaboration; MAXQDA.

Table 5. F15 Specific advantages of AI lead generation

Mentions	Frequency	Percentage
Not assessable	6	60,00 %
Information gathering	2	20,00 %
Social Ads	1	10,00 %
Assets in the lead process	1	10,00 %
TOTAL	10	100,00 %

Source: Own elaboration; MAXQDA.

4.9. Future prospects

The last question in the survey asked about the expected development of AI use in sales and/or marketing over the next two to three years. This question was deliberately aimed not only at companies that already use AI, but also at those that had indicated in an earlier question that they currently *do not* use AI. The reason for this lies in the logic of the survey: even if a company does not currently use AI, it may still have concrete plans to introduce or expand its use of AI in the near future. Therefore, all participants were asked to assess future developments, regardless of their previous use. 27.8% and 73 participants stated that their companies are planning a significant expansion of AI use. Most participants (48.3%) stated that their companies plan to moderately expand their use of AI, with a moderate increase in investment.

6.9% and 18 participants plan to maintain AI use at the current level, with no significant changes planned. No participants agreed to reduce their use of AI. Thirteen percent and 34 participants said that this was currently unclear and could not be estimated. Finally, participants had the opportunity to leave their email address to receive a summary of the results. The email addresses will not be published. A total of 44 participants expressed interest in the study results. The results will be made available to them after successful publication. As these are experts from sales and marketing, they will be asked during the data transfer process whether they would be interested in participating in the expert interviews for my qualitative study.

5. Discussion

The study offers a detailed snapshot of AI use in sales and marketing among German companies, with a focus on the IT and software sector. The adoption rate in the sample (72%) far exceeds the national average (~20%, Destatis 2024), suggesting a concentration of tech-savvy, innovation-driven firms. Notably, once implemented, AI use becomes routine: over 88% of users apply AI tools daily or weekly, indicating deep integration and practical relevance. The main motivation is process efficiency, leading to time savings, better resource allocation, and reduced manual work, findings that align with previous studies (Lundborg et al., 2023; Paschen et al., 2020). AI's overall usefulness was rated highly (average 3.9 out of 5), with nearly three-quarters reporting significant efficiency gains. No negative effects were reported. Respondents also highlighted qualitative benefits like improved decision-making, automated content creation, and better customer communication. A key finding was AI's impact on lead generation and conversion. Most users reported higher lead quality and conversion rates, with 67% noting improvements and over 40% seeing increases above 25%. Tools such as predictive lead scoring, automated workflows, and personalized content appear to be key contributors. Barriers to broader adoption remain. The most common concerns relate to data protection and GDPR, followed by lack of expertise, technical integration challenges, and internal resistance. The latter is critical: successful implementation depends not only on leadership support but also on team acceptance, communication, and change management (Deutsch & Pingel, 2023; Bünte, 2023). Despite challenges, 76% of respondents plan to expand AI use within two to three years, signalling a shift from pilots to scalable strategies. Tools like ChatGPT, cited by over 80%, illustrate how accessible solutions can drive adoption, even without in-house data science expertise. While based on a non-probability sample, possibly skewed toward AI-positive companies, the study still provides valuable insights into how AI is currently applied, perceived, and evaluated in practice, and where future opportunities and challenges lie.

6. Summary

Artificial intelligence is already changing sales and marketing in German companies. The study results show that AI is no longer a topic for the future, but a real competitive advantage. Companies that actively address challenges such as legal uncertainty (Kreutzer, 2023), lack of expertise (Bode et al., 2022), or technical integration problems (BMW i, 2021; Kreutzer, 2023) are better positioned to benefit in the long term.

AI not only offers efficiency gains but also has a direct impact on key performance indicators such as lead quality and conversion rates – a finding that is also confirmed by earlier studies (Paschen et al., 2020; Lundborg et al., 2023). To fully exploit this potential, investment is needed in employee training (Bode et al., 2022), clear governance structures (Kreutzer, 2023), an innovation-friendly corporate culture (Kreutzer & Sirrenberg, 2020), and scalable and integrable tools. Cross-functional collaboration between departments and IT is equally important, as emphasized by Deutsch & Pingel (2023) and Bunte (2023). Companies that create these strategic conditions will not only be able to reap the benefits of AI but also differentiate themselves and assert themselves in the digital competition in the long term.

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Exploring the Relationship Quality: The role of Relationship Scrutiny, Satisfaction, Love Styles, Emotional Closeness and Implicit Relationship Theories

Abstract

This paper aims to explore the parameters of relationship quality: relationship scrutiny, relationship satisfaction, love styles, emotional closeness and implicit relationship theories. A systematic search of databases, including PubMed, PsycINFO, PsycNet, Google and Google Scholar, yielded 45 relevant studies published over the last 60 years. This article aims to provide an overview of the most important research findings. By synthesizing research findings across these domains, we seek to understand how these factors interact and influence the dynamics of romantic relationships. This understanding can inform therapeutic practices and interventions aimed at improving relationship quality.

Keywords: relationship quality, relationship scrutiny, satisfaction, love styles, emotional closeness, implicit relationship theories

Badanie jakości relacji: rola analizy relacji, satysfakcji, stylów miłości, bliskości emocjonalnej i ukrytych teorii dotyczących relacji

Streszczenie

Celem artykułu jest zbadanie parametrów jakości relacji: analizy relacji, satysfakcji z relacji, stylów miłosnych, bliskości emocjonalnej i ukrytych teorii relacji. Systematyczny przegląd literatury poprzez przeszukiwanie baz danych, w tym PubMed, PsycINFO, PsycNet i Google Scholar, gdzie uzyskano tylko 45 istotnych wskazań prowadzonych badań opublikowanych w ciągu ostatnich 60 lat. Niniejszy artykuł ma na celu przedstawienie przeglądu najważniejszych wyników badań. Syntetyzując wyniki badań w przedmiotowych obszarach artykuł przedstawia wpływ czynników oddziałujących na siebie oraz na dynamikę relacji w związkach. Usystematyzowana wiedza może stanowić podstawę do wykorzystania w praktyce mających na celu poprawę jakości relacji.

Słowa kluczowe: jakość relacji, analiza relacji, satysfakcja, style miłości, bliskość emocjonalna, ukryte teorie relacji

1. Introduction

Romantic relationships are a core component of human life, significantly influencing emotional well-being and overall life satisfaction. When asked about what makes life happy and fulfilling, many people emphasize the importance of close relationships with family, friends, or romantic partners (Berscheid, 1985). In this context, couple relationships hold particular significance, often viewed as essential for achieving personal happiness and life satisfaction (Berscheid & Peplau, 1983; Berscheid & Reis, 1998; Crossley & Langdridge, 2005). While various elements contribute to the health and longevity of relationships, understanding how individuals perceive and interact with these elements can reveal crucial insights into relationship dynamics. This paper focuses on five critical components: relationship scrutiny, relationship satisfaction, love styles, emotional closeness, and implicit relationship theories.

2. Method

For this review, relevant studies from the last 60 years were selected from the databases PubMed, PsycINFO, PSYINDEX, Google and Google Scholar. In addition, it was possible to draw on books and studies that were obtained from the courses “Psychotherapy” and “Relationship Research” at the Ruhr University Bochum and the University of Wuppertal via the university libraries (paper form and VPN tunnel online). The selection criteria included peer-reviewed articles that explicitly examined the role of relationship scrutiny, relationship satisfaction, emotional closeness, implicit relationship theories and love styles. A total of 45 relevant studies were identified and included in the analysis.

3. Results of research

3.1. Relationship satisfaction

Relationship satisfaction is a central concept in the study of romantic relationships, reflecting the degree to which partners feel fulfilled and content within their partnerships. Understanding the determinants of relationship satisfaction is crucial for professionals in psychology and relationship counseling, as well as for individuals seeking to enhance their personal relationships. Relationship satisfaction seems to be a key indicator of relationship health, encompassing an individual's overall contentment with their romantic partner.

Attachment theory posits that early interactions with caregivers shape the expectations of individuals' expectations and behaviors in adult relationships (Bowlby, 1969). Secure attachment is associated with higher relationship satisfaction due

to more adaptive interaction patterns and better emotional regulation (Simpson, 1990). In contrast, anxious or avoidant attachment styles can contribute to relationship instability and lower satisfaction.

Effective communication is widely recognized as a cornerstone of relationship satisfaction. Gottman and Levenson (1992) highlighted that positive communication patterns, characterized by openness and constructive conflict resolution, significantly enhance relationship quality. Conversely, negative communication, including criticism and defensiveness, is a strong predictor of dissatisfaction and potential dissolution (Gottman, 1994). Karney and Bradbury (1995) carried out a meta-analysis on this topic, in which over 45,000 married couples (115 studies) were considered. As a conclusion of this meta-analysis, the authors conclude that a high level of stress and negative interaction behavior of the partners lead to low relationship satisfaction and stability. Studies by Fincham and Linfield (1997) highlight the importance of positive illusions, where individuals view their partners more favorably than they objectively might be, contributing to higher satisfaction levels.

Recent studies have been able to prove the connection between self-awareness and relationship satisfaction. At the same time, interaction effects were found, so that one's own self-confidence also appears to have an influence on the relationship satisfaction of the partner (Erol & Orth, 2013). In addition, the model by Tacket, Nelson and Busby (2013) demonstrated a correlation between high shyness and lower relationship satisfaction.

3.2. Relationship scrutiny

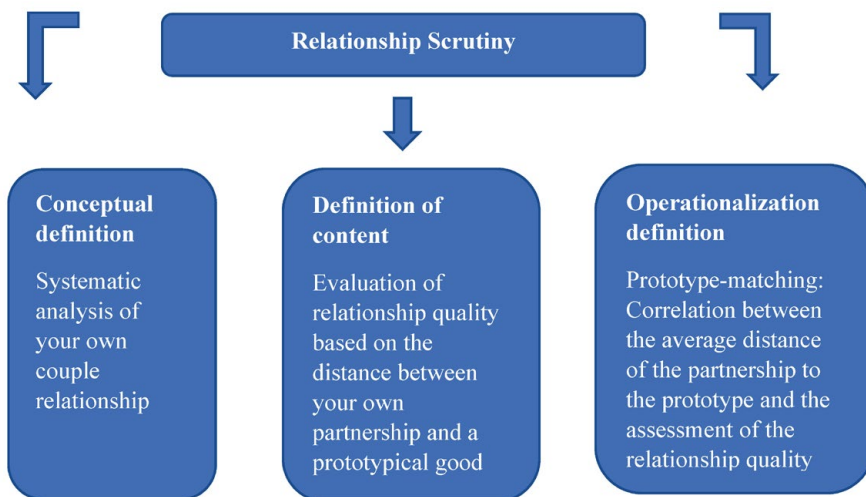
In this model developed by Hassebrauck and Sedikides (2002, cited in Dörfler, 2011) and operationalized by Dörfler (2011), the construct of relationship scrutiny is the central component. This model of taking a systematic inventory of one's own relationship is much more complex than the theories in the past and goes far beyond simply thinking about the couple relationship. Specifically, it postulates that this inventory is based on accurate, data-driven processing of relationship-relevant information. The couple relationship is assessed against the background of the mental representation of a good relationship and the quality of this relationship is then evaluated (Dörfler, 2011).

Relationship scrutiny refers to the evaluative process individuals engage in when assessing their romantic partnerships. According to Overall et al. (2006), relationship scrutiny involves critical analysis of the partner's attributes and the relationship's status. Excessive scrutiny often correlates with decreased relationship satisfaction due to heightened awareness of negative traits or unresolved conflicts. However, constructive scrutiny can lead to improved problem-solving and relationship enhancement (Miller & Rempel, 2004).

In contrast to previous approaches, this model assumes that there should be differences in the extent to which people actually orient themselves towards a cognitive standard, which should be theoretically predictable and statistically verifiable, when assessing their relationship satisfaction. The extent of this prototype-matching (cf. Hassebrauck & Aron, 2001), i.e. the strength of orientation towards the respective prototype, is then used as an indicator of the intensity of relationship scrutiny (Hassebrauck & Sedikides, 2002, cited in Dörfler, 2011).

The explanations of the different gradations of the Scrutiny model of relationship evaluation illustrate the multi-layered definition possibilities of this approach to relationship scrutiny. For the various possible applications and interpretations of relationship scrutiny, it has proved useful to divide the definition into conceptual, content-related and operationalization aspects. To provide a precise overview of these definitions, they are shown again in Figure 1.

Figure 1. Summary of the conceptual, content-related and operationalization definition of relationship scrutiny



Source: Dörfler (2011), *Drum prüfe, wer sich ewig bindet*.
Dissertation: Bergische Universität Wuppertal, p.45.

Recent science on this topic is difficult to define, because “relationship scrutiny” isn’t a standard, widely-used term in research for intimate relationships. For example, when we use the terms “self-reflection and relationship evaluation” we find the work of Finkel et al., (2013), which demonstrates that a brief intervention focused on reappraising conflict situations can improve marital quality. This shows, that more research is needed and the importance of context and intent behind relationship scrutiny.

3.3. Love styles

John Lee’s (1973) seminal work on love styles offers a typology that includes eros (passionate love), storge (friendship-based love), ludus (game-playing love), pragma (practical love), mania (possessive love), and agape (selfless love). Hendrick and Hendrick (1986) demonstrated that compatibility in love styles enhances relationship satisfaction and stability. Dissimilar love styles, however, often result in misunderstandings and dissatisfaction. Bierhoff et al. (1991; 1993) emphasize in their research that people exhibit different characteristics of the various love styles. They were able to show that in self-assessment, eros, storge, mania and agape are usually highly developed, while ludus and pragma tend to be rejected. In addition, the six love styles are not equally important for the quality of the relationship: high levels of eros and agape as well as low levels of ludus have a positive effect on the relationship, while storge, mania and pragma are not related to happiness in the relationship. The main characteristics of the individual love styles are summarized in Table 1.

Table 1. Overview of the different love styles with their central characteristics

Characteristics of love style	Love style
Sexual interest, physiological arousal, passion, love at first sight, needing the person you love	Romantic (Eros)
Fascination, exclusivity, idealization, jealousy	Possessive (Mania)
Trust, tolerance	Friendly (Storge)
Willingness to make sacrifices, helpfulness	Altruistic (Agape)
Sexual adventures, no commitment	Playful (Ludus)
Fit of goals, maximization of benefits	Pragmatic (Pragma)

Source: Bierhoff, H. W., (2006). Sozialpsychologie: Ein Lehrbuch (6. Aufl.). Stuttgart: Kohlhammer, p. 75.

In further empirical studies on love styles, romantic love achieved the highest level of approval. The love styles agape, storge and mania achieved mean values in the upper range of the scale. Pragmatic and playful love achieved the lowest approval ratings. Gender differences occurred only slightly (Bierhoff et al., 1993; Bierhoff & Grau, 1999). In addition, genetic hereditary influences appear to play only a minor role in love styles, while familial environmental variables and cultural influences have a greater impact on love styles (Luhmann, 1982; Waller & Shaver, 1994). Hendrick and Hendrick (1986) found gender differences in love styles, with men showing a stronger expression of

Ludus, while women showed the love styles Eros, Storge, Pragma and Mania. Findings by Bierhoff et al. (1991) were only able to prove gender differences in relation to two love styles: Women scored significantly higher on the possessive love scale (Mania) and men showed stronger expressions on the altruistic love scale (Agape). Several findings show that the love style Eros is related to relationship satisfaction, while playful love (Ludus) correlates negatively with relationship satisfaction (Bierhoff et al., 1991; Davis & Latty-Mann, 1987; Hendrick et al., 1988).

In the case of disorders, the following correlations have been found: depression and anxiety showed a correlation between ludus, mania and agape. People with depression behaved less romantically (Eros), amicably (Storge) and pragmatically (Pragma). Studies link Eros and Agape love styles to relationship satisfaction (Schwennen & Bierhoff, 2002; Uebelacker et al., 2003; Neumann & Tress, 2005). However, research also reveals potential negative associations, including lower relationship quality, increased anxiety, and less romantic love, especially for women. These relationships, characterized by anxiety, jealousy, and altruism, are also correlated with indicators of mental disorders like psychosomatic complaints (Neumann & Tress, 2005).

Recent findings have shown a positive correlation between the Ludus love style and a low need for closeness in the relationship (Goodboy & Booth-Butterfield, 2009). In addition, it was shown that playful love (Ludus) is related to cosmetic surgery, while a negative correlation was found for passionate love (Eros) and friendly love (Storge) (Swami & Mammadova, 2012).

3.4. Emotional closeness

Emotional closeness is the perceived intimacy and connection between partners, characterized by mutual understanding and empathetic communication (Grau & Bierhoff, 2003). Research by Collins and Feeney (2000) suggests that emotional closeness serves as a buffer against stress, enhancing relationship resilience and satisfaction. Emotional intelligence plays a significant role in fostering emotional closeness, as it enables partners to navigate emotional landscapes effectively. A positive correlation was found between emotional closeness and relationship satisfaction (Grau 2003; Grau 2008). Aron et al. (2013) explore how people incorporate aspects of their partner into their own self-concept as relationships develop, leading to a feeling of closeness and growth.

3.5. Implicit relationship theories

Implicit relationship theories are beliefs about the nature of relationships, such as whether relationships are fated or developed through effort and compromise. Knee (1998) identified two primary orientations: destiny beliefs and growth

beliefs. Individuals with growth beliefs are more inclined to view challenges as opportunities for development, whereas those with destiny beliefs might view incompatibilities as insurmountable. These orientations significantly affect how individuals respond to relationship challenges (Knee et al., 2003). Other studies show that soulmate theorists exhibit a tendency to preserve an idealized perception of their partner as the relationship progresses (Burnette & Franiuk, 2010), show more aggressive behaviour in terms of exclusion (Chen et al., 2012) and there is a negative correlation to violence within the relationship (Franiuk et al., 2012). In conflicts, they act more proactively than fate-oriented individuals (Knee, 1998; Knee et al., 2004), and they handle negative events more successfully (Kammrath & Dweck, 2006). Recent research found evidence that self-expansion mediates the association between growth beliefs (but not destiny beliefs) and satisfaction, commitment, accommodation, and dissolution consideration (Mattingly et al., 2019).

4. Limitations

Many empirical studies on relationship quality often involve homogeneous samples predominantly composed of college students or individuals from specific cultural backgrounds. This lack of diversity can limit the generalizability of findings to broader populations. Relationship dynamics may significantly differ across age groups, cultural contexts, and socioeconomic backgrounds, influencing factors such as love styles and emotional closeness. The literature often suffers from variability in the definitions and constructs of key terms related to relationship quality. For instance, different studies may define relationship satisfaction, scrutiny or emotional closeness differently, which complicates comparisons across studies. Establishing more standardized definitions and measures would enhance the clarity and consistency of research findings.

5. Conclusion

While the literature on relationship quality offers valuable insights into the intricate dynamics of romantic partnerships, it is essential to recognize its limitations. Addressing issues such as sample diversity, measurement challenges, and the need for longitudinal research can enhance our understanding of relationship dynamics. Future research that incorporates a broader range of perspectives and contexts will contribute to more nuanced and applicable findings, ultimately improving both academic understanding and practical applications in relationship counseling and therapy.

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Employee Attitudes Toward The Integration of AI and Automation in Risk Management Processes In The Banking Industry in Azerbaijan

Abstract

This research investigates determinants of employee attitudes toward the embedding of artificial intelligence and automation within risk management functions of the Azerbaijani banking industry. Employing a quantitative methodological framework, data were gathered via a structured online questionnaire directed at bank personnel and subjected to regression analysis in SPSS. Results indicate that perceived usefulness, perceived ease of use, digital competence, and organizational support exert consistent and positive effects on employee attitudes. The research delivers actionable recommendations for synchronising technological advancement with employee preparedness and institutional reinforcement, thereby enhancing the efficacy of AI implementation within risk management.

Keywords: Artificial Intelligence, risk management, banking, employee attitudes

Postawy pracowników wobec integracji sztucznej inteligencji i automatyzacji w procesach zarządzania ryzykiem w sektorze bankowym w Azerbejdżanie

Streszczenie

Niniejsze badanie analizuje czynniki wpływające na postawy pracowników wobec wdrażania sztucznej inteligencji i automatyzacji w ramach funkcji zarządzania ryzykiem w azerbejdżańskim sektorze bankowym. Wykorzystując ilościowe ramy metodologiczne, dane zebrano za pomocą ustrukturyzowanego kwestionariusza online skierowanego do personelu banku, a następnie poddano je analizie regresji w oprogramowaniu SPSS. Wyniki wskazują, że postrzegana użyteczność, postrzegana łatwość obsługi, kompetencje cyfrowe i wsparcie organizacyjne wywierają stały i pozytywny wpływ na postawy pracowników. Badanie dostarcza praktycznych rekomendacji dotyczących synchronizacji postępu technologicznego z przygotowaniem pracowników i wzmocnieniem instytucjonalnym, zwiększając tym samym skuteczność wdrażania sztucznej inteligencji w zarządzaniu ryzykiem.

Słowa kluczowe: sztuczna inteligencja, zarządzanie ryzykiem, bankowość, postawy pracowników, Azerbejdżan

1. Introduction

The swift evolution of artificial intelligence and automation technologies is altering both operational and strategic dimensions of the international banking sector. Institutions are progressively integrating AI-enabled solutions to boost efficiency, fortify compliance, and refine risk identification and mitigation (Lichtenthaler, 2020). Within risk management, AI applications can analyse immense data sets, detect anomalies, and signal potential hazards with greater speed and precision than legacy procedures. Nevertheless, the achievement of such technological assimilation hinges on employee receptiveness, since personnel ultimately operate the systems, contextualise the outputs, and render pivotal decisions predicated on AI-derived insights (Man, 2022).

This study investigates the determinants of employee attitudes regarding the deployment of artificial intelligence and automation in the risk management functions of Azerbaijan's banking sector. Although AI assimilation in global banking is accelerating, empirical research on employee perceptions of the technology's perceived usefulness, perceived ease of use, and the adequacy of organizational support remains scarce, particularly in transitional financial markets such as Azerbaijan.

The research aims to quantify the interrelations among perceived usefulness, perceived ease of use, digital competence, and organizational support, as well as their cumulative impact on employee attitudes toward the AI-enabled risk management framework (Presbitero and Teng-Calleja, 2023; Hong, Ly, and Lin, 2023). Specific objectives involve discerning the relative influence of each determinant and offering empirical guidance to refine technology adoption strategies within the sector (Gao and Zamanpour, 2024).

The contribution of this research resides in its capacity to assist Azerbaijani banks in harmonizing technological progress with employee readiness and institutional preparedness. By elucidating the human and systemic elements that cultivate favourable employee attitudes, the findings generate pragmatic recommendations for augmenting the efficacy of AI-enhanced risk management programmes. These recommendations ultimately empower financial institutions to realise the full advantages of AI deployment while maintaining regulatory compliance, operational resilience, and sustained competitive differentiation.

2. Literature review

Integrating artificial intelligence and automation into bank risk management fundamentally reshapes data handling speed, anomaly identification precision, and consistency of decision criteria across credit, market, operational, and compliance functions (Bhargava, Bester, and Bolton, 2021). Worldwide, financial institutions leverage

machine learning for credit scoring, real-time transaction surveillance, early-warning architectures, and model risk oversight (Giraldi, Rossi, and Rudawska, 2024). These algorithmic solutions outpace traditional methods in both accuracy and responsiveness (Dwivedi and Kochhar, 2023). However, their transformative potential is contingent upon human endorsement. Risk decision-makers, analysts, and compliance officers remain central, as they refine data inputs, assess model-detected deviations, adjust calibration thresholds, and escalate potential breaches (Mantello et al., 2023; Malik et al., 2022). Positive staff attitudes foster iterative model enhancement and broader uptake; in contrast, skepticism invites fragmented usage, manual circumvention, and gradual erosion of model rigor. Within emerging banking ecosystems such as Azerbaijan, accelerated digital rollouts, iterative regulatory enhancement, and competitive fintech forces elevate the urgency of AI-integrated safeguards. Concurrently, disparities in digital literacy, inconsistent training schemes, and maturing governance regimes render employee perceptions the critical leverage point for sustainable advancement (Ahn and Chen, 2022).

The longstanding line of inquiry into technology acceptance indicates that perceived usefulness and perceived ease of use serve as primary precursors to attitudes toward the adoption of new systems (Ferri et al., 2023). In the domain of risk management, the construct of usefulness translates into measurable enhancements in the signal-to-noise ratio of alerts, a diminution of false-positive alerts, expedited case resolution, and improved oversight of the overall portfolio (Khalid et al., 2024). Practitioners evaluate AI systems, therefore, not as abstract innovations but in terms of their ability to elevate the relevance of surfaced risks, diminish redundant tasks, and furnish defensible conclusions that withstand audit and supervisory scrutiny (Basri, 2023). Analysts report that if automation substantively complements due diligence—by pre-ranking alerts, identifying interlinked entities, or quantifying the trajectories of exposure—then the perceived utility of the technology increases. In the Azerbaijani banking sector, where operational teams reconcile expanding growth ambitions with tightening compliance mandates, systems that enhance accuracy and throughput without expanding personnel headcount acquire particular salience.

H1: Perceived usefulness of AI in risk management positively influences employee attitudes toward AI integration in risk management processes.

The construct of perceived ease of use, in tandem with the digital proficiency of personnel, similarly influences attitudes. Risk personnel vary in their command of statistical concepts, familiarity with coding, and ease of use with dashboards or case-management environments (Ardiyanti and Susilowati, 2024). When user interfaces are nontransparent, procedural documentation is insufficient, or task sequences lack intuitive structure, employees are inclined to ascribe inaccuracies to the technology and subsequently to withdraw their engagement. When systems excel in explainability, convincingly justifying each alert and granting users adjustable

thresholds, decision-makers experience diminished cognitive strain and enhanced trust (Sudaryanto, Hendrawan, and Andrian, 2023). Digital competence shapes this effect: personnel familiar with schema design, fundamental algorithm mechanics, and validation benchmarks interpret outputs with greater assurance, perceive automation as a partner rather than a replacement, and adopt a mindset of augmentation (Vitezić and Perić, 2024). Within Azerbaijan's banking domain, sustained funding for digital literacy workshops and formal certification sits at the forefront of harmonizing expertise and algorithmic assistance. Together, proficiency and usability lower resistance, flatten learning trajectories, and contain disruption during technology launches. Accordingly, the second hypothesis posits that increased perceived usability, in tandem with robust self-rated digital competence, leads to more favourable attitudes toward integrating AI into risk management processes.

H2: Perceived ease of use and digital competence positively influence employee attitudes toward AI integration in risk management processes.

Organisational backing multiplies this effect. When senior leaders actively champion AI in risk activities, uncertainty dissipates, and incentives converge. Effective implementation relies upon visible executive sponsorship, inclusive governance, and sufficient allocations to personnel coaching, data cleansing, and model risk oversight (Soomro et al., 2024). Well-articulated statutes on accountability, defined human verification intervals, and clear escalation lanes alleviate the perceived personal and regulatory hazards facing employees who act upon algorithmic recommendations. Tailored training, designed distinctly for investigators, validators, and model owners, enhances credibility and directly mitigates operational challenges that personnel face during daily casework (Chatterjee et al., 2020). A concurrent focus on a learning culture that reframes false positives and iterative tuning as opportunities for iterative refinement rather than as setbacks fosters psychological safety, thereby deepening personnel engagement with emerging analytic tools (Behl et al., 2022). In Azerbaijan, where regulators are increasingly prioritizing AML/CFT effectiveness alongside rigorous model governance, organizational commitments that allocate time, suitable tools, and active managerial endorsement enable staff to align regulatory mandates with advancing technology. Accordingly, the present study posits that organizational support—conveyed through leadership endorsement, provision of resources, and the establishment of coherent processes—will yield more favorable employee attitudes toward AI-augmented risk management.

H3: Organizational support for AI adoption positively influences employee attitudes toward AI integration in risk management processes.

The theoretical framework thus conceptualizes attitudes as the cumulative outcome of perceived instrumental value, usability and skill alignment, and institutional scaffolding. Perceived usefulness gauges whether the AI system measurably enhances risk outcomes; usability and digital competence assess whether

personnel can interact with AI-generated outputs efficiently and with confidence; institutional support indicates whether the organizational climate reduces adoption barriers and delineates accountability. This framework is amenable to empirical validation through a structured online survey targeting bank personnel across Azerbaijan, given that each constituent is inherently perceptual, grounded in everyday operational contexts, and quantifiable using Likert-type response scales independently of sensitive risk data. Through the systematic evaluation of these hypotheses, the inquiry is poised to isolate the critical lever mechanisms—comprising technical architectures, human capacities, and organizational arrangements—that exert the most substantial influence on the practical uptake of AI and automation within risk management. The elucidation of these determinants will then furnish banking institutions with a data-driven prioritization of investment areas, thereby enabling the strategic channeling of resources to sectors where the projected efficiencies and risk-informed advantages of these technologies are most likely to be fully extracted.

3. Methods

This investigation utilizes a quantitative paradigm to analyze banking personnel attitudes regarding the assimilation of artificial intelligence and automation into risk management frameworks across the Azerbaijan banking sector. The methodological framework is designed to generate quantifiable data amenable to statistical scrutiny for the evaluation of the framed hypotheses. Deployment of an electronic survey instrument was selected as the primary means of data accrual, due to its capacity to efficiently and affordably access a broad and geographically diverse respondent cohort. The survey was pointedly directed at banking personnel who, whether directly or indirectly, engage in risk management functions or interact with AI-enhanced systems within their professional duties. This targeting strategy guaranteed that respondents possessed the requisite expertise and practical exposure to render credible and pertinent insights concerning the phenomenon under scrutiny.

The survey instrument employed a closed-ended format, incorporating a battery of Likert-scale items calibrated to capture respondents' perceptions, attitudes, and experiences concerning the independent variables of perceived usefulness, perceived ease of use, digital competence, and organizational support, as well as the dependent variable of employee attitudes toward artificial intelligence integration. Demographic items were added to record respondents' gender, age, education level, length of work experience, and income, thereby facilitating subsequent descriptive and comparative analyses of the sample. A pilot study was conducted with a purposive sample of bank employees to verify the instrument's clarity, relevance, and internal consistency prior to its dissemination to the broader employee population.

The survey was conducted among staff at a range of commercial banks in Azerbaijan, drawing participants from risk management, compliance, internal audit, IT, operations, and customer service divisions. This multi-departmental involvement enriched the dataset, facilitating an comprehensive view of AI and automation's integration within risk governance. The final survey yielded 81 valid responses, with a gender composition of 49.4 per cent male and 50.6 per cent female, thereby achieving nearly balanced representation. Age distribution revealed that 49.4 per cent of respondents were aged 18 to 30, 32.1 per cent fell into the 31 to 40 category, 12.3 per cent were between 41 and 50, and 6.2 per cent were 51 or older.

The educational background of participants reflects a professionalized sector, with 55.6% possessing a master's degree, followed by 30.9% with a bachelor's degree, 11.1% holding postgraduate qualifications, and a minority of 2.5% whose highest attainment was secondary schooling or its equivalent. Experience in banking was primarily concentrated in the early to mid-career bracket: 40.7% of respondents reported between one and five years, 30.9% reported five to ten years, 17.3% had more than ten years, and 11.1% had less than one year in the sector. Income figures indicate a tiered remuneration structure, where 37% of respondents reported earnings between USD 2,001 and 5,000, 28.4% reported more than USD 10,000, 24.7% fell within the USD 1,000 to 2,000 bracket, and 9.9% reported incomes between USD 5,001 and 10,000 per year.

The analysis of collected data was performed with the Statistical Package for the Social Sciences (SPSS), a widely accepted platform enabling the execution of both descriptive and inferential statistical analyses. Initial descriptive statistics detailed the demographic profile of the participants and outlined their overall perceptions of the study variables. To evaluate the formulated research hypotheses, a multiple regression analysis was employed to ascertain how the independent variables collectively and individually forecasted employee attitudes toward the incorporation of artificial intelligence into risk management workflows. This analytical strategy was selected for its capacity to disentangle the influences of several independent variables acting in concert upon a single dependent outcome, thereby clarifying the relative weight of each predictor variable. The empirical findings of the regression analysis provide a solid evidence base regarding the determinants of employee willingness to accept and actively endorse the adoption of AI solutions within the Azerbaijani banking industry.

4. Results

Regression analysis indicates robust associations between the independent variables and employee attitudes toward the incorporation of artificial intelligence in risk-management workflows. Specifically, the perceived usefulness of AI in this domain yielded an R of .884, an R^2 equal to .781, and an adjusted R^2 of .773,

indicating that this construct alone accounts for approximately 77.3% of the variance in employee attitudes. The corresponding ANOVA table further endorses this finding, presenting an F value of 91.674 and a significance level of $p < .001$; the resulting unstandardized coefficient registers at $B = .504$, confirming a statistically significant positive relationship.

Table 1. Results of Regression Analysis

Variables	Regression				ANOVA		Coefficient	Coefficients Std. Error
	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.	Sig.	
Perceived Usefulness of AI in Risk Management Variables	0.884 ^a	0.781	0.773	1.16476	91.674	<.001 ^b		.504
PUARM 1							<.001	.228
PUARM 2							<.001	.188
PUARM 3							<.001	.170
Perceived Ease of Use and Digital Competence Variables	0.884 ^a	0.781	0.773	1.16476	91.674	<.001 ^b		.534
PEUDCV 1							<.001	.318
PEUDCV 2							<.001	.288
PEUDCV 3							<.001	.270
Organizational Support for AI Adoption Variables	0.886 ^a	0.785	0.776	1.15593	93.474	<.001 ^b		.455
OSAIIV 1							<.001	.180
OSAIIV 2							<.001	.181
OSAIIV 3							.005	.227

a. Predictors: (Constant), PEUDCV 1, PEUDCV 2, PEUDCV 3; PUARM 1, PUARM 2, PUARM 3; OSAIIV 1, OSAIIV 2, OSAIIV 3

b. Dependent Variable: Employee Attitude Toward AI Integration in Risk Management_Scale

There are abbreviation in the table.

PUARM: Perceived Usefulness of AI in Risk Management

PEUDCV: Perceived Ease of Use and Digital Competence

OSAIIV: Organizational Support for AI Adoption

Source: Own elaboration

Equally important, perceived ease of use and digital competence exhibited an identical pattern of R , R^2 , and adjusted R^2 ($R = .884$, $R^2 = .781$, adjusted $R^2 = .773$), suggesting that the contributions of both usability and employee digital skill converge to explain a considerable proportion of the variance in attitudes toward AI deployment. The adjusted standardized coefficient for this compound predictor is .534, and every item constitutive of the perceived ease of use and digital competence dimensions attained significance at $p < .001$.

Organizational support for artificial intelligence adoption exhibited improved predictive efficacy, yielding $R = 0.886$, $R^2 = 0.785$, and adjusted $R^2 = 0.776$. The associated ANOVA statistic ($F = 93.474$, $p < 0.001$) substantiates the model's significance, and the standardized coefficient of 0.455 corroborates a positive relationship. Collectively, these figures affirm that all three predictors exert statistically meaningful influence upon employee attitudes regarding AI deployment in risk management within the Azerbaijani banking sector.

The analysis reveals that perceived usefulness, perceived ease of use and digital competence, and organizational support jointly serve as significant antecedents of attitudes toward AI integration in risk management. The consistently elevated R^2 values across the regression models indicate that the predictors account for a considerable portion of the overall variance in attitudes, thereby highlighting the importance of both individual-perceptual and organizational-structural determinants. The relatively enhanced influence of organizational support implies that institutional endorsement, allocation of resources, and demonstrable leadership commitment critically condition employee acceptance. These observations are consistent with the extant literature, which underscores that technology adoption in banking is contingent not only upon its perceived advantages and operational simplicity but also upon the presence of a conducive organizational milieu.

5. Conclusion

The research determines that personnel perceptions of AI and automation integration into risk management within Azerbaijan's banking industry are predominantly influenced by three interrelated determinants: the perceived utility of the technologies, the perceived operability coupled with individual digital proficiency, and the degree of observable organizational backing for the AI roll-out. Multiple regression diagnostics confirmed that each factor independently and positively sways behavioral intention, with the collective model attaining elevated R^2 metrics that indicate a pronounced explanatory power for the observed attitudes. This finding reinforces the proposition that embedding AI within risk management is as much a socio-technical and managerial undertaking as it is a matter of technological installation.

Respondents assigned greatest weight to perceived utility, citing enhancements in accuracy, throughput, and risk-informed judgement as focal advantages. Perceived operability and digital proficiency jointly moderated acceptance, implying that a design orientation toward intuitive interfaces and the fostering of baseline digital literacy are essential. Organizational backing featured as the strongest statistical predictor, affirming that executive endorsement, judicious budgeting, and coherent, phased training interventions are crucial to cultivating trust and sustainable technology assimilation.

The evidence presented affirms that deployment frameworks for artificial intelligence in the banking sector should simultaneously attend to the empirical efficacy of algorithms and to the beliefs and competencies of human personnel. Within the Azerbaijani context, synchronising the rollout of advanced technologies with customised educational programmes, open dialogue, and robust executive endorsement will be essential for cultivating constructive employee mindsets and for embedding AI sustainably within risk governance routines. Such a unitary model is likely to strengthen operational productivity and to fortify compliance frameworks within the dynamically shifting financial industry.

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Algorithmic Branding: The Influence of Artificial Intelligence on Employer Image in International Talent Recruitment

Abstract

Previous studies have shown that, in today's global labor market, organizations compete internationally in order to acquire the attention of the top talent by showing their reputation. One of the crucial HR functions has been employer branding which is acquired by demonstrating strategic management of an organization to qualified individuals. As AI has been advancing rapidly, it has altered the way organizations and brands are developed and operated. The main aim of the study is to demonstrate the power of AI in employment branding, including employers presenting themselves to top talent, focusing on advanced tools such as, chatbots, dynamic content delivery, and sentiment analysis. The article also focuses on the integration of algorithms into brand identity creation which raises ethical concerns, particularly around maintaining integrity, equity, and trust in corporate messaging.

Keywords: artificial intelligence, employer brand, personalization, digital technology, global recruitment

Branding algorytmiczny: wpływ sztucznej inteligencji na wizerunek pracodawcy w międzynarodowej rekrutacji talentów

Streszczenie

Współczesne badania wykazują, że w dzisiejszym globalnym rynku pracy organizacje konkurują o przyciągnięcie uwagi najlepszych talentów poprzez budowanie swojej reputacji. Jedną z kluczowych funkcji HR jest *employer branding*, który osiągany jest poprzez strategiczne zarządzanie organizacją skierowane do wykwalifikowanych kandydatów. W związku z szybkim rozwojem sztucznej inteligencji zmienił się sposób, w jaki organizacje i marki są tworzone oraz funkcjonują. Głównym celem niniejszego badania jest ukazanie roli sztucznej inteligencji w *employer branding*, ze szczególnym uwzględnieniem wykorzystania zaawansowanych narzędzi, takich jak chatboty, dynamiczne dostarczanie treści oraz analiza sentymentu. Artykuł porusza również kwestie etyczne związane z integracją algorytmów w proces tworzenia tożsamości marki, zwłaszcza w kontekście zachowania integralności, równości oraz zaufania w komunikacji korporacyjnej.

Słowa kluczowe: sztuczna inteligencja, marka pracodawcy, personalizacja, technologia cyfrowa, rekrutacja globalna

1. Introduction

Employer image as a concept should be reviewed under a more comprehensive context of organizational image. It represents just one of several ways people interpret an organization. In order to be recognized as an employer, besides its employer image, an organization also should have a decent financial reputation, a socially responsible profile, and also possess either a product or a service that has been made according to its customers' needs (Lievens & Slaughter, 2016). The crucial role of employer branding is not only about recruiting top talent, it is also about the public image of an organization, employee satisfaction, and sustainable competitiveness. The lack of consistency in employer brand leads to having demotivated workforce, and losing their reputation by media and public critics (Windley, 2022). In the globalized world, artificial intelligence has a significant impact on how organizations tend to find and hire top talent in order to succeed by their decisions.

AI is not only used in order to automate recruitment processes, but also it has a massive impact on shaping recruitment strategies through transforming daily recruitment operations as well as the structural configuration of hiring systems. AI allows organizations to enhance screening processes, personalize candidate experiences, and deal with numerous applications properly at the same time. Since organizations have started integrating artificial intelligence tools into their recruiting platforms, it not only has changed the steps the organizations follow while hiring people, but also potential candidates have the opportunity to perceive the employer as a brand that values innovation and embraces change (Paramita, Okwir, and Nuur, 2024). Multinational companies increasingly utilize artificial intelligence in today's fast-changing digital world in order to enhance the global talent management.

Previous studies demonstrate the necessity of the usage of AI-enabled platforms in facilitating information sharing and aligning talent management with the organization's strategic direction. By utilizing artificial intelligence-driven social trade components, organizations can effectively foster collaboration, facilitate the integration of information across geographically dispersed groups, and enhance employees' interactions. These frameworks do not solely support development but also contribute to improved worker outcomes, such as increased job satisfaction, stronger dedication, and reduced turnover. As technology advances rapidly, especially in the advertising industry, it becomes crucial to understand how AI-driven automation affects employee behavior and organizational performance (Malik, De Silva, Budhwar, & Srikanth, 2021).

2. Literature Review

Employer Branding basically means people's opinions about an organization as a workplace to join. Top talented potential candidates research regarding everyday

actions, values, benefits, reputation, the behavior to current employees, and culture of an organization to decide whether they would be inspired to be a part of the company or not. Candidates are attracted to a special organization when the organization has a purpose, growth, a positive work atmosphere and the skill to have a good connection with employees.

Having a strong employer brand is not just about to attract more top talented people into an organization but also they help employees feel proud of their workplaces. That is the reason why they straightforwardly have loyal employees with high motivation (Tomčíková, 2014). Talent management can be explained as integration and development processes of workforce, taking care of current employees, and attracting new top talent to the company simultaneously. High-performing organizations are able to utilize talent management perfectly to succeed in their business because they are aware of the fact that current and potential top talent is a fundamental part of a company in the competitive and globalized world (Alves et al., 2020). In today's world economy is dominated by technologies. Online recruiting systems, application tracking tools, and digital platforms have replaced conventional recruitment methods such as print media advertisements, job centers, and internal position changes in the globalized world (Bangura, 2025).

In the digital era, recruitment tools of organization have changed substantially. Since 1980 recruitments through newspaper advertisements, job boards, inside company referrals and promotions, recruitment agencies have begun to be replaced by AI and tech driven approaches. The modifications have accelerated the pace of the recruitment processes from screening to onboarding. In 21st-century reality, cloud-based services such as LinkedIn, Indeed, Glassdoor, but also a number of social media platforms connect potential candidates with organizations. In the emerging paradigm, most of HR departments utilize and rely on AI automation, smart databases, and cloud-based solutions as a consequence of facilitating the automation of the whole recruitment steps, reducing manual involvement, accelerating the process of recruitment, and seeking for top-tier talent according to organizations' necessities (Anghel, 2023).

According to Raux (2023), employers not only seek for top-tier talent in the domestic workforce, but also during labor shortages, employers tend to look beyond local candidates in order to fill their empty vacancies by hiring top-talent from foreign countries. Bill gates one of the industry leaders demonstrates the necessity of possessing decent policies which assist organizations to keep and attract potential candidates across the globe without consideration for their races, citizenships and nationalities (Raux, 2023). A qualitative study by (Koivunen et al., 2022) provided evidence that hiring steps are easier to reach the potential candidates who currently and actively do not look for work can be drawn attention by recruitment chatbots. On the other hand, new challenges are brought to recruitment processes such

as monitoring and developing designs and configurations of chatbots. Apart from that, crucial issues have been raised including taking care of privacy of individuals who submitted job application, and retaining the balance of making a straightforward application while acquiring a sufficient amount of information regarding the applicant (Koivunen et al., 2022). AI-driven recruitment systems are able to create transparent and fair opportunities by utilizing decision-support techniques which can rank and evaluate the candidates by a sufficient amount of assessment stages in order to find the most ideal candidates for specific positions. A framework which was introduced by (Pinochet et al., 2024) utilizing CRITIC-WASPAS method that is able to check numerous essential criteria and leverage data-based scores fairly and in detail to identify top-tier candidates (Pinochet et al., 2024). Sentiment analysis which is powered by AI, has formerly been utilized in order to enhance employee interaction in companies. On the other hand, it offers substantial advantages which lead to improvements in employer branding.

According to (Ravichandran et al., 2023) the practices of Natural Language Processing (NLP) are able to define emotional expressions in organizational interactions. By using third-party platforms, organizations acquire the opportunity to monitor how their organizational identity is recognized in the talent market. The statistics assist companies to check their recruitment abilities, assure having a decent connection with top-tier candidates, and retaining perpetual positive reputation. At the time that AI-driven sentiment analysis is implemented not only for confidential use, institutions obtain the opportunity to anticipate their future and strengthen bonds with potential candidates. By sticking to this course of action organizations can straightforwardly reinforce their employer brand in the competitive market (Ravichandran, Inaganti, & Muppalaneni, 2023). Consumer trust and satisfaction can be enhanced by algorithmically controlled personalization. At the same time, many users feel uneasy about how their personal information is handled, creating a delicate tension between the desire for personalized experiences and the need to protect their privacy. Offering honest data regulations and simple explanations helps organization to increase their trust indicators (Sipos, 2025). As demonstrated by Rodgers et al. (2023), ethical artificial intelligence paradigms are modulated in the view of an organization's macro-level influences and determinants of strategies which ensure that the choices of HR kept adjustable and contextually appropriate (Rodgers et al., 2023).

Ultimately, even though artificial intelligence is now thoroughly integrated into HRM, there is a sufficient amount of remaining gaps between tangible results and algorithm-powered tools in employer branding. Today's job market is highly competitive, making it increasingly difficult for companies to draw in the right candidates. According to current research predominantly employer branding and recruitment tools are totally different fields. Scholarly exploration is lacking in

international comparative research which demonstrates the way AI shapes employer brand within employment environments and varied cultures. This study, algorithmic branding: the Influence of artificial intelligence on employer image in international talent recruitment, focuses on addressing unexplored field by demonstrating a sufficient amount of analysis in artificial intelligence's role in employer branding across the globe and observing how programmatic methods impact employer image in global talent acquisition. It aims to address the following research questions:

1. In what ways are artificial intelligence based mechanisms utilized in crafting employer branding strategies.
2. How do algorithmic recruitment tools influence candidates' experiences and perceptions throughout the hiring process?
3. How do cultural and regional labor market differences influence the reception of AI-driven employer branding?

3. Methodology

This study engages with literature-based and qualitative methodology which seeks to investigate the contribution of AI-powered technologies in talent recruitment across the globe. This work does not include primary empirical research, but instead relies on industry reports, studies which were published between 2020 and 2025, and academic literature which is analyzed methodically. This technique assists theoretical integration of valid AI-controlled operations within HR management also their consequences for corporate image.

Scopus, Web of Science, and Google Scholar was utilized in order to acquire reference sources by using keywords in the mentioned academic digital libraries. Over 40 pertinent research studies were analyzed and most relevant of them were selected and cited. The mentioned research studies were selected by ensuring possessing reports of multinational companies which utilize AI-based technologies in their recruitment processes. Also, the key search phrases which were used for this study consists of "AI in HR", "Employer branding, "Automated talent acquisition processes" and "talent sourcing across the globe".

A thematic content analysis was applied in order to perceive how artificial intelligence tools – such as, sentiment analysis, chatbots, resume screening tools, candidate matching algorithms, and recommendation engines bring new expectations to candidate experiences, international hiring acquisitions, and brand reputation. The methodological approach is guided by the principles of conceptual literature review (Snyder, 2019) which is appropriate to find gaps in current information and establishing a basis for upcoming empirical studies. This literature-based approach is supported by the lack of unified, empirically grounded frameworks

which incorporate cultural, regional, and technological landscapes in AI-powered HR systems (Koivunen et al., 2022; Paramita, Okwir, & Nuur, 2024).

4. Analysis and Discussion

Because of accelerated synthesis of AI to employer brand and recruitment the structure of global talent acquisition has transformed. The examination of contemporary studies and practical examples illustrate associated risks and strategic benefits of leveraging modern technologies and artificial intelligence in employer branding. It consists of sentiment analysis in developing in employer branding, cultural and regional variations responses to artificial intelligence, adaptive automation, and ethical consideration in algorithmic decision-making.

The power of AI assists to improve candidate engagement by utilizing chatbots for recruitments, adaptive content delivery, and personalized job suggestions. Companies tend to trust these mechanisms in order to be more efficient and possess adaptive recruitment tools which increase brand values. According to (Koivunen et al., 2022), chatbots not only have the capability to process inquiries directly, but also assists to attract candidates by demonstrating real-time information.

Most discussions focus on external candidates, AI influences internal employer branding. Some tools such as sentiment analysis and feedback platforms from employees help organizations to monitor internal dissatisfaction early and fix them as soon as possible.

Even though AI improves user experience, it also introduces new risks. Potential candidates may feel disengaged or dehumanized while using the tools to apply for jobs because some AI-based recruitment tools lack emotional or contextual cues and they look scripted. As (Sipos, 2025) points out, personalization is able to enhance the trust and the satisfaction between candidates and organizations. But, some candidates might not want to share their information because of privacy concerns when they are unsure where their information is stored or shared. In conclusion, organizations must pay attention to have the balance of human authenticity and the efficiency of technologies in order to maintain their employer brand.

In globalized world, organizations use algorithms in order to rank, assess and filter potential candidates based on numerous indicators. Even though the tools are objective, sometimes they can replicate existing biases. (Rodgers et al., 2023) emphasize that ethical AI must be responsive to evaluate candidates correctly. Many organizations utilize algorithmic tools without knowing crucial information regarding the tools and full transparency. (Pinochet et al., 2024) demonstrated that by using the CRITIC-WASPAS framework, algorithms are able to be arranged in order to rank applicants by checking different criteria. But, if the tools are utilized non-consciously and adequately, they could damage the organization's reputation.

AI-based employer branding is not accepted homogeneously in global employment market. Some candidates value transparency and efficiency with AI-based recruitment tools in today's digitally advanced environments. On the other hand, not all the regions have a decent data protection laws. The utilization of artificial intelligence in recruitment could be confusing or suspicious in regions where weak data protection laws exist.

According to (Paramita, Okwir, & Nuur, 2024), if organization are willing to succeed in different regions they must consider sociocultural differences. It is crucial for organizations to utilize localized AI tools which can differ from region to region in order to build and sustain a strong employer image across the globe.

The sentiment analysis which is based on Natural Language Processing (NLP) assists organization in order to control how they are known and perceived by potential candidates across all the hiring platforms such as LinkedIn, and Glassdoor. According to (Ravichandran et al., 2023) HR teams could be assisted by sentiment analysis because it can provide actionable insights about emotional tone. For instance, if AI discovers by checking candidates' feedback that they are not satisfied, companies can clearly enhance their communication strategies correctly. Even though sentiment analysis can provide candidates' feedback accordingly unlike traditional methods, in order to be transparent they should have clear data policies. Also, candidates must be notified that their feedback may be recorded and utilized in the future by AI. If the transparent environment does not exist employer image can be damaged due to lack of transparency with data.

Organizations should implement clear governance guidelines to regulate ethical use of artificial intelligence since it is embedded in recruitment systems in today's globalized world. Multinational organizations which hire people from all around the world must have a decent data protection based on protection laws as GDPR. So, they can use international standards to be fair and transparent. In order to build trustworthy employer brands, organizations should establish audit mechanisms, appointing algorithmic ethics committees, and provide candidates to select opt-out mechanisms. Doing this actions, not only help to reduce future risks, but also strengthen bonds between candidates and organizations.

5. Conclusion

This study has shown the impact of artificial intelligence on employer branding in the context of international talent recruitment. Four major patterns came to light: ethical complexities in AI-based hiring practices, the growing utilization of artificial intelligence on personalization, strategic utilization of sentiment analysis in order to monitor employer image, and cultural and regional differences of AI-driven tools.

Artificial intelligence has advantages for candidate engagement, scalability, and efficiency. But also, there are some risks about biases, transparency in hiring practices, and cultural differences. The findings of the study suggest organizations that just leveraging modern technologies and using artificial intelligence is not sufficient. Ethical reflection, cultural adaptation, and a human-centered design also have to be considered in order to adopt AI appropriately.

This study emphasizes that leveraging modern technologies and use of AI is not sufficient alone. Companies also understand ethical safeguards, adapt technologies to regional labor expectations, and maintain the balance between human interactions and automation in recruitment practices. Whether employer branding is efficient or not depends on how AI tools are embedded.

While the article provides a conceptual foundation, it does not include empirical fieldwork. Future research should include interviews with applicants, real-time assessments of AI's impact on employer image and trust, and conduct cross-regional case studies. In fact, algorithmic branding continues to improve, its long-time effect for brand equity, workforce diversity, and global talent mobility will continue to be essential subjects for scholarly and professional research.

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Generational Perspective of AI Transformation on Labor Market

Abstract

As generational shifts and rapid advances in artificial intelligence (AI) reshape the workplace, organizations face the dual challenge of integrating emerging technologies while addressing diverse employee expectations and capabilities. This paper examines how business leaders can navigate the intersection of generational diversity and technological change to build adaptive, engaged, and high-performing teams. With AI projected to contribute up to \$4.4 trillion in productivity by 2030, the year 2025 is expected to mark a turning point, characterized by the rise of "Frontier Firms" that move beyond basic automation to adopt autonomous, data-driven systems powered by agentic AI. These systems, which augment human decision-making, offer substantial productivity gains but also pose risks to employee engagement and well-being. While generative AI tools may initially enhance efficiency and empowerment, overreliance can reduce intrinsic motivation, potentially leading to disengagement and burnout. This underscores the need to redesign workflows that preserve the human elements of work. The digital divide is shown to be more about mindset than age, suggesting that inclusive upskilling across generational cohorts is essential for successful AI integration. A case study of the tech startup Futurised and its implementation of *MailReplyAI* at VB Ulm-Biberach offers practical insights into AI adoption and employee response. The findings emphasize that involving staff in pilot projects, promoting AI literacy, and focusing on talent density rather than workforce size are critical strategies for maximizing AI's value while safeguarding long-term organizational health.

Keywords: AI adoption, generational diversity, workplace transformation, human-AI collaboration, agentic AI

Perspektywa pokoleniowa transformacji AI na rynku pracy

Streszczenie

Wraz ze zmianami pokoleniowymi i gwałtownym rozwojem sztucznej inteligencji (AI) środowisko pracy ulega przekształceniu, a organizacje stają przed podwójnym wyzwaniem: integracją nowych technologii przy jednoczesnym uwzględnieniu zróżnicowanych oczekiwań i kompetencji pracowników. Niniejszy artykuł analizuje, w jaki sposób liderzy biznesowi mogą poruszać się na styku różnorodności pokoleniowej i zmian technologicznych, aby budować adaptacyjne, zaangażowane i wysokowydajne zespoły. Prognozuje się, że do 2030 roku AI przyczyni się do wzrostu produktywności nawet o 4,4 biliona dolarów, a rok 2025 ma stanowić punkt zwrotny, charakteryzujący się pojawieniem się tzw. firm granicznych (*Frontier Firms*), które wykraczają poza podstawową automatyzację i wdrażają autonomiczne, oparte na danych systemy napędzane agentową AI. Systemy te, wspomagające ludzkie podejmowanie decyzji, oferują znaczące zyski w zakresie produktywności, ale jednocześnie niosą ryzyko spadku zaangażowania pracowników i pogorszenia ich dobrostanu. Choć narzędzia generatywnej AI mogą początkowo zwiększyć efektywność i poczucie sprawczości, nadmierne poleganie na nich może osłabić wewnętrzną motywację, prowadząc potencjalnie do zniechęcenia i wypalenia zawodowego. Podkreśla to potrzebę przeprojektowania procesów pracy w sposób, który zachowa ludzki wymiar zatrudnienia. Podział cyfrowy okazuje się bardziej kwestią nastawienia niż wieku, co sugeruje, że inkluzywne podnoszenie kwalifikacji przez różne grupy pokoleniowe jest kluczowe dla skutecznej integracji AI. Studium przypadku startupu technologicznego Futurised oraz wdrożenia narzędzia MailReplyAI w firmie VB Ulm-Biberach dostarcza praktycznych spostrzeżeń na temat adopcji AI i reakcji pracowników. Wyniki wskazują, że angażowanie personelu w projekty pilotażowe, promowanie kompetencji w zakresie AI oraz koncentrowanie się na gęstości talentów zamiast na wielkości zatrudnienia to kluczowe strategie maksymalizacji wartości AI, przy jednoczesnym zachowaniu długoterminowego zdrowia organizacyjnego.

Słowa kluczowe: wdrażanie AI, różnorodność pokoleniowa, transformacja środowiska pracy, współpraca człowieka z AI, agentyczna AI

1. Introduction

The modern workplace is undergoing a major transformation driven by the convergence of four key forces: a widening skills gap, increasing demand for job flexibility, generational shifts, and the accelerating advancement of artificial intelligence (AI). Spataro (2025) suggests that 2025 will mark the rise of the “*Frontier Firm*”—organizations that move beyond AI experimentation and begin fundamentally restructuring around AI technologies. The Josh Bersin Company (2025) forecasts that AI—especially agentic AI—will enable autonomous, data-driven processes to become deeply embedded in workflows, pushing companies to redefine traditional work structures.

This transition challenges centuries-old processes built around human-centric labor. As organizations adopt digital twins, AI copilots, and intelligent platforms, they must rethink the concept of a “job” itself (Bersin, 2025). However, organizational performance will not be achieved through automation or workforce reductions alone. Instead, it requires investment in soft skills, support for evolving roles, and prioritization of human adaptability. When deployed effectively, AI can increase employee engagement by automating routine tasks, enhancing decision-making, and improving overall workplace experience.

Despite projections that AI could reach a \$670 billion market size and contribute up to \$4.4 trillion in productivity by 2030, many executives remain skeptical about its practical value (Chamorro-Premuzic, 2024). McKinsey (2024) anticipates up to 12 million job transitions in Europe alone by 2030, with automation potentially affecting 29.5% of U.S. work hours. Simultaneously, the edX AI Survey (2023) estimates that nearly half of current job skills will be obsolete by 2025, further emphasizing the urgency of reskilling.

Human resources leaders are under increasing pressure to lead this transformation. According to the Randstad Talent Trends Report (2024), 72% of HR professionals are concerned about the skills gap, while **56% feel unprepared** for the pace of digital change. Furthermore, 80% of employees report not having enough time or energy to complete their work, leading **82%** of business leaders to consider **expanding** their workforce with **digital labor** in the coming year (Spataro, 2025).

The future of work will prioritize **talent density**—the quality and depth of skills—over sheer headcount. Bersin (2025) identifies **five strategic imperatives** for adapting to the AI era: redesigning work around productivity, emphasizing talent density, implementing skills-based reward systems, promoting human-centered leadership, and evolving HR into a change-oriented function.

Managing a multigenerational workforce further complicates AI integration. Generational differences in digital fluency, communication preferences, and attitudes toward remote work must be addressed (Shaik et al., 2024). Engagement is already declining, particularly among **Gen Z** workers, with only **35%** reporting being **engaged at work** (Gallup, 2023). These findings highlight the need for leaders to prioritize career growth, inclusion, and meaningful work experiences.

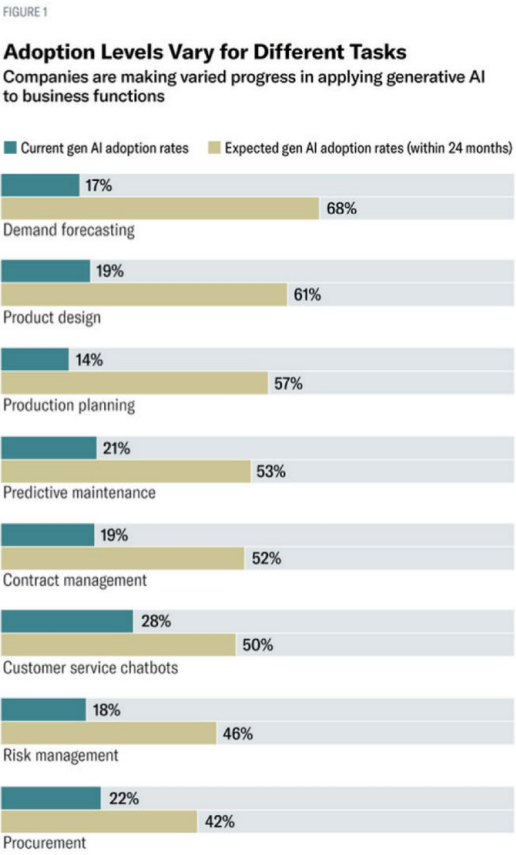
AI is not here to replace workers but to empower them. As Roslansky (2023) argues, organizations must redefine jobs as collections of adaptable skills, promote lifelong learning, and use AI to amplify—not replace—human collaboration. This paper explores how organizations can support a multigenerational workforce through AI-powered transformation, using the case study of *MailReplyAI* at VB Ulm-Biberach to examine adaptable strategies for successful implementation.

2. The evolution of artificial intelligence in the workplace

Artificial intelligence (AI), though widely discussed in modern business and society, remains difficult for many organizations to implement effectively. The foundational principles of AI were laid in the mid-20th century by British mathematician Alan Turing, who introduced the concept of a universal computing machine capable of processing symbols—known as the universal Turing machine, which forms the basis of all today's computers. The term “artificial intelligence” was officially defined by John McCarthy during the Dartmouth Conference in 1956, which marked the beginning of AI as a formal field of study.

AI encompasses a diverse range of technologies that enable machines to mimic human cognitive functions such as sensing, reasoning, learning, and adapting. According to Acharya et al. (2025), AI systems are trained to understand and operate in human-like ways, drawing from subfields such as machine learning (ML), natural language processing (NLP), robotics, and computer vision. AI tools have already become a part of daily life, appearing in voice assistants like Siri and Alexa, or in recommendation systems used by platforms such as Netflix. These systems automate tasks, extract insights from large datasets, and offer predictive and analytical capabilities far beyond human efficiency. With the integration of technologies such as robotic process automation, deep learning, and speech recognition, AI is rapidly expanding opportunities across industries, becoming a vital force in digital transformation.

Table 1. Adoption Levels of AI



Source: HFS Research survey, January 2025

Source: HBR, Moving Generative AI from Experimentation to Operation, p. 2 (2025)

2.1. Generative AI and Chat GPT

Generative AI is defined by three core traits: its ability to handle broad, general-purpose tasks; its capacity to create original content that often mirrors human output; and its use of intuitive, user-friendly interfaces.

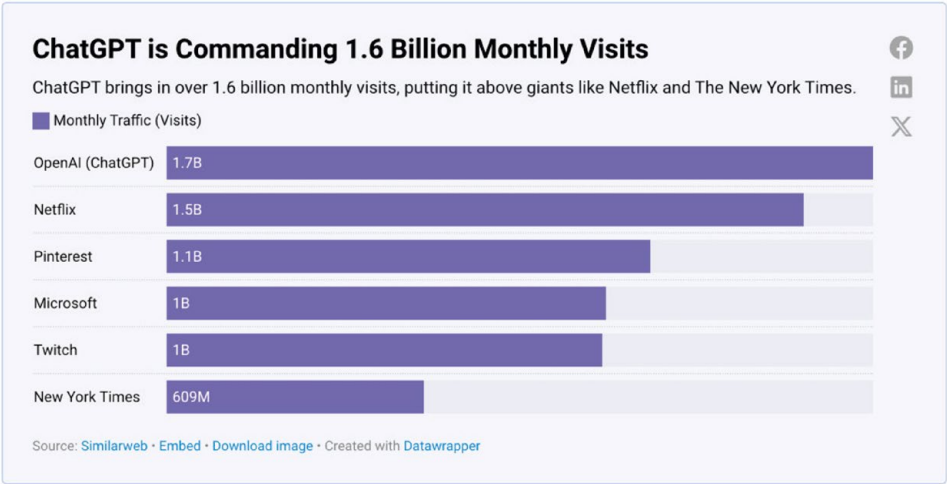
At the heart of many generative AI systems are Large Language Models (LLMs), which are trained on vast amounts of text to understand word relationships and predict subsequent words in a sequence. These models, such as ChatGPT, use machine learning to generate coherent and contextually relevant outputs—ranging from text and images to software code and simulations—based on the quality and relevance of the training data (McKinsey & Featured Insights, 2023).

The public launch of ChatGPT by OpenAI on November 30, 2022, followed by the more advanced GPT-4 in March 2023, sparked widespread interest and adoption (OpenAI Blog, 2022). According to the FlexOS (2024) report, ChatGPT is often the starting point for users learning to engage with generative AI.

Alongside other major tools like Bard, Bing AI, Copilot, and Claude, it accounts for approximately **66% of all generative AI usage**. Additionally, platforms such as Grammarly AI and Character AI show strong uptake in writing and social interaction categories, especially among younger users. Academic support tools such as Brainly and Course Hero, reveal teenage and young-adult comfort with AI, with young people currently spending an average of two hours daily interacting with these systems. This predicts a future in which AI will be seamlessly embedded into daily workflows (FlexOS, 2024).

Microsoft’s Jared Spataro envisions AI not just as a “*tool but as a trusted personal assistant that integrates across work tasks—emails, meetings, and files—to boost productivity and creative potential*” (Zao-Sanders, 2025).

Table 2. ChatGPT Monthly Visits



Source: Generative AI at Work Research Report, p. 11 (FlexOS, 2024)

2.2. Agent and Agentic Artificial Intelligence

AI Researchers and companies are now putting an emerging focus in on developing agentic AI systems—advanced AI capable of autonomously executing complex, long-term tasks with little to no human oversight. **Traditional AI agents** are autonomous software systems that execute specific tasks, usually being built on top of LLM such as GPT-4 or Claude 3.5. The excel in use cases in customer

service, scheduling, internal search, and email prioritization. They don't just respond to prompts, they can plan, act, and react based on user goals set up prior to their (Forbes, Rashidi, 2025).

Agentic AI Systems are composed of multiple specialized agents, each performing distinct subtask, and coordinated by a central orchestrator, creating a sort of intelligent ecosystem.

Unlike conventional AI tools like image generators or chatbots that perform single, limited functions, agentic AI systems are characterized by their adaptability, self-sufficiency, and decision-making abilities in dynamic environments. Agentic Systems shine in high-complexity environments, such as supply chain optimization or research automation, enabling concurrent execution, feedback rounds and strategic adaptability (Forbes, Rashidi, 2025). This new form of AI blends rule-based logic with generative capabilities, enabling it to both create content and act toward achieving specified goals without predefined instructions. **Agenticness** is defined as *"the degree to which a system can achieve complex tasks in complex environments"* with minimal supervision (Shavit, 2023), suggesting a high level of operational independence.

While promising, both AI Agents and Agentic AI struggle with challenges, such as hallucinations and limited retention in case of AI Agents, while Agentic AI needs to find solutions for coordination failures, unpredictability and explainability concerns (Forbes, Rashidi, 2025).

The next development stage includes deploying **digital twins**—AI-powered replicas of employees capable of replicating individual work habits and performing autonomous tasks. Embracing these changes requires a mindset shift, emphasizing talent quality and culture over headcount. Success will depend on effective human-AI collaboration and preparing employees to work alongside their digital counterparts.

One practical application includes AI agents managing simple customer inquiries and forwarding complex cases to human agents, thereby enhancing service efficiency, and allowing human workers to focus on more strategic and creative tasks (Acharya, 2025). However, despite these advancements, significant limitations remain. A study at Carnegie Mellon University involving a simulated organization entirely run by AI agents – **"TheAgentCompany"** – revealed that even the best-performing AI completed only **24% of assigned tasks**, highlighting shortcomings in problem-solving, social awareness, and common sense (Xu et al., 2024).

These findings underscore the current gap between technological promise and practical readiness for complex, collaborative work, emphasizing the need for organizations to continue nurturing uniquely human traits such as emotional intelligence and strategic thinking to build irreplaceable talent.

Table 3. Comparison of Traditional and Agentic AI

Feature	Traditional AI	Agentic AI
Primary Purpose	Task-Specific Automation	Goal-Oriented Autonomy
Human Intervention	High (Predefined Parameters)	Low (Autonomous Adaptability)
Adaptability	Limited	High
Environment Interaction	Static or Limited Context	Dynamic and Context-Aware
Learning Type	Primarily Supervised	Reinforcement and Self-Supervised
Decision-Making	Data-Driven, Static Rules	Autonomous, Contextual Reasoning

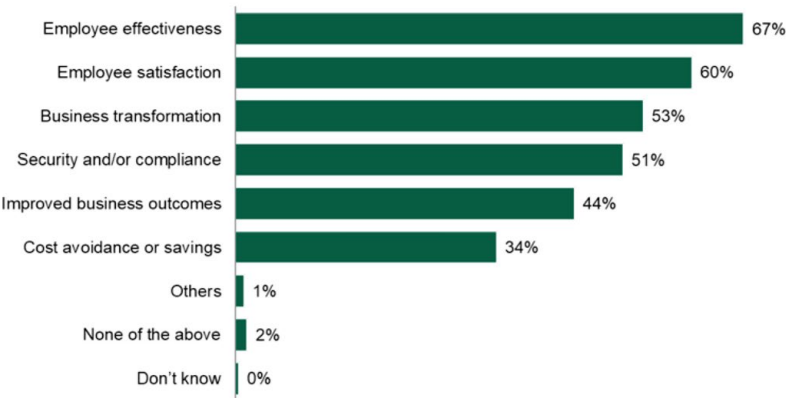
Source: Acharya et. al., Agentic AI: Autonomous Intelligence for Complex Goals – A Comprehensive Survey p. 18915 (2025)

2.3. Future of Work and Future Skills

The rapid adoption of AI is accelerating workforce transformation, as companies turn to automation to maintain productivity amid economic uncertainty. Tools like Microsoft 365 Copilot are enhancing efficiency by reducing time spent on routine tasks, improving employee satisfaction, and lowering attrition rates by up to 20%. Copilot also **accelerates onboarding by up to 25%**, helping new hires become productive more quickly (Forrester, 2024).

Table 4. Benefits of Microsoft 365 Copilot

“Which areas of outcomes have you seen/do you expect to benefit most from Microsoft 365 Copilot?”



Base: 266 decision-makers with responsibility or influence over their organization's AI solutions strategy
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, June 2024

Source: The Projected Total Economic Impact of Microsoft 365 Copilot for SMB, p. 13 (2024)

At the forefront of this shift is the emergence of the *Frontier Firm*, a new organizational model that integrates AI deeply into workflows, transitioning from AI tools to agent-led systems. In these systems, employees act as “**Agent Bosses**”, managing AI agents and delegating tasks.

According to the 2025 *Work Trend Index Report*, **82%** of leaders plan to increase their use of digital labor, especially in customer service, marketing, and product development. Within five years, most teams are expected to train and manage AI agents. Josh Bersin (2025) predicts that Agentic AI will create “**Superworkers**”—employees who use AI to perform smarter, faster, and more effectively. Organizations, which invest in leadership transformation and digital integration, will significantly outperform peers.

3. Understanding generational perspective and barriers in the age of AI

“People who succeed in navigating this future will be those who understand how history creates generations, and generations create history” (Howe & Strauss, 2007). Generations are shaped by shared experiences during their formative years, resulting in unique values, behaviors, and outlooks (Van Eck Dumayer & Newcombe, 2021; Twenge et al., 2010). While some challenge the usefulness of static generational categories (Rudolf et al., 2020), understanding cohort-based differences is essential – particularly when navigating technological shifts such as AI adoption.

3.1. Generational Attitudes Toward Technology and AI

Generational cohorts differ significantly in their relationship with technology. **Baby Boomers**, raised in a pre-digital era, often exhibit hesitance or discomfort with digital tools, favoring traditional communication methods such as phone calls and emails. Only about 30% report being comfortable using AI-driven tools (HRchitect, 2024). **Generation X**, who witnessed the advent of personal computing and the internet during their adolescence, serve as technological bridge-builders—open to innovation but with a focus on efficiency over novelty.

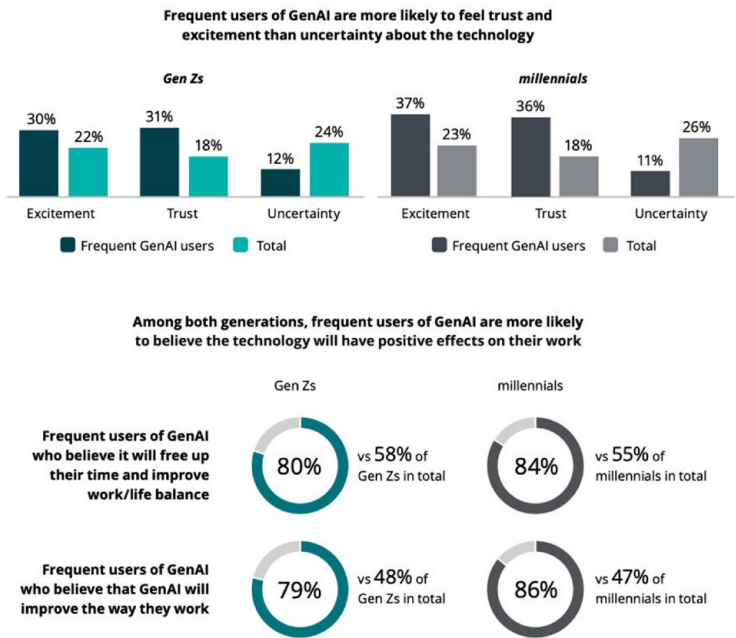
Millennials and Generation Z are digital natives, shaped by pervasive access to digital technologies. Millennials, who entered the workforce during the mobile and social media boom, show high technological adaptability. According to the Workplace Research Foundation (2023), **75%** of Millennials **prefer digital interaction** over face-to-face communication. Gen Z, the most tech-integrated cohort, has been immersed in digital platforms from a young age and values visual communication tools and collaborative platforms. A 2024 Dell survey revealed that **91% of Gen Z** respondents consider access to the latest **technological tools a key factor** when choosing an employer.

However, perceptions of AI differ even within these digital-savvy groups. Deloitte’s 2024 report notes that 59% of both Gen Z and Millennials believe generative AI (GenAI) could eliminate jobs or complicate entry into the workforce. Despite this, hands-on users of GenAI tend to feel more optimistic suggesting that experience fosters both excitement and concern. Around **71% of Gen Z and 73% of Millennials** who use GenAI frequently express concern about **job loss** due to automation (Deloitte, 2024).

Enthusiasm toward AI also varies across age. Korn Ferry (2024) found that 65% of employees under 55 feel excited about AI’s potential, compared to just 39% of those over 55. Millennials are particularly optimistic, with over 50% reporting benefits such as enhanced creativity, better decision-making, and lower stress. In contrast, Gen Z appears more cautious, and Gen X sees AI upskilling as critical for maintaining competitiveness until retirement.

Yet the risk of redundancy due to AI is not equal. According to a 2025 study by Forbes and Chadix, Millennials are at the greatest risk, with 38% facing potential automation due to mid-level roles in areas like data analysis. Gen Z’s entry-level positions are also highly automatable (25%), while Baby Boomers (10%) and Gen X (20%) are less exposed due to more strategic or technical roles (Forbes, Robinson, 2025).

Table 5. Gen Z and Millennial Perspectives on Generative AI



Source: Deloitte 2024 Gen Z and Millennial Survey, p. 19 (2024)

3.2. Barriers to AI Adoption in the Workplace

Despite increasing pressure to integrate AI, organizational readiness remains low. Bersin (2025) cites research showing that **45%** of change initiatives **fail**, largely **due to people resistance**, which accounts for 72% of failure cases. AI implementation is often met with fear and skepticism. According to Forbes (Hayes, 2024), 52% of employees using AI tools are hesitant to admit it, and 53% fear that doing so makes them look replaceable.

These concerns reflect broader challenges: unclear communication of AI's purpose, lack of training, and fear of job displacement. Brynjolfsson (2022) argued that **for every dollar invested in AI, companies may need to invest nine more in upskilling and intangible human capital**.

Millennials and Gen Z, while technologically fluent, are often more resistant to AI than expected; 41% reportedly undermine GenAI efforts, citing fear of lost creativity, poor-quality tools, and increased workload (Forbes, Dooley, 2025).

Technostress plays a key role in employee resistance. Malik et al. (2021) found that workload pressure, job insecurity, and digital complexity contribute to reduced well-being. Liu et al. (2025) further discovered that after engaging in AI-supported tasks, **motivation dropped** by 11%, and **boredom increased** by 20% when workers returned to traditional tasks—indicating that **over-reliance** on AI may harm long-term engagement.

Organizational culture is another key barrier. While culture change is slow and often ineffective, Chamorro-Premuzic (2024) argues that process-based strategies—such as incentive-driven adoption and middle-manager-led change—offer a more realistic path. Since **middle managers** influence team behaviors, empowering them is **critical for AI integration**.

Working with generative AI can reduce employees' sense of control and connection to their work, a key driver of motivation. While solo tasks restore this control, they often feel less enjoyable and stimulating.

Trust in AI also varies by generation and culture, impacting its acceptance in teams. Hamirani (2024) highlights the human aversion to working with AI agents, noting that job satisfaction and team dynamics are often negatively affected. As such, HR strategies must be differentiated by cohort, addressing generational concerns around control, creativity, and security.

3.3. Strategies for Enhancing AI Adoption through Human-Centered Integration

As AI technologies rapidly advance, organizations face the dual challenge of leveraging their power while maintaining employee engagement and well-being. Successful adoption requires not just technological readiness, but also

cultural, psychological, and organizational adaptation. Scientific literature reflects the need for strategic actions organizations and leaders can take to effectively blend AI with human work offering a large variety of strategies for human-centered integration.

3.4. Designing Human-Centered AI Collaboration

Organizations must integrate AI in ways that enhance, rather than diminish, human motivation and creativity. Liu et al. (2024) suggest combining AI-generated outputs with human refinement—using AI to generate initial ideas while giving employees the space to adapt and improve them. Alternating between AI-supported and autonomous tasks preserves skills like decision-making and maintains intrinsic motivation. Task redesign is crucial to ensure employees retain a sense of ownership and creativity in their work.

AI should be embedded into existing workflows, making it a daily tool, not a special project.

Transparency is equally important. Employees should understand how AI is used and that its role is to augment—not replace—their contributions. Clear communication builds trust and reduces disengagement (Liu et al., 2024).

Mindful AI usage should also be emphasized. Overreliance can weaken critical thinking and judgment. Training programs must teach employees not only how to use AI effectively but when to defer to human insight.

3.5. Leadership Strategies to Accelerate AI Integration

According to Forbes and Dooley (2024), leadership plays a pivotal role in the speed and success of AI adoption. Formalizing and clearly communicating an AI strategy is essential; organizations with defined strategies report significantly higher success rates (80%) than those without (37%). Yet, over half of employees are unaware of their company's AI plans, signaling a major disconnect (Brett & Schwabel, 2023).

Leaders must visibly champion AI, serving as role models and appointing AI coaches for an ongoing support.

Identifying and developing “**AI Champions**” within the workforce helps normalize AI use and build trust. These champions serve as internal advocates and trainers, and often experience career benefits such as greater job stability and faster promotions (edX, 2023). Furthermore, executives increasingly support rewarding AI-proficient employees with pay raises.

To foster a culture of learning and curiosity, reverse mentorship, cross-generational collaboration, and soft skill development should be encouraged. Emphasizing empathy, problem-solving, and leadership ensures organizations benefit from AI while maintaining a human touch (Roslansky, 2023).

3.6. Investing in the Right Tools and Infrastructure

Tool selection plays a critical role in AI adoption. Only half of executives report satisfaction with current tools. Organizations that make significant AI investments—over \$100 million annually—achieve a 94% success rate, in contrast to just 54% for those investing under \$100,000 (Forbes, Dooley, 2024). While massive budgets aren't feasible for all companies, meaningful investment in quality tools and reliable partners yields more effective outcomes.

3.7. Addressing Resistance and Fostering a Growth Mindset

Resistance to AI often stems from fear of losing control or autonomy. Chamorro-Premuzic (2024) highlights the need to identify this resistance—whether passive or active—and counter it by supporting intrapreneurs and change agents. It's essential to frame AI adoption as a tradeoff: relinquishing minor decisions to AI allows employees to focus on higher-order tasks and strategic thinking.

Transforming disruption into opportunity requires cultural adaptation. HBR and Paylocity (2024) recommend three key shifts:

From Chaos to Clarity – Define a clear vision and purpose behind AI adoption.

From Fear to Fearless – Allow employees to acknowledge and challenge their assumptions.

From Isolation to Connection – Foster collaboration and human connection to ensure AI frees up time for meaningful interpersonal work.

To succeed in AI adoption, organizations must take a cross-generational approach to training and communication. Gen X prefers structured upskilling to stay competitive, while Gen Z favors flexible, tech-forward learning. Clear messaging around AI's role in supporting—not replacing—human work can help ease fear and promote adoption.

Investing in hands-on training, offering mentorship between digital natives and digital migrants, and recognizing each generation's unique motivations are essential. Without this, the generational divide could hinder productivity, innovation, and employee engagement in the age of AI.

4. Readiness for an AI adoption in German financial institutions

This study investigates the readiness of financial institutions in Germany to implement generative artificial intelligence (GenAI) tools. Drawing on quantitative data from two online surveys, it explores generational differences in expectations and perceived barriers to GenAI adoption. The research also includes a case study of the technology startup *Futurised*, whose implementation of the

“Mail-Reply” AI tool at Volksbank Ulm-Biberach is delineated to show its impact on employee satisfaction.

4.1. Research Design and Data Collection

This study employed a **quantitative research design**, utilizing an **online survey** to assess the readiness of financial institutions in Germany to adopt generative AI (GenAI) technologies. The survey was developed in collaboration with *Heidelberger Erfolgsimpulse*, a network initiative for the financial sector, with the objective of obtaining perceptions of GenAI adoption among board members and senior management in German financial institutions. The questionnaire was created using the *Survio* survey platform and consisted primarily of multiple-choice items with Likert-scale statements and **closed-ended questions**. Participation was entirely **voluntary and anonymous**. The initial survey link was distributed in **March 2024** via the *Heidelberger Erfolgsimpulse* newsletter, reaching approximately **2,300 recipients**. This yielded **166 valid responses**.

This questionnaire, with small variations, was also used as a preparatory tool for **AI workshops of the start up *Futurised***, conducted at **4 other German financial institutions** during the **first quarter of 2025**, generating **73 valid responses in total**, being distributed by the participating institutions themselves. For **descriptive statistical analysis**, built-in tools from the *Survio* platform were used, complemented by further evaluation in Microsoft Excel.

Both surveys are subject to **limitations** stemming from non-random sampling. The first survey, targeting C-suite executives, focuses on a narrowly defined professional group within German financial institutions, thereby constraining the generalizability of the findings. The second survey, which segmented respondents by generational cohort, is similarly limited in its representativeness due to a relatively small sample size and the underrepresentation of generational cohorts Baby Boomers and Generation Z.

In addition to the surveys, a **case study** was conducted at *Volksbank Ulm-Biberach* to assess the impact of the implemented AI tool adoption. During a one-day site visit, **on-site observations**, **semi-structured interviews**, and **performance measurements** were carried out with employees involved in the pilot study of the “Mail-Reply” AI tool.

4.2. Research Results of the C-Suite Executives Survey about AI-Adoption

The Survey “*Readiness for an AI-adoption in German Banking Sector*” consisted of 7 questions, with an average time spent for questionnaire between 2-5 Minutes (60%) and 5-10 Minutes (29%). The completion rate was 74,8%.

Table 6. What is your opinion about generative Artificial Intelligence?

	I fully agree	I agree	I don't know	I disagree	I fully disagree
I am very familiar with GenAI	19	85	31	25	6
I see more opportunities than risks in GenAI applications	38	97	24	7	0
I would like to integrate generative AI solutions into my company, but there are still too many concerns within the organization at the moment	15	67	34	45	5
My employees possess the necessary generative AI skills and knowledge	0	16	39	89	22
Timely use of generative AI in daily work is key to retaining employees	13	78	46	26	3

Source: Own elaboration

The findings reveal a significant discrepancy between the self-reported familiarity with generative AI among C-suite executives (63% indicate they are very familiar with GenAI) and their assessment of employee readiness, with fewer than 10% believing their employees possess sufficient GenAI knowledge. This gap is particularly noteworthy given that over half of the respondents view GenAI tools as essential for employee retention. The results underscore the urgent need to address this knowledge gap through targeted upskilling initiatives. Overall, the survey indicates a predominantly positive attitude toward GenAI (81%), however, 49% of participants still report concerns about its implementation within their organizations.

Table 7. What is your opinion about generative Artificial Intelligence?

	I fully agree	I agree	I don't know	I disagree	I fully disagree
GenAI has the potential to eliminate my own job	4	7	15	73	67
GenAI will take over routine tasks and give us the freedom to focus more on creative work	81	80	4	1	0
In the future, we will work more on a project basis rather than within traditional companies, offering our unique individual skills	28	76	48	11	3
The ability to shape collaboration between employees and GenAI is a key success factor	61	91	10	4	0
The use of GenAI will lead to higher employee turnover	2	20	45	85	14

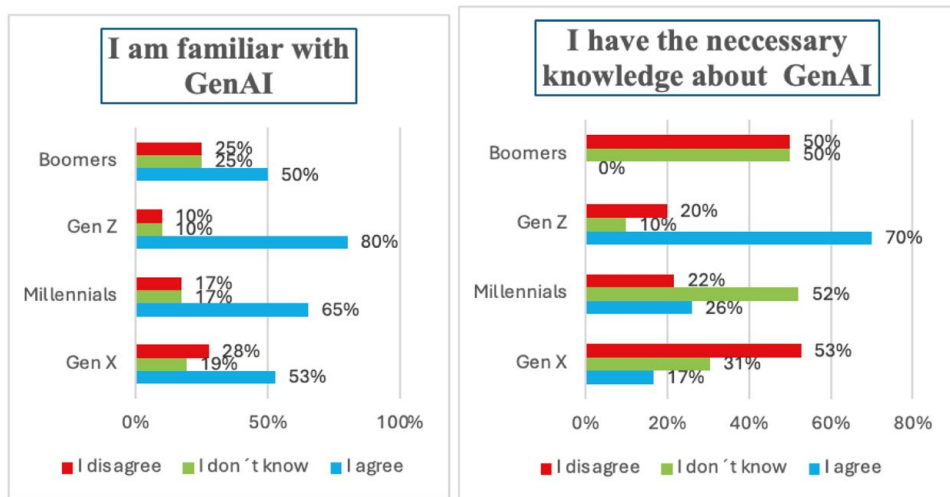
Source: Own elaboration

The findings presented in Table 2 reinforce the generally positive attitude toward generative AI (GenAI), with only 7% of respondents expressing concern that GenAI might eliminate their jobs. A significant majority (97%) believe that GenAI will allow them to focus more on creative tasks by taking over routine responsibilities. Moreover, 92% of participants identified effective human–AI collaboration as a critical success factor, while 60% did not associate GenAI adoption with increased employee turnover. In terms of application, the most widely favored GenAI use cases include **the automation of document processing** (98%), **natural language search** (90%), and **the prediction of customer needs** (81%). Interestingly, while 66% of respondents identified marketing as the primary area for automation, **only 4%** reported intentions to integrate GenAI tools into their **human resources strategies**.

4.3. Employee Survey about AI-Adoption

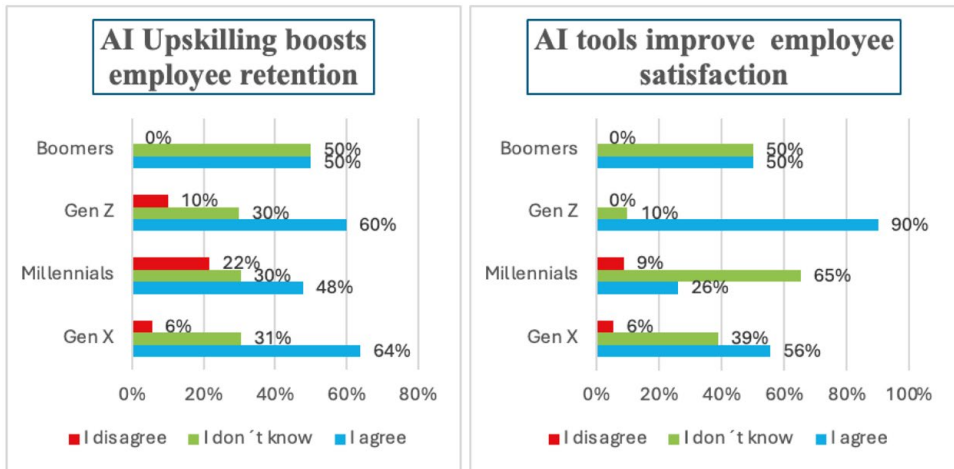
The survey “*Readiness for AI Adoption*” included questions from Tables 6 and 7, along with demographic data and specific queries about upcoming AI tool implementations. A total of **73 valid responses** were collected and categorized by generational cohort. Across the four participating institutions, the generational breakdown was as follows: **4 Boomers, 36 Gen X, 23 Millennials, and 10 Gen Z**.

Table 8. Familiarity and Knowledge about AI



Source: Own elaboration

When asked about their familiarity with generative AI, **Gen Z** stood out as the most tech-savvy group, with **80%** expressing confidence, followed by **65%** of **Millennials**. In contrast, only **50%** of **Gen X** reported feeling familiar with GenAI. While **Gen Z** also believe they possess the necessary knowledge, just **26%** of **Millennials** feel the same. The figure drops to **17%** for **Gen X**, and **Boomers** admit to having **no knowledge** of GenAI.

Table 9. Impact of AI on Retention and Satisfaction

Source: Own elaboration

Gen X view upskilling as a key to employee retention, with **64%** supporting this view, while **60%** of **Gen Z** highlight their preference for learning and development. **Millennials** are the most skeptical cohort regarding the positive impact of AI on work. In contrast, a large majority of **Gen Z** (90%) believe, AI will enhance **job satisfaction**.

4.4. Case Study – Futurised

Futurised is a startup consulting and technology partner for companies in the financial, insurance, and related industries. In collaboration with Lufthansa Industry Solutions and Microsoft, it brings deep expertise in machine learning, document understanding, and intelligent assistance systems to help clients future-proof their IT structures.

One of its clients, the “*Volksbank Ulm-Biberach*”, serves approximately 93.000 members through 40 branches and offices with a staff of 657 employees.

VB Ulm-Biberach assigned Futurised for its AI-project to minimize the manual effort involved in processing incoming emails (e.g., to info@). To achieve this, a software solution “*MailReplyAI*” was developed that is specifically designed to automatically capture, extract, and intelligently process data and context from emails.

During the pilot phase, customer service employees tested the tool while simultaneously using an internal Excel-based guidebook and internal data to verify, correct, or enhance the suggested responses to incoming emails.

4.5. Results of the on-site measurements and observations at VB Ulm-Biberach

During a one-day visit on site, the human collaboration with the AI-tool “MailReplyAI” was measured, observed and test participants were interviewed. The test participants were all female, across all four generational cohorts, who were part of the trial project of the customer-service department.

Table 10: Comparison of Email processing with or without AI

Test Participant	Processing Time - Easy Email with AI (min)	Processing Time - Easy Email Manually (min)	Difference (Easy)	Processing Time - Medium Email with AI (min)	Processing Time - Medium Email Manually (min)	Difference (Medium)	Processing Time - Complex Email with AI (min)	Processing Time - Complex Email Manually (min)	Difference (Complex)	Difference (Total)
1	1,08	1,24	0,16	2,47	4,25	1,78	3,74	5,94	2,2	4,14
2	0,63	2,08	1,45	3,04	3,56	0,52	0	0	0	1,97
3	3,42	3,37	-0,05	0	7,98	0	7,2	7,98	0,78	0,73
4	1,94	3,29	1,35	10,28	9,3	-0,98	0	0	0	0,37
Total	7,07	9,98	2,91	15,79	25,09	1,32	10,94	13,92	2,98	7,21

Source: Own elaboration

The test participants independently assessed the difficulty level of each email. The values shown in the chart represent the average time each participant spent on emails within their selected difficulty category.

Timing was measured using a stopwatch, starting from when the email was opened to when the completed message was sent. Emails were either composed manually or with the support of AI-generated prompts.

The use of AI proved most effective for **easy emails**, enabling participants to write **six more** emails within the same time frame compared to manual writing. Medium-difficulty emails required additional review and edits, resulting in only one more email being completed with AI assistance. For complex emails, the AI-generated responses were generally inadequate. In fact, participants sent **50% fewer complex emails** using AI than manually. Two participants chose not to use AI at all for this category.

These insights highlight the potential of MailReplyAI, particularly in areas with a high volume of recurring inquiries, while also pointing to opportunities for improvement in integrating internal data sources for complex issues.

Observations and unstructured interviews with the test-participants revealed that **MailReplyAI is easy to use and highly beneficial**, especially for handling **routine inquiries**, where it improved speed and efficiency. Most participants **would not want to return to manual email processing** after using the tool. However, **complex emails posed challenges**, requiring careful review and additional consultation of internal knowledge bases. The findings suggest that while MailReplyAI is very effective for standard tasks, **further integration with internal data could enhance its reliability for complex cases** and reduce manual effort.

5. Conclusion

To succeed in AI adoption, organizations must take a cross-generational approach to training and communication. Gen X prefers structured upskilling to stay competitive, while Gen Z favors flexible, tech-forward learning. Clear messaging around AI's role in supporting—not replacing—human work can help ease fear and promote adoption.

Investing in hands-on training, offering mentorship between digital natives and digital migrants, and recognizing each generation's unique motivations are essential. Without this, the generational divide could hinder productivity, innovation, and employee engagement in the age of AI.

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Assessing Source Credibility and Trust in Virtual Influencers: A Critical Review and Conceptual Framework

Abstract

The rise of virtual influencers (VIs) is redefining digital trust, credibility, and consumer engagement in marketing. Unlike human influencers, VIs lack lived experiences and personal autonomy, yet they increasingly shape brand perceptions and consumer behaviour. This study systematically reviews existing research to examine how source credibility, comprising expertise, trustworthiness, and attractiveness, affects trust in VIs. By integrating insights from Source Credibility Theory (SCT), Parasocial Relationship Theory (PSR), and Media Equation Theory (MET), the study introduces the Source Credibility Evaluation Model (SCEM) to explain how audiences apply credibility heuristics to AI-driven personas. Findings highlight that expertise in VIs is algorithmically curated rather than earned, trustworthiness is engineered through brand-controlled transparency, and attractiveness is hyper-optimised for engagement. While PSRs compensate for the artificiality of VIs, algorithmic visibility and social proof further shape perceived credibility. However, contradictions emerge regarding the long-term sustainability of trust, cultural variations in credibility assessment, and the ethical implications of AI-driven persuasion. This study contributes to digital marketing theories by addressing key gaps in trust formation and AI-driven influence. The SCEM framework provides a foundation for future research on trust evolution in VIs, the convergence of AI and human influencers, and the ethical considerations of digital authenticity. Practical implications highlight the need for brands to balance transparency, credibility cues, and authenticity narratives to create sustained consumer trust. As VIs become integral to marketing strategies, understanding how trust is formed, maintained, or eroded in digital environments is essential for shaping the future of influencer marketing, AI ethics, and digital consumer engagement.

Keywords: virtual influencers, trust, source credibility, parasocial relationships, media equation theory, influencer marketing, social media

Ocena wiarygodności źródła i zaufania wobec wirtualnych influencerów – przegląd krytyczny i ramy koncepcyjne

Streszczenie

Wzrost popularności wirtualnych influencerów (ang. *Virtual influencers*, VIs) redefiniuje zaufanie cyfrowe, wiarygodność i zaangażowanie konsumentów. Choć pozbawieni osobistych doświadczeń i autonomii, VIs coraz silniej wpływają na postrzeganie marek i decyzje zakupowe. Niniejsze badanie analizuje, jak wiarygodność źródła (*source credibility*), czyli eksperckość, godność zaufania i atrakcyjność (*expertise, trustworthiness i attractiveness*), kształtuje zaufanie do VIs. W oparciu o teorię wiarygodności źródła, teorię relacji paraspołecznych oraz teorię równania medialnego przedstawiono model SCEM – wyjaśniający stosowanie heurystyk wiarygodności wobec postaci opartych na sztucznej inteligencji. Wyniki pokazują, że doświadczenie jest kuratorowane algorytmicznie, wiarygodność – budowana przez markową transparentność, a atrakcyjność – projektowana dla zaangażowania. PSRs łagodzą sztuczność VIs, a widoczność i dowody społeczne wzmacniają ich postrzeganą wiarygodność. Pojawiają się jednak pytania o trwałość zaufania, różnice kulturowe i aspekty etyczne. SCEM wnosi wkład w rozwój teorii marketingu cyfrowego oraz oferuje podstawę do dalszych badań nad zaufaniem w relacjach z VIs, ich etycznym wykorzystaniem i konwergencją ze światem ludzkich influencerów. Z perspektywy praktycznej model wskazuje, że marki powinny dążyć do równowagi między transparentnością, sygnałami wiarygodności a narracją autentyczności, by skutecznie budować zaufanie w środowiskach cyfrowych.

Słowa kluczowe: wirtualni influencerzy, zaufanie, wiarygodność źródła, relacje paraspołeczne, teoria równania medialnego, marketing rekomendacji, social media

1. Introduction

Social media has transformed brand-consumer relationships, giving rise to virtual influencers (VIs), digitally created personas that mimic human traits and behaviours. Unlike traditional influencers, who derive credibility from personal experience, VIs are artificial constructs yet generate large followings on platforms like Instagram and TikTok. Their growing influence challenges established notions of trust and source credibility. Trust remains central to influencer marketing, influencing consumer attitudes and purchase intention, with source credibility, comprising expertise, trustworthiness, and attractiveness (Hovland and Weiss, 1951; Ohanian, 1990), serving as a key predictor. For VIs, credibility is fabricated through design rather than lived experience. Nonetheless, they can create trust and engagement on par with human influencers (Sorosrungruang et al., 2024). Gen Z, for instance, values content alignment over authenticity (Choi et al., 2023). Yet trust in VIs is layered. Traditional trust cues like authenticity and self-disclosure (Kim et al., 2021) shift in meaning. While some argue VIs can appear trustworthy and knowledgeable (Gerlich, 2023), others highlight the limits of artificial personas (Ameen et al., 2023). To build credibility, VIs rely on anthropomorphism, storytelling, and user engagement (Wan et al., 2024). Despite lacking emotions, they influence behaviour and trigger prosocial responses (Igarashi et al., 2024). Perceived human-likeness can strengthen bonds (Wan et al., 2024), though excessive realism risks unsettling audiences (Mori, 1970). Effective trust-building still depends on perceived authenticity, disclosure, and value congruence (Kim et al., 2021).

2. Research Aim and Objectives

This study explores how source credibility dimensions (expertise, trustworthiness, and attractiveness) shape trust in VIs. Drawing on Source Credibility Theory, Parasocial Relationships (PSRs), Media Equation Theory (MET), and digital heuristics, it examines credibility in human versus VIs. Objectives:

1. Synthesise research on VI credibility dimensions
2. Propose a framework integrating traditional and digital trust theories
3. Compare trust formation in human and VIs
4. Examine links between VI trust, engagement, and purchase intention
5. Identify contradictions and ethical concerns in VI trust research

While lacking human agency, VIs can form compelling, persuasive relationships. This research provides both theoretical insights and strategic implications through a new trust framework and conceptual literature synthesis.

3. Theoretical Background

3.1. Virtual Influencers and Trust

Social media has become a space where users shape narratives and communities (Rowley and Keegan, 2019). Influencers thrive by offering relatable content and emotional connection (Byrka-Kita and Gola, 2023). VIs complicate this landscape. Although they lack real-life experience, VIs create credibility through strategic design, brand control, and aesthetic consistency (Melnychuk et al., 2024). In contrast to human influencers, whose trustworthiness is grounded in authenticity, VIs simulate relatability and emotional cues. Yet, consumers still develop parasocial relationships (PSRs) with them, forming one-sided connections that resemble friendships (Horton and Wohl, 1956; Yu et al., 2024). Their consistency, untainted by scandals or ageing, enhances their appeal as brand assets (Melnychuk et al., 2024). However, this level of control raises concerns about their sincerity (Ashraf et al., 2023). VIs demonstrate expertise by aligning with trends (Yu et al., 2024), while trustworthiness is communicated through transparency and consistent messaging (Ahmed et al., 2024). Disclosure of their artificial identity can enhance credibility and reduce scepticism (Koay et al., 2024). Media Equation Theory supports this, suggesting audiences respond to digital figures as they would to humans (Nass and Reeves, 1996). Attractiveness and perceived relatability can increase engagement (Azhar et al., 2024), and interactive content alongside perceived similarity helps create deeper PSRs (Lou and Kim, 2019; Dwiphal and Astuti, 2024). Still, concerns persist—especially in sectors like beauty, where VIs promote products they cannot use (Zhou et al., 2023). As a result, reactions remain divided, yet VIs are reshaping how trust is created through design, engagement, and consistency.

3.2. Trust in Digital Environments

Trust, essential in human relations, becomes more difficult to create online due to the absence of physical cues (Baier, 1986). In digital settings, users rely on heuristics, platform assurances, and perceived source credibility to evaluate trustworthiness (McKnight et al., 2002). Without face-to-face validation, users assess reliability based on digital cues alone (Zhang and Li, 2019). Trust involves a willingness to be vulnerable based on expectations of consistent behaviour (McKnight and Chervany, 2001), making predictability and integrity central to online interactions (Norman et al., 2019). McKnight et al. (2002) outline four components of trust: institution-based trust, disposition to trust, trusting beliefs, and trusting intentions. These are applicable to VIs, who lack real autonomy and emotional depth (Ong et al., 2022). VIs create trust through consistent storytelling, well-crafted backstories, and engaging posts that simulate social presence (Yu

et al., 2024; Dwiphala and Astuti, 2024). Feelings of psychological ownership can further strengthen these bonds (Zhao et al., 2022). However, concerns about authenticity remain, human influencers appear spontaneous, while VIs are perceived as highly scripted (Ahmed et al., 2024). Transparency is key and disclosing a VI's artificial identity improves credibility and reduces suspicion (Koay et al., 2024). Still, fictional realism must be carefully managed, as unclear branding can erode trust. Ultimately, trust in VIs depends on consistent messaging and ethical engagement, which together can create trust on par with that of human influencers (Yu et al., 2024).

3.3. Source Credibility Theory

Source Credibility Theory (Hovland and Weiss, 1951) explains how perceived expertise and trustworthiness influence message acceptance. Originally rooted in communication research (Hovland et al., 1953), the theory has since expanded to incorporate heuristics such as reputation signals and platform-based cues (Metzger et al., 2010). In fast-paced digital environments, users increasingly rely on cognitive shortcuts to judge content reliability (Ou and Ho, 2024). Factors like familiarity and domain-specific authority further shape how credibility is assessed (Martí-Danés et al., 2023). Within marketing, credible endorsers have been shown to significantly shape brand trust and persuasion outcomes (Azhar et al., 2024). Still, Poortinga and Pidgeon (2004) caution that trust is also shaped by individual values and worldviews, not just source traits. Applied to VIs, the theory remains pertinent: while VIs lack lived experience, they can create credibility through consistent branding and persuasive content design (Garg and Bakshi, 2024). Yet, there is a risk that users may conflate popularity with accuracy, heightening the potential for misinformation (Pehlivanoglu et al., 2021). Understanding how audiences process these cues is therefore critical to evaluating the credibility of VIs.

3.4. Media Equation Theory

Media Equation Theory (Nass and Reeves, 1996) explains why people respond to digital figures as if they were human. It suggests that users apply social norms to media interactions when digital personas display lifelike or emotionally expressive traits (Yasuhara and Takehara, 2023). VIs like Lil Miquela and Shudu exemplify this phenomenon. Their human-like appearance and emotive cues create authentic engagement and encourage the formation of PSRs (Yu et al., 2024). Through simulated interactions and crafted personal stories, they create a sense of presence that can strengthen user trust (Khan, 2023). Nonetheless, ethical concerns persist. Critics warn that humanising artificial entities may create misplaced trust, particularly given their lack of autonomy and accountability (Brewer

and Ley, 2012). As audiences become more aware of artificiality, expectations around transparency may increase. While Source Credibility Theory addresses how trust is built, Media Equation Theory helps explain why users emotionally connect with artificial figures.

3.5. Parasocial Relationship Theory

Parasocial Relationship (PSR) Theory (Horton and Wohl, 1956) explores how emotional, one-sided bonds form between audiences and media figures. Through repeated exposure and simulated interaction, users develop relationships that feel personal and real. VIs create these connections through personalised content and interactive storytelling. Even brief parasocial interactions (PSIs), such as likes or comments, can strengthen emotional attachment (Schramm and Hartmann, 2008). The use of second-person narratives further intensifies this effect (Hartmann and Goldhoorn, 2011), with adolescents especially prone to forming strong bonds with VIs (Mula-Márquez et al., 2024). These relationships influence consumer behaviour, storytelling and perceived authenticity can increase both the depth of PSRs and purchase intentions (Lou and Kim, 2019; Azhar et al., 2024). Individual factors such as attachment style and perceived similarity also shape how PSRs develop (Chung and Cho, 2017). For some users, these relationships serve a compensatory role, particularly among those experiencing social isolation (Bond, 2021). However, the constructed nature of VIs blurs ethical boundaries. Younger users may find it difficult to separate fiction from reality (Liu, 2023), and overly idealised PSRs risk distorting expectations (Erickson and Cin, 2017). As AI technologies continue to advance, the long-term psychological effects of these relationships warrant further research.

4. Methodology

4.1. Research Approach and Justification

This study adopts a conceptual literature review, using a qualitative, narrative-based synthesis to examine how source credibility influences trust in VIs. Unlike systematic reviews, conceptual reviews emphasise thematic integration and theoretical insight over exhaustive coverage (Afshari et al., 2023). This method is particularly well-suited to emerging fields like VI marketing, where theoretical development is still evolving. Narrative synthesis allows for the mapping of discourse across disciplines such as marketing, psychology, and communication (Barnett-Page and Thomas, 2009), while also accommodating grey literature and counter-narratives that may be overlooked in traditional reviews (Gair and Moloney, 2013). Although peer-reviewed sources form the foundation, selected

industry insights contribute contextual relevance. The result is a comprehensive framework for understanding how digital trust is constructed in the realm of virtual personas.

4.2. Research Questions and Objectives

As AI-driven influencers gain prominence, understanding how trust develops in artificial personas becomes critical. Source Credibility Theory provides a foundation, but VIs introduce unique challenges that require interpretive synthesis.

Research Questions:

1. How do credibility dimensions affect trust in VIs?
2. How does trust in VIs differ from that in human influencers?
3. What mechanisms connect VI trust to engagement and purchase intent?
4. What are the challenges and gaps in VI trust research?

Objectives:

1. Synthesise research on expertise, trustworthiness, and attractiveness in VI contexts.
2. Compare trust dynamics across human and VIs.
3. Explore how trust drives consumer engagement and purchasing.
4. Identify contradictions and research gaps in the VI literature.

This review contributes to academic discourse and industry strategy, extending foundational theories to digital contexts and offering actionable insights for brands navigating artificial influencer landscapes.

4.3. Literature Search Strategy

A structured literature search is essential in narrative-based conceptual reviews, ensuring interpretive, theoretically grounded synthesis. Unlike SLRs, which follow rigid protocols, conceptual reviews prioritise theoretical engagement over exhaustive standardisation (Turner, 2016). The aim is not to catalogue studies but to critically interpret literature around trust in VIs. This study follows a structured yet interpretive approach, capturing the complexities of source credibility and trust in VIs. Given the fast-evolving nature of the field, this strategy balances breadth and depth, drawing from marketing, psychology, digital communication, and AI.

The research focuses on how expertise, trustworthiness, and attractiveness affect trust in VIs. This thematic lens guided literature selection and analysis. A two-phase search strategy was used:

1. Preliminary exploratory search to identify key themes and theoretical approaches.
2. Structured, targeted search across academic databases for broader but thematically coherent literature.

Databases consulted:

- Scopus: High-quality peer-reviewed articles in marketing and business
- Web of Science: Influential research in marketing and media
- Google Scholar: Grey literature and emerging sources
- IEEE Xplore: Studies on AI-generated influencers and digital identity
- ScienceDirect: Psychology and behavioural sciences, relevant to trust and credibility

A structured keyword strategy was used to maximise relevance while reducing unrelated results. Iterative refinement captured theoretical constructs of VI trust. Keywords included:

- “VIs” AND “trust”
- “source credibility” AND “digital influencers”
- “parasocial relationships” AND “AI-generated influencers”
- “trustworthiness” AND “virtual personalities”
- “consumer engagement” AND “virtual influencer marketing”

Though not rigidly bound by inclusion/exclusion criteria, the review prioritised peer-reviewed English-language publications from 2014–2024, with earlier foundational work included where relevant. Qualitative content and thematic analyses (Lammi et al., 2018) enabled synthesis around Source Credibility Theory, Media Equation Theory, and PSR Theory. This balanced approach ensured a rich, theoretically grounded understanding of VI trust and identified key research gaps in this evolving domain.

4.4. Data Extraction and Analysis

A flexible yet structured data extraction process supported rigorous narrative synthesis, balancing depth with conceptual breadth (Turner, 2016). Unlike systematic reviews, this method prioritised theoretical insight over procedural uniformity. Studies were catalogued by author, year, journal, and discipline to reflect the field’s interdisciplinary nature, spanning marketing, psychology, communication, and computer science. Instead of assessing methodological rigour, studies were evaluated for conceptual contribution. The review identified patterns in how VIs construct credibility, especially through aesthetics, branding, and simulated interaction, and how these influence consumer attitudes and purchase intent. The analysis drew from three interrelated theoretical frameworks:

- Source Credibility Theory (SCT): To evaluate credibility via expertise, trustworthiness, and attractiveness
- Media Equation Theory (MET): To explain social responses to human-like digital figures
- Parasocial Relationship Theory (PSR): To capture emotional attachment and perceived social presence

These frameworks were not applied in isolation. MET and PSR offered interpretive depth, helping to contextualise SCT dimensions within emotional and cognitive user responses. Together, they provided a triangulated lens for understanding how credibility perceptions emerge in AI-mediated environments.

4.5. Limitations and Challenges

Narrative synthesis provides analytical depth but is not without its limitations. Its interpretive nature increases susceptibility to selection bias and subjectivity in analysis (Munn et al., 2018; Dixon-Woods et al., 2006). Without formalised protocols, reviews may suffer from selective reporting and inconsistent appraisal (Ashley et al., 2022). Generalisability is also constrained, particularly across diverse cultures and demographics (Trieu, 2017). In striving for thematic coherence, comprehensiveness may be compromised, and resulting conceptual models may lack empirical validation (Bish et al., 2012). The fast-moving VI landscape further complicates synthesis, with contested terms such as “authenticity” and “digital trust,” and continuously evolving technologies (Keane et al., 2020). Contextual variability, especially between Western and non-Western audiences, presents additional challenges to generalisation (Kumar et al., 2021). Moreover, conceptual reviews often remain speculative, generating insight without empirical confirmation. Enhancing credibility thus depends on transparency and reflexivity in the interpretation process (Voils et al., 2008).

5. Source Credibility and Trust in VIs

The emergence of VIs has disrupted digital marketing, raising questions about authenticity, credibility, and consumer trust. VIs, though artificial, operate in human-centric spaces, building audiences through curated content and brand partnerships. This chapter examines how source credibility, defined by expertise, trustworthiness, and attractiveness (Ohanian, 1990), shapes trust in VIs. Unlike human influencers who draw from real-life experiences, VIs rely on simulated traits and algorithmic design. The chapter explores each credibility dimension, assesses how VIs elicit engagement and purchase intention, and considers whether a new model of digital trust is emerging.

5.1. Expertise

Expertise, as defined by Ohanian (1990), refers to a communicator’s perceived ability to convey reliable information. In the context of VIs, this becomes more complex: they lack formal credentials or real-world experience but simulate expertise through curated content and strategic branding. Melnychuk et al.

(2024) suggest that parasocial interactions reinforce this perception, aligning with Media Equation Theory's assertion that people apply human social norms to media agents (Nass and Reeves, 1996). Social signals such as likes and shares function as credibility heuristics (Hayes and Carr, 2015), while eWOM and social validation further strengthen perceived authority (Chauhan and Gupta, 2024). Meinert and Krämer (2022) argue that visual design and frequent exposure can create an "illusion of expertise," particularly when VIs are prominently featured. This can blur the line between popularity and competence, especially problematic in fields requiring genuine subject-matter knowledge. Human influencers typically build expertise through lived experience and professional insight (Ho and Chien, 2010), whereas VIs construct domain authority through narrative and design. Kolarić (2022) observes that consumers apply different credibility standards to human influencers and VIs, particularly in domains like fashion and tech. Winter and Krämer (2012) link perceived expertise to content accuracy, while Choi et al. (2023) highlight Gen Z's increasing comfort with AI-generated knowledge. Maharani and Suprayogo (2024) find that parasocial engagement mediates the link between perceived expertise and purchase intention. Brand partnerships also influence how expertise is judged. Trusted brands can transfer credibility to VIs (Copeland et al., 2010), but poor alignment may undermine trust (Kim et al., 2023). Misalignment risks creating "false idols"—influencers whose perceived authority lacks substance (Sands et al., 2022). Despite growing acceptance, scepticism remains. Huo et al. (2018) emphasise that trust depends on perceptions of competence—challenging for VIs who lack authentic insight. Lim and Lee (2023) argue that transparency about artificiality may improve trust, though it also draws attention to the absence of authenticity. Social alignment matters too: anthropomorphism and racial similarity influence user acceptance (Wan et al., 2024). Exaggerated claims further complicate credibility. Khan (2020) cautions that overstatement can backfire, while Weismueller et al. (2020) link expertise perceptions directly to purchase intent. Yet the durability of VI expertise remains uncertain. Asad (2024) and Gerlich (2023) call for longitudinal research to trace trust trajectories over time. However, gaps persist. Xu et al. (2022) advocate for sector-specific studies to assess how expertise operates across domains. Bond (2021) notes that parasocial ties may temporarily compensate for weak credibility. Since VI expertise is constructed rather than earned, its long-term efficacy remains unclear. While audiences may currently accept artificial expertise, whether this trust can endure is still an open—and increasingly pressing—question.

Figure 1. Literature on Expertise

Authors	Year	Position	Key Argument	Research Context
Wan et al.	2024	Con	Socio-cultural factors such as anthropomorphism and racial homophily influence perceived expertise and trust.	Cultural alignment in VI trust perceptions
Asad	2024	Con	Calls for deeper exploration of long-term effects of influencer expertise on brand trust.	Long-term brand trust and VI expertise
Meloychuk et al.	2024	Pro	Expertise in VIs is linked to parasocial interactions, enhancing perceived knowledgeability and trustworthiness.	Virtual influencers and parasocial interactions
Chandhan and Gupta	2024	Pro	Expertise functions as a heuristic cue in eWOM, where engagement boosts perceived credibility.	eWOM and credibility heuristics in digital environments
Maharani and Suprayogo	2024	Pro	Parasocial interactions mediate the influence of expertise on purchase intentions.	Parasocial engagement with virtual influencers
Gerlich	2023	Con	Highlights the need to examine how trust in VIs evolves over time.	Temporal dynamics of trust in VIs
Kim et al.	2023	Con	Contextual alignment is key in influencer-brand collaborations; misalignment undermines perceived expertise.	Brand alignment in VI endorsements
Lim and Lee	2023	Con	Transparency about the artificial nature of VIs can either enhance authenticity or undermine credibility.	Transparency and trust in digital influencers
Choi et al.	2023	Pro	Younger audiences trust VIs more; digital fluency shapes how expertise is perceived.	Generational trust differences in influencer credibility
Xu et al.	2022	Con	Calls for more empirical studies across industries to validate perceived expertise of VIs.	Empirical validation of VI expertise
Sands et al.	2022	Con	Artificially constructed credibility may clash with audience expectations of authenticity.	Perceived authenticity in VI branding
Kolaric	2022	Pro	Audiences evaluate competence and trust differently in human vs. virtual influencers.	Digital representation and credibility evaluation
Meinert and Krämer	2022	Pro	Expertise serves as a cognitive shortcut for audiences to assess digital credibility.	Heuristic credibility evaluations
Filieri et al.	2022	Pro	Source expertise is a predictor of trustworthiness in digital word-of-mouth.	Trust formation in eWOM contexts
Bond	2021	Con	Suggests future exploration of parasocial ties as a compensatory trust mechanism.	Parasocial influence in the absence of traditional expertise
Khan	2020	Con	Overstated expertise can erode trust if inconsistencies are detected.	Trust erosion in digital messaging
Weismüller et al.	2020	Con	Artificial expertise must be carefully managed to maintain consumer trust.	Credibility management in influencer marketing
Huo et al.	2018	Con	Audiences doubt expertise due to lack of real-world intuition in VIs.	Credibility assessments in digital sources

Source: Own elaboration

5.2. Trustworthiness

Trustworthiness, defined as sincerity, honesty, and integrity (Ohanian, 1990), is crucial in digital persuasion. While human influencers create trust through authentic interactions, VIs must build it through algorithms, branding, and curated content. This raises a central question: can artificial agents truly be trusted? Research suggests trustworthiness often carries more weight than expertise in shaping consumer behaviour (Zhang et al., 2018; Ayeh et al., 2013). Influencers perceived as trustworthy tend to be more persuasive (Ismagilova et al., 2020; Ecker and Antonio, 2021), especially in digital contexts where audiences look to them for guidance (Kelly et al., 2024; Gubalane and Ha, 2023). However, trust constructed through simulation risks being superficial. Transparency has been proposed as a solution—disclosing a VI's artificiality can enhance perceptions of honesty (Lim and Lee, 2023). Yet this may also trigger cognitive dissonance: users feel emotionally connected but begin to question the figure's legitimacy (Sands et al., 2022). Scripted content can further undermine relational trust (Tran et al., 2024; Gubalane and Ha, 2023). Paradoxically, VIs may appear more dependable than human influencers. Immune to scandals or mood fluctuations, they maintain consistent narratives, which can increase trust (Ismagilova et al., 2020; Gerlich, 2023). Still, consistency without genuine emotion may lack depth (Ecker and Antonio, 2021), raising doubts about the credibility of programmed sincerity. VIs also present ethical concerns. Controlled by brands, they lack autonomy, an attribute audiences often value in influencers (Zakaria et al., 2021; Dominic et al., 2023). On the other hand, their programmability may reduce the risk of deception or misconduct (Balaban and Mustăţea, 2019), offering an alternative form of reliability. Compared to humans, VIs deliver risk-free messaging but often fall short on emotional resonance. Despite imperfections, human influencers are frequently seen as more trustworthy (Flanagin and Metzger, 2014). Emotional authenticity remains central to building relational trust (Chiu and Ho, 2023)—a trait that VIs continue to struggle to replicate. Trust, in turn, influences engagement, loyalty, and purchasing decisions (Guillory and Geraci, 2013). Whether VIs can generate similar trust-based behaviours is still uncertain. Longitudinal research is essential to understand how trust in VIs evolves over time (Tran et al., 2024; Dominic et al., 2023). In summary, VIs may create trustworthiness through consistency and transparency, but their lack of autonomy and emotional authenticity poses ongoing challenges. Understanding how consumers interpret these signals is critical to developing credible and ethical VI strategies.

Figure 2. Literature on Trustworthiness

Author	Year	Position	Key Argument	Research Context
Tran, H. et al.	2024	Con	Message consistency and reliability matter more than transparency	Influencer marketing and trust development
Kelly, G. et al.	2024	Pro	Trustworthiness drives digital engagement and brand trust in influencer marketing	Trust development in digital influencer marketing
Dominic, R. et al.	2023	Con	Control by brands challenges perceptions of authenticity and undermines trust	AI-driven marketing and virtual influencer ethics
Chiu, W. and Ho, H.	2023	Con	Younger audiences engage more with VIs, but older audiences question their trustworthiness	Cross-generational trust dynamics in influencer marketing
Gubalane, J. and Hu, L.	2023	Con	Human influencers are still perceived as more trustworthy than VIs	Comparative analysis of trust in human vs. virtual influencers
Gerlich, M.	2023	Pro	VIs can maintain consistent messaging, avoiding trust-damaging scandals	Consumer engagement and trust in virtual influencers
Lim, M. and Lee, Y.	2023	Pro	Transparency in disclosing AI nature of VIs fosters consumer trust	Digital transparency and trust in virtual influencers
Zakaria, N. et al.	2021	Con	Lack of autonomy in VIs limits their ability to be perceived as trustworthy	Trust in influencers and perceptions of autonomy
Ecker, U. and Antonio, S.	2021	Con	Consumers value fallibility and reliability, which VIs lack	Cognitive models of trust and human-likeness in influencers
Plaviano, S. et al.	2020	Con	Authenticity and emotional connection are more valued than consistency alone	Relational trust and authenticity in digital environments
Weismüller, J. et al.	2020	Con	Message consistency contributes to trust, but humans remain more persuasive	Consumer trust and credibility in influencer marketing
Balaban, D. and Mustăţea, M.	2019	Pro	Brand-controlled VIs reduce risk of scandal, enhancing perceived reliability	AI-generated content and influencer reliability
Tonder, E. and Petzer, D.	2018	Con	Human influencers build deeper relational trust than scripted VIs	Emotional connection and loyalty in influencer marketing
Flanagin, A. and Metzger, M.	2014	Con	Human influencers are trusted more even when VIs offer consistent content	Digital credibility and trust evaluations
Guillory, J. and Geraci, L.	2013	Pro	Message reliability is key to source trustworthiness and persuasion	Credibility and persuasion in digital communication
Ayeh, J. et al.	2013	Pro	Trustworthy sources drive eWOM and online purchasing decisions	Online consumer behaviour and influencer trust
Sallam, M. A.	2011	Pro	Trustworthiness significantly influences brand attitudes and intentions	Source credibility and consumer brand perception

Source: Own elaboration

5.3. Attractiveness

Attractiveness, a core element of source credibility (Ohanian, 1990), extends beyond physical appeal to include likability and relatability (Kyung et al., 2010). VIs leverage hyper-real aesthetics and manufactured charisma to enhance brand appeal, yet whether this translates into lasting trust remains debated. Research shows that attractiveness positively influences persuasion and perceived sincerity (Mumford, 2012), and in digital settings, it drives higher engagement and purchase intent (Filieri et al., 2022). VIs benefit from these effects, as curated visuals often spark PSRs and emotional resonance (Melnychuk et al., 2024; Han and Chen, 2021). However, attractiveness alone is not enough to establish credibility. Overly polished VIs risk appearing inauthentic (Gazley and Coombes, 2024; Sands et al., 2022). While visual appeal can initially attract users, sustaining trust depends more on perceived authenticity and consistency (Wu and Dano, 2022). VIs are engineered for visual perfection, but this trait can backfire. Unlike human influencers who evolve naturally, VIs are static creations (Zhou, 2023). Excessive flawlessness may erode trust, especially if audiences perceive them as purely commercial instruments (Jin and Phua, 2014; Hancock et al., 2024). Age demographics also shape perception: younger users, accustomed to digital personas, often embrace aesthetic idealism (Chiu and Ho, 2023), whereas older consumers tend to value authenticity and may see VIs as artificial (Henderson et al., 2020; Scott, 2014). Compared to humans, VIs provide visual consistency but fall short in relatability. While predictability can create trust (Fadhilah and Saputra, 2023; Gubalane and Ha, 2023), many consumers continue to favour authentic imperfection (Tonder and Petzer, 2018; Yildiz, 2020). Studies confirm that trust is strongest when attractiveness complements—rather than substitutes for—credibility (Filieri et al., 2022). Still, several gaps remain. Much of the literature focuses on short-term engagement rather than long-term trust (Weismueller et al., 2020; Jhawar et al., 2023). Cultural differences in trust perception are also underexplored, alongside ethical concerns around curated perfection. As VIs gain autonomy, questions about how attractiveness intersects with authenticity become more pressing. In sum, while attractiveness boosts VI engagement, it does not guarantee trust. To achieve sustained credibility, aesthetic appeal must be balanced with transparency, consistency, and perceived authenticity.

Figure 3. Literature on Attractiveness

Authors	Year	Position	Key Argument	Research Context
Hancock et al.	2024	Con	Attractiveness alone does not drive trust; audiences prioritise authenticity and consistency.	Trust formation in human-robot and AI-based interactions.
Gazley and Coombes	2024	Con	Highly polished digital personas can lead to scepticism and diminished trust.	Credibility perception in AI-driven influencer marketing.
Melnychuk et al.	2024	Pro	Attractiveness fosters parasocial relationships and strengthens perceptions of trustworthiness.	VIs and their role in brand credibility and engagement.
Jhawar et al.	2023	Neutral	Call for longitudinal research to understand how attractiveness affects trust over time.	Trust dynamics in influencer marketing.
Kim et al.	2023	Pro	Transparency in brand partnerships can mitigate scepticism about attractiveness-driven trust.	Brand partnership transparency and trust in VIs.
Zhou	2023	Pro	Hyper-realistic VI design enhances audience appeal and emotional responses.	Digital aesthetics and consumer engagement.
Chiu and Ho	2023	Pro	Younger consumers trust attractive VIs more than older audiences.	Cross-generational trust differences in influencer marketing.
Fadhilah and Saputra	2023	Pro	Controlled, scandal-free personas improve perceived reliability.	Brand control and trust in VIs.
Wu and Darso	2022	Con	Attractiveness boosts initial attention but not long-term trust.	Influencer credibility and message consistency.
Sands et al.	2022	Con	Excessive perfectionism in VIs leads to perceived inauthenticity.	Consumer trust in synthetic influencers.
Filieri et al.	2022	Mixed	Attractiveness enhances engagement but is insufficient for long-term trust.	Influencer credibility and trust formation.
Han and Chen	2021	Pro	Attractive influencers foster trust and higher social media engagement.	Social media marketing and influencer aesthetics.
Yildiz	2020	Con	Consumers prioritise deeper credentials and authenticity over physical attractiveness.	Audience preferences in influencer marketing.
Henderson et al.	2020	Con	Older consumers are sceptical of hyper-curated digital personas.	Age-based scepticism toward digital influencers.
Weismueller et al.	2020	Pro	Attractiveness contributes to credibility and influences purchase intention.	Influencer attributes and consumer behaviour.

Source: Own elaboration

5.4. Linking Source Credibility and Trust Formation in VIs

Credibility in VIs rests on three core dimensions: expertise, trustworthiness, and attractiveness (Ohanian, 1990). Unlike human influencers who develop credibility through lived experience, VIs construct it through branding, narrative design, and AI-powered interaction. Expertise, in this context, is largely performative. VIs draw on heuristics such as repeated exposure and social engagement to simulate authority (Meinert and Krämer, 2022), yet the absence of real-world knowledge can undermine this illusion (Lim and Lee, 2023). While younger audiences tend to accept AI-driven authority more readily (Choi et al., 2023), older users often remain cautious or sceptical. Among the three dimensions, trustworthiness is the most difficult to replicate. Scripted messaging and corporate oversight limit the depth of relational trust (Dominic et al., 2023). Although transparency around artificiality can enhance perceived honesty (Lim and Lee, 2023), many still view VIs as controlled entities rather than autonomous figures (Sands et al., 2022). Attractiveness, though effective at drawing attention, does not guarantee trust. While hyper-curated aesthetics may appeal to younger demographics (Zhou, 2023), they can deter audiences seeking authenticity (Henderson et al., 2020). Sustainable trust emerges when visual appeal aligns with perceived sincerity and domain expertise (Weismueller et al., 2020). Parasocial relationships play a critical role in this process. These one-sided emotional bonds make VIs feel familiar and engaging (Melnychuk et al., 2024), often overriding traditional credibility cues (Maharani and Suprayogo, 2024). However, once users become aware of a VI's artificial nature, the emotional trust cultivated through PSRs can diminish (Gerlich, 2023). Media Equation Theory sheds light on this dynamic by explaining how users apply human social norms to digital agents (Nass and Reeves, 1996). Yet such unconscious acceptance raises ethical issues, especially when persuasive strategies lack transparency (Sands et al., 2022). In conclusion, trust in VIs depends on a nuanced balance of credibility signals, emotional engagement, and the tendency to humanise digital figures. Whether this simulated trust can endure over time remains uncertain. Future research should investigate how such trust develops, persists, or erodes—and under what circumstances it might rival that afforded to human influencers.

5.5. Emerging Themes and Gaps in the Literature

While expertise, trustworthiness, and attractiveness remain foundational to source credibility, their application to VIs introduces unique challenges. Unlike human influencers, VIs construct credibility through AI-driven design and strategic branding (Melnychuk et al., 2024), raising ongoing concerns about authenticity and long-term viability. One notable gap is the sustainability of trust. Current research largely examines short-term engagement, leaving

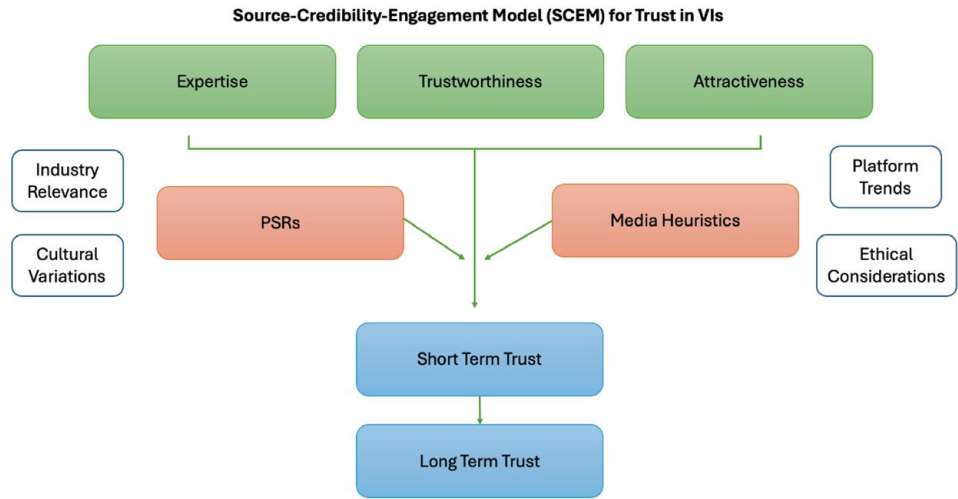
uncertainty about how trust in VIs evolves over time (Weismueller et al., 2020; Xu et al., 2022). Although consistency can enhance perceptions of reliability (Filieri et al., 2022), static personas risk becoming monotonous or predictable, potentially diminishing user interest (Sands et al., 2022). Cultural and demographic factors also remain underexplored. Much of the existing literature is Western-centric, despite evidence that trust signals vary globally (Wan et al., 2024). For instance, collectivist cultures may place greater emphasis on consensus over individual influencer authority. Age further influences perceptions—Gen Z is more receptive to VIs, while older consumers often prioritise authenticity and spontaneity (Chiu and Ho, 2023; Henderson et al., 2020). Industry-specific expectations also shape trust dynamics: while aesthetics may suffice in fashion, domains like healthcare demand demonstrable expertise (Zhou, 2023). Moreover, the behavioural impact of parasocial relationships remains insufficiently understood. While emotional connections with VIs are well documented (Maharani and Suprayogo, 2024), it is unclear whether these translate into enduring loyalty or purchase behaviour (Jhawar et al., 2023). Without perceived authenticity, the persuasive power of VIs may erode over time (Ecker and Antonio, 2021). Ethical issues compound these concerns. As VIs grow increasingly lifelike, audiences may struggle to discern their artificiality (Dominic et al., 2023). Transparency and regulatory oversight are therefore critical to prevent manipulative or deceptive practices (Sands et al., 2022). Questions of disclosure, informed consent, and audience literacy remain unresolved. Consequently, future research must examine the durability of trust, cultural and generational variability, the behavioural implications of PSRs, and the ethical dimensions of AI-driven influence. Developing an integrated framework that connects source credibility with trust psychology will be essential for the ethical and effective use of VIs.

6. A Conceptual Framework: Source Credibility-Engagement Model

The rise of AI-driven influencer marketing calls for an integrated framework to explain how VIs build and sustain trust. While existing theories—Source Credibility Theory (Ohanian, 1990), Media Equation Theory (Nass and Reeves, 1996), and Parasocial Relationship Theory (Horton and Wohl, 1956), provide valuable but partial insights, they do not fully account for trust in brand-controlled, artificial personas. To address this gap, this chapter introduces the Source Credibility-Engagement Model (SCEM), a conceptual framework that combines source credibility dimensions with key psychological and contextual mechanisms. SCEM proposes that expertise, trustworthiness, and attractiveness influence

trust indirectly through two primary mediators: PSRs and MET heuristics. It also incorporates the temporal dimension of trust development, recognising that sustained user exposure and evolving platform dynamics shape how trust in VIs is formed and maintained over time.

Figure 4. SCEM Model



Source: Own elaboration

Expertise in VIs is constructed through curated content and brand association, functioning as heuristic cues that shape perception (Kolarić, 2022; Chauhan and Gupta, 2024). These cues are especially persuasive for younger users, who tend to be more accepting of AI-generated authority (Choi et al., 2023), while older consumers often remain sceptical (Winter and Krämer, 2012). Trustworthiness, however, presents greater complexity. Although VIs offer message consistency (Gubalane and Ha, 2023), their lack of autonomy raises questions about authenticity (Ismagilova et al., 2020). SCEM introduces a trust paradox: algorithmic consistency can simultaneously generate confidence and highlight artificiality. Disclosure of a VI’s synthetic nature may mitigate this tension (Lim and Lee, 2023), though its impact remains contested (Sands et al., 2022). Attractiveness, meanwhile, is positioned as a short-term driver of engagement. While VIs are optimised for visual appeal (Zhou, 2023), excessive perfection may undermine perceived authenticity (Jin and Phua, 2014). SCEM suggests that attractiveness is most effective when balanced with personality cues and relatability (Ashraf et al., 2023), and that its influence is shaped by demographic expectations (Chiu and Ho, 2023). SCEM includes two key mechanisms:

- Parasocial relationships, which emotionally connect users to VIs (Maharani and Suprayogo, 2024), supported by algorithmic interaction (Lim and Lee, 2023).
- Media heuristics, based on MET, explain why users apply social rules to digital agents (Veletsianos et al., 2009).

Contextual moderators, such as platform norms, cultural variation, and industry demands, further influence trust in VIs. While VIs excel in aesthetic-driven sectors, they may lack credibility in expertise-heavy domains (Choi et al., 2023). Cultural differences in trust signals (Wan et al., 2024) and growing ethical concerns around manipulation (Dominic et al., 2023) are also critical. SCEM integrates existing theory and practice, showing that trust in VIs is not anchored in authenticity alone but shaped by perceived cues, algorithmic design, and user psychology. It provides a testable framework for examining trust across contexts and offers a foundation for more responsible VI strategies.

7. Theoretical and Practical Implications

The rise of VIs challenges traditional models of trust, which are grounded in emotional depth, autonomy, and real-life experience. Established theories, such as SCT, PSR, and MET, offer valuable insights but fall short in fully capturing the dynamics of brand-controlled, artificial personas. SCEM addresses this gap by redefining trust in the context of VIs. Here, expertise is framed as AI-curated content (Filieri et al., 2022); trustworthiness depends on transparency and consistent branding (Lim and Lee, 2023); and attractiveness is understood as a balance between visual perfection and relatability (Jhawar et al., 2023). PSRs explain how emotional bonds form despite a lack of human authenticity (Maharani and Suprayogo, 2024), while MET accounts for users' tendency to respond to VIs as if they were real people (Veletsianos et al., 2009). SCEM also incorporates a dual-process model of trust: cognitive trust, rooted in perceived competence, and affective trust—based on emotional resonance. Both are shaped by digital literacy and cultural context (Chiu and Ho, 2023; Wan et al., 2024), reflecting heuristic processing where audiences rely on cues and shortcuts to assess trustworthiness. In practice, SCEM offers actionable guidance for ethical VI implementation. Credibility must be strategically constructed through coherent branding and message consistency. VIs are most effective in sectors that reward consistency and algorithmic reliability. Transparency is vital, but disclosure alone is insufficient without meaningful engagement and alignment with audience values. While VIs provide scalable, low-risk influence (Sallam, 2011), they must avoid the pitfalls of hyper-perfection and perceived artificiality. SCEM helps brands navigate these tensions by offering a structured roadmap for building sustainable trust. As VIs

become more autonomous, ongoing research into regulation, cultural sensitivity, and ethical engagement will be increasingly important.

8. Future Research Directions

Trust remains a critical challenge in VI marketing, with several research areas still underexplored—particularly in relation to sustainability, cultural context, and ethical implications. The SCEM framework provides a foundation for addressing these gaps through future empirical inquiry. One key area is the longitudinal development of trust. While existing studies tend to focus on short-term engagement (Weismueller et al., 2020), little is known about how trust in VIs changes over time, especially as these agents gain autonomy. Do audiences become increasingly trusting, or does prolonged exposure lead to scepticism? Cross-cultural dynamics also warrant greater attention. Much of the current literature remains Western-centric (Chiu and Ho, 2023), overlooking the ways in which collectivist versus individualist cultures interpret credibility (Wan et al., 2024). Digital literacy and generational attitudes further influence how trust is formed and sustained. Future research should also distinguish between psychological trust—such as perceived credibility and emotional bonds—and behavioural trust, including engagement and purchase intent (Ashraf et al., 2023). The extent to which parasocial relationships translate into tangible actions remains unclear. Ethical concerns are also mounting. As VIs grow increasingly lifelike, audiences may find it harder to identify artificiality (Jhawar et al., 2023). Although transparency is often recommended, its effectiveness is still debated (Dominic et al., 2023). The implications of heightened realism on user trust must be carefully examined. Moreover, the social and psychological impacts—particularly among younger users—require urgent investigation. Continuous exposure to hyper-perfection may affect body image and overall well-being (Filieri et al., 2022). These broader societal effects cannot be overlooked. Therefore, future research should conceptualise trust as a dynamic, culturally embedded process. SCEM offers a valuable structure to support this direction, encouraging longitudinal designs, cross-cultural comparison, and ethical scrutiny in the evolving domain of virtual influence.

9. Conclusion

VIs represent a significant shift in how digital trust is created. This study explored how VIs construct credibility through expertise, trustworthiness, and attractiveness, drawing on Source Credibility Theory (Ohanian, 1990), Media Equation Theory (Nass and Reeves, 1996), Parasocial Relationship Theory (Horton and Wohl, 1956), and digital heuristics. The findings indicate that while traditional

credibility dimensions remain pertinent, they operate differently in the context of VIs. Expertise is constructed through curated content (Filieri et al., 2022), trustworthiness hinges on consistency and transparent disclosure (Lim and Lee, 2023), and attractiveness drives engagement, though it may undermine perceptions of authenticity (Jhawar et al., 2023). Parasocial relationships (Melnychuk et al., 2024) and media heuristics (Veletsianos et al., 2009) help explain how audiences emotionally connect with artificial figures. These insights challenge the assumption that trust requires human authenticity, demonstrating how strategic design can simulate trust effectively. The SCEM model brings these elements together, offering a conceptual framework that positions trust as a product of perceived cues, algorithmic interaction, and contextual influences. It delivers both theoretical clarity and practical guidance for researchers and marketers. Practically, SCEM recommends that VIs be deployed ethically, with emphasis on transparency, brand congruence, and consistent engagement. Although scalable and relatively low-risk, VIs lack emotional depth, an important consideration for sustaining long-term trust. In AI-mediated environments, trust is increasingly shaped by algorithms and heuristic cues (Hayes and Carr, 2015). VIs are optimised for engagement rather than organic connection (Ho and Chien, 2010), prompting a re-evaluation of how trust is generated and maintained. This study contributes by synthesising key theories, identifying emerging trust mechanisms, and introducing SCEM as a framework for navigating the evolving landscape of virtual influence. As AI continues to transform marketing, strategies must remain grounded in transparency, ethical design, and changing consumer expectations.

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Digital Transformation in Cross-Cultural Team Management

Abstract

Digital transformation (DT) has drastically altered how businesses operate globally. To stay competitive in their respective markets, established businesses of all shapes and sizes are urged to change their business models, usually through the application of digital technologies (Fitzgerald et al., 2014; D'Ippolito et al., 2019; Subramaniam & Piskorski, 2020; Kraus et al., 2021; Verhoef et al., 2021). According to Benson et al. (2002), Sousa & Rocha (2019), Bresciani et al. (2021a), and other scholars, the process of digitalization and the adoption of modern technologies in businesses involves several changes that are necessary for the creation of new human resource management techniques and diverse managerial capabilities. Cultural dimensions have not been examined in the context of the digital age, even though the current organizational culture (OC) must evolve into a digital organizational culture. As a result, this article contributes by outlining the critical problems of a company's transition and investigating the dynamics of the OC aspects in a digital setting.

Keywords: digital transformation, organizational culture, multinational companies, team management

Transformacja cyfrowa w zarządzaniu zespołami wielokulturowymi

Streszczenie

Transformacja cyfrowa (*Digital Transformation*, DT) radykalnie zmieniła sposób funkcjonowania przedsiębiorstw na całym świecie. Aby utrzymać konkurencyjność na swoich rynkach, przedsiębiorstwa o różnych profilach i różnej wielkości muszą zmieniać swoje modele biznesowe, zazwyczaj poprzez zastosowanie technologii cyfrowych (Fitzgerald i in., 2014; D'Ippolito i in., 2019; Subramaniam i Piskorski, 2020; Kraus i in., 2021; Verhoef i in., 2021). Jak wskazują Benson i in. (2002), Sousa i Rocha (2019), Bresciani i in. (2021a) oraz inni badacze, proces cyfryzacji i wprowadzanie nowoczesnych technologii w przedsiębiorstwach wiąże się z wieloma zmianami, które są niezbędne do tworzenia nowych technik zarządzania zasobami ludzkimi oraz zróżnicowanych umiejętności menedżerskich. Wymiary kulturowe nie zostały jednak dogłębnie przeanalizowane w kontekście epoki cyfrowej, mimo że obecna kultura organizacyjna (OC) musi przekształcić się w cyfrową kulturę organizacyjną. Stąd niniejszy artykuł wnosi wkład poprzez przedstawienie kluczowych problemów związanych z transformacją przedsiębiorstw oraz analizę dynamiki aspektów OC w środowisku cyfrowym.

Słowa kluczowe: transformacja cyfrowa, kultura organizacyjna, przedsiębiorstwa międzynarodowe, zarządzanie zespołami

1. Introduction

Global corporations' digital transformation has drastically changed the management landscape, especially regarding how they deal with cross-cultural teams. Managing diverse, ethnic teams has become more complex as businesses depend increasingly on digital tools to improve communication and speed up processes. Effective leadership requires technical proficiency and a thorough comprehension of communication techniques and cultural quirks in this dynamic context.

This study examines the relationship between cross-cultural management and digital transformation in large businesses, where using digital tools has presented opportunities and difficulties. Digital technologies can improve teamwork and bring forth new dynamics, such as less in-person connection, which can cause miscommunications or disputes in teams with different cultural backgrounds. According to research, cultural sensitivity and leadership flexibility are critical to the success of digital transformation (Hesse 2018).

Despite the growing emphasis on digitalization, there are significant gaps in the research regarding the effects of digital transformation on cross-cultural team management. This essay aims to close these gaps by analyzing how technology may be beneficial or detrimental to team performance, how flexible leadership styles can be, and how digital technologies can be incorporated into current cross-cultural management models.

The study seeks to offer practical insights for multinational corporations looking to maximize the performance of their cross-cultural teams in the digital era by concentrating on these important areas.

2. Digital Transformation in Cross-Cultural Team Management

2.1. Defining Digital Transformation

According to Fitzgerald et al. (2014), Ferraris et al. (2019), Broekhuizen et al. (2021), and other scholars, digital transformation (DT) is a paradigm change that impacts businesses and industries worldwide. It is even thought to benefit society (Popkova et al., 2022). Because of this, it has drawn the attention of many scholars and professionals who have worked on understanding its nature and traits over the past ten years.

Some studies have addressed how organizations need to adapt and upgrade their internal skills to achieve in their Digital transformation efforts (Ferraris et al., 2019; Muninger et al., 2019; Bresciani et al., 2021a; Verhoef et al., 2021). Particularly, several studies have examined how managers adopt new roles, such as chief digital officers, and how their roles change (Kunisch et al., 2020; Singh et al., 2020; Firk et al., 2021). According to other research findings, senior

managers have a demanding job in the digital era. They must take three crucial actions: navigating change, establishing the formal framework for a digital transformation, and understanding digitalization (Wrede et al., 2020). Therefore, due to digital environments, top managers' roles and responsibilities are redefined. They must be more proactive in managing the changes by adopting digital technologies and are increasingly sensitive to the technologies themselves (Singh & Hess, 2017; Eden et al., 2019; Correani et al., 2020).

In his literature analysis, Vial (2019) defined digital transformation as a process that causes operational and strategic changes in businesses due to both benefits and risks presented by digital technology. Additional writers emphasized the connection between digital transformation and agile firms' adoption of cutting-edge technologies to broaden their perspectives and dramatically increase performance (Bresciani et al., 2021a; Kraus et al., 2021; Westerman et al., 2011). Similarly, Fitzgerald et al. (2014) described digital transformation as applying digital technology in real-world settings to enhance consumer interaction and experience, streamline operations, support existing business models, or create new ones.

For the purpose of this research, digital transformation is defined as the thorough integration of digital technology into all aspects of an organization, significantly altering how it functions and provides value to its stakeholders. This change includes not just technological breakthroughs but also cultural shifts that foster adaptation and innovation among cross-cultural teams.

On the other hand, Appio et al. (2021) contend that because digital transformation is a complex, diverse phenomenon, it is difficult to provide a comprehensive definition. Despite these difficulties, it is worthwhile to investigate a few of these aspects. Matt et al. (2015) and Broekhuizen et al. (2021) emphasized the strategic importance of digital transformation and its capacity to transform an organization's structure, operations, and business model. Hess et al. (2016) examined the fundamental strategic concerns that arise from digital transformation initiatives and the essential strategic characteristics of DT that apply to the entire firm.

2.2. Cross-Cultural Teams in a Digital World

A crucial component of multinational business environments is cross-cultural teams, which are made up of individuals from various national, cultural, and language backgrounds. These groups are commended for their diversity of perspectives, which fosters creativity, problem-solving, and independent thinking. They do, however, also confront several difficulties, such as cultural misinterpretations, communication obstacles, and disparities in workplace practices (Cohen & Gibson, 2003). With the introduction of virtual collaboration tools that enable geographically separated teams to collaborate offline or in real-time, digital transformation has significantly changed the way cross-cultural teams function.

This change has removed typical limitations of in-person meetings and allowed cross-cultural teams to operate across continents and time zones.

Cross-cultural teams now have to negotiate a more complicated virtual communication environment due to the increasing usage of digital media. According to research by Maznevski and Chudoba (2000), virtual technologies present difficulties even though they make international collaboration easier. In virtual environments, non-verbal clues like body language, tone of voice, and facial expressions are sometimes diminished or lost, making it more difficult for team members to determine one another's intentions and feelings. In cross-cultural communication, these cues are essential because people may use small gestures to gain each other's trust and comprehend one another's viewpoints.

Despite these obstacles, cross-cultural teams can benefit greatly from digital transformation. First, it makes it possible for teams to work together more effectively by removing constraints related to time and location. It is simpler to plan activities and projects across borders when you use virtual collaboration tools like Microsoft Teams, Zoom, and Slack, which offer the infrastructure for instant messaging and transmission of files. (Cascio, 2000). Furthermore, cloud-based applications provide easy access to shared data and documents, guaranteeing that team members everywhere have simultaneous access to the same information. Decision-making processes become more inclusive and transparent as a result of this democratization of information.

Furthermore, asynchronous working has revolutionized the way cross-cultural teams deal with time zone disparities. Virtual technologies facilitate online interaction, enabling team members to provide input whenever it is convenient for them, whereas in-person meetings necessitate the simultaneous presence of all team members. For teams that operate across several time zones, when synchronous meetings might not be feasible, this flexibility is especially advantageous (Griffith & Neale, 2001).

The digital revolution of cross-cultural teams, however, also calls for a reconsideration of team dynamics. Despite their physical distance, leaders must deliberately create an atmosphere of trust, open communication, and cultural awareness to make sure that every team member feels appreciated and included. Team leaders must intentionally create possibilities for online socialization and team bonding because typical office settings lack the casual, spontaneous contacts that are common there (Jarvenpaa & Leidner, 1999).

3. Technological Tools for Managing Cross-Cultural Teams

Globalization and improvements in digital connectivity have sped up the growth of cross-cultural digital teams, which has made cross-continental online cooperation the standard in today's business environment. The COVID-19 epidemic has

accelerated this trend toward virtual teams by making remote work essential for many businesses. According to Malhotra, Majchrzak, and Rosen (2007), virtual teams not only give businesses access to a worldwide talent pool, giving them a competitive advantage in the “war for talent,” but they also lower the expenses related to travel and face-to-face meetings. However, these teams’ separation by location and cultural diversity offers both tremendous opportunities and difficulties, especially when it comes to team relationships and communication.

3.1. Virtual Collaboration Tools

For managing cross-cultural teams, virtual communication solutions including message platforms, project management apps, and video conferencing have become essential. These technologies make it easier to coordinate and communicate across time zones and borders. Real-time face-to-face communication is possible with tools like Zoom, Microsoft Teams, and Google Meet, but it takes place behind a screen. Asynchronous communication is made possible via Slack, Trello, and Asana, allowing team members to contribute at various times based on their schedules.

Since businesses had to work remotely during the COVID-19 outbreak, the use of these tools has increased (DeSanctis et al., 2001). Accessing the varied viewpoints of team members in various locations is one of the main benefits of virtual collaboration. Particularly when it comes to problem-solving and decision-making, this diversity fosters creativity and innovation (Lowry et al., 2010). However, leaders must also choose the appropriate communication tools carefully when managing cross-cultural teams digitally. Research indicates that while heterogeneous teams with notable cultural differences could need richer media like video conferencing to prevent misunderstandings, culturally similar teams might benefit more from asynchronous technologies like email (Klitmøller & Lauring, 2013).

The primary issue with virtual collaboration technologies is the lack of non-verbal clues, which are essential for communication, particularly when people from different cultural backgrounds are involved (Bucy, 2017). These cues aid in building connections and meaning clarification in face-to-face encounters. Virtual teams run a higher risk of misunderstandings and poor communication without them. Cross-cultural team leaders must, therefore, be aware of this constraint and add precise and unambiguous communication standards to virtual meetings (Kayworth & Leidner, 2002).

3.2. Data analytics and artificial intelligence

In order to facilitate cross-cultural virtual teams, artificial intelligence (AI) and data analytics are becoming more and more important since they improve decision-making and eliminate language barriers. AI-powered solutions, such as

Microsoft Translator and Google Translate, facilitate communication and collaboration among team members who speak different languages (Cascio, 2000). All team members, regardless of language ability, can participate in discussions thanks to these real-time translation tools for spoken and written language.

Furthermore, by evaluating big datasets and offering practical insights, AI-driven data analytics solutions assist teams in making data-informed decisions. AI can assist in standardizing and streamlining decision-making and communication processes in cross-cultural teams, which helps reduce confusion and potential conflict. Additionally, predictive analytics can be used to assess team performance and predict market trends, giving leaders important knowledge to support strategic choices (Lowry et al., 2010).

Furthermore, AI systems can track team dynamics by examining the tone and language used in chat messages and emails, offering insights into team engagement and morale. In virtual settings, where face-to-face interactions and other conventional means of measuring team well-being are not accessible, this can be very helpful (Klitmøller & Lauring, 2013).

3.3. Digital Interaction and Establishing Credibility

One of the most important but difficult things for leaders to do in virtual cross-cultural teams is to foster trust. In conventional workplace settings, physical closeness and informal interactions foster trust. These chances are constrained in virtual settings, though, and team leaders must actively work to build trust. Mutual regard, dependability, and regular communication are the foundations of trust (Kirkman et al., 2002).

According to research, trust encourages open communication and collaboration, which improves team performance and creativity (Jarvenpaa & Leidner, 1999; Malhotra et al., 2007; Kirkman et al., 2002). Establishing trust in cross-cultural teams requires knowledge of communication preferences and cultural variations. For example, whilst certain cultures value indirect tactics, others may favor direct communication (Kayworth & Leidner, 2002). Video conferencing and other virtual tools can be useful because they mimic in-person conversations, which are essential for establishing rapport. However, as power dynamics and cultural differences can occasionally result in uneven participation in virtual meetings, leaders must make sure that every team member has an equal chance to engage and be heard (Malhotra et al., 2007).

Leaders should promote openness and make sure that duties and expectations are communicated in a clear and concise manner in order to foster confidence. Virtual cross-cultural teams benefit from frequent checks-in, feedback loops, and constant usage of communication tools because they foster mutual understanding and a sense of dependability (Kirkman et al., 2002).

4. Leadership in Digital Transformation and Cross-Cultural Contexts

Cross-cultural team leaders must adjust to new technology and management techniques while keeping in mind the cultural variety within their teams as the workplace is transformed by digital transformation. In order to successfully navigate the challenges of remote cooperation and make sure that the team's diversity is utilized for creativity and output, the leadership position is essential.

4.1. Managing Multicultural Teams in the Age of Digitalization

Adaptability, technological skills, and cultural intelligence are all necessary for effective management in cross-cultural virtual teams. Cultural differences affect communication styles, decision-making procedures, and conflict resolution techniques. Therefore, leaders need to be able to comprehend and manage them (Kayworth & Leidner, 2002). Managing heterogeneous teams requires cultural intelligence (CQ), which is the capacity to identify, comprehend, and adjust to cultural differences (Klitmøller & Lourcing, 2013).

Since the successful use of digital tools is essential for cross-cultural virtual teams, leaders in the digital age must also be proficient in technology. Leaders need to make sure that team members are using the technology to communicate and collaborate efficiently and that they are at ease with it. Leaders must also foster an inclusive atmosphere where all team members, irrespective of their location or cultural background, feel appreciated and respected (Malhotra et al., 2007).

4.2. Managing Change and Adaptation

One of the biggest challenges facing managers in the context of digital transformation is managing change. Leaders must lead their teams through processes such as adopting new technologies and adjusting to new working methods. This can be especially difficult in cross-cultural teams, where members may have differing technological skill levels and attitudes toward change (Cascio, 2000).

Cultural adaptation is equally essential in cross-cultural teams, where team members need to feel encouraged and at ease in the new digital environment. This could entail establishing a culture of ongoing learning and innovation, offering training on the use of new technology, and encouraging open discussions about the benefits and difficulties of digital transformation (Lowry et al., 2010).

5. Cultural Adaptation in the Digital Age

Organizational culture is changing significantly due to digital transformation, which is also changing how teams operate. Businesses must reevaluate their

cultural practices and beliefs to ensure they align with the new digital reality as they embrace virtual cooperation and adopt new technologies. This section examines the impact of organizational culture in digital transformation as well as how technology aids in overcoming common cultural barriers.

5.1. Overcoming Cultural Barriers with Technology

Overcoming cultural obstacles like language limitations, communication styles, and work methods is one of the biggest challenges for cross-cultural teams. Technology is essential for teams to overcome these obstacles and work together more successfully despite their differences (Jarvenpaa & Leidner, 1999). Team members can interact in their native language thanks to translation software like Google Translate and Microsoft Translator, guaranteeing that everyone can take part in conversations and offer ideas.

Collaborative tools such as Slack and Trello offer a centralized location for team members to exchange information and collaborate, irrespective of their cultural background, in addition to language translation. These systems assist close the gap between various work styles and expectations by providing capabilities like task monitoring, file sharing, and real-time chat (Cascio, 2000). These solutions enable communication and collaboration by offering a shared digital workplace, enabling cross-cultural teams to concentrate on their common objectives rather than their differences.

Technology can assist in overcoming many cultural barriers, but it is not a cure-all. Leaders must continue to take the initiative to create an inclusive culture that recognizes diversity and promotes open communication. This might include giving team members the chance to talk about their cultural experiences, offering cultural sensitivity training, and encouraging an atmosphere where everyone's opinions are valued and heard (Maznevski & Chudoba, 2000).

5.2. Organizational Culture's Function in Digital Transformation

Organizations must adapt their culture to the new digital reality as they go through a digital transformation. Digital work is more flexible, collaborative, and technology-driven than traditional organizational cultures, which might value hierarchy, in-person interactions, and unbending procedures (Griffith & Neale, 2001). In order to encourage employees to try out new tools and technologies, exchange their knowledge, and welcome change, companies need to cultivate a culture of innovation, flexibility, and constant learning.

This entails developing a corporate culture that promotes diversity and inclusion in cross-cultural teams. Leaders must ensure their team members feel appreciated and supported despite their cultural background. This could entail

giving team members a platform to express their opinions, encouraging open dialogue, and boosting a feeling of community (Cascio, 2000). Businesses can ensure that their multicultural teams are prepared to handle the benefits and difficulties of the digital era by fostering a culture that values diversity and digital innovation.

6. Conclusion

In today's globalized workplace, digital transformation has drastically changed how cross-cultural teams operate, posing opportunities and difficulties. Thanks to the use of virtual collaboration tools and cutting-edge technologies like artificial intelligence, organizations can now access a more diverse talent pool and overcome geographic limitations. However, as a result of this increased diversity, leaders must now manage complex cultural dynamics, adjust to new technological environments, and cultivate trust within their teams.

Although virtual collaboration tools are crucial for contemporary cross-cultural teams, their use requires careful consideration of the team's communication preferences and cultural diversity. AI-powered language translation tools, messaging apps, and video conferencing offer workable ways to keep lines of communication open and improve team output. In addition, if these tools are not used appropriately, they can worsen miscommunications, underscoring the need for leadership to choose the proper communication channels and promote an inclusive and transparent culture.

It is hard to overstate the importance of leadership in managing multicultural teams during digital change. While ensuring that the team's variety is used to its advantage, leaders have to develop cultural intelligence, exhibit flexibility, and lead their teams through the difficulties of technological transition. Leaders may assist their teams in overcoming the challenges of virtual collaboration and reaching high levels of performance and innovation by establishing trust through open communication, transparency, and dependability.

To sum up, digital transformation has dramatically increased the potential of multicultural teams and brought new challenges that must be handled appropriately. Organizations can fully realize the potential of their multinational teams and succeed in today's connected, digital world by using the appropriate technology enablers and implementing inclusive leadership practices.

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Assessment of Large Language Models in Professional Translation: A Comparative Analysis

Abstract

Nowadays, Large Language Models (LLMs) have introduced new possibilities in professional translation, with the capabilities of improving and evaluating the translation by the LLMs themselves. This study presents a comprehensive analysis of LLM translations (English into Arabic, English into French, and English into Dutch) using GPT model by OpenAI, Claude model by Anthropic, and Vertex AI model by Google Cloud. Through a combination of qualitative measures based on different translator evaluations and quantitative metrics based on edit distances, the research finds that whilst the currently available LLMs provide perfect translations in certain aspects including localisation solutions, current machine translation models continue to outperform them in many practical applications. The results greatly help in understanding the current LLM capabilities in translation as well as the positive possibilities of integrating LLMs into Machine Translation workflows.

Keywords: artificial intelligence, large language models, machine translation, edit distance, success evaluation, failure assessment, localisation

Ocena skuteczności i niepowodzeń dużych modeli językowych w tłumaczeniu profesjonalnym

Streszczenie

Obecnie duże modele językowe (*Large Language Models*, LLM) otworzyły nowe możliwości w tłumaczeniach profesjonalnych, oferując możliwość udoskonalania i oceny tłumaczeń przez same modele. Niniejsze badanie przedstawia kompleksową analizę tłumaczeń LLM (z języka angielskiego na arabski, francuski i holenderski) przy użyciu modelu GPT firmy OpenAI, modelu Claude firmy Anthropic oraz modelu Vertex AI firmy Google Cloud. Poprzez połączenie jakościowych miar opartych na ocenach różnych tłumaczy oraz ilościowych metryk bazujących na odległościach edycyjnych, badanie wykazuje, że choć obecnie dostępne modele LLM zapewniają doskonałe tłumaczenia w niektórych aspektach, w tym w rozwiązaniach lokalizacyjnych, obecne modele tłumaczenia maszynowego nadal przewyższają je w wielu praktycznych zastosowaniach. Wyniki znacząco pomagają w zrozumieniu obecnych możliwości LLM w tłumaczeniach, jak również pozytywnych możliwości integracji LLM w procesy tłumaczenia maszynowego.

Słowa kluczowe: sztuczna inteligencja, duże modele językowe, tłumaczenie maszynowe, odległość edycyjna, ocena sukcesu, ocena niepowodzeń, lokalizacja

1. Introduction

Before the popularity of Large Language Models in content generation including translation, Machine Translation tools had shown strong capability in translation tasks through decades of development. With the rapid development of LLMs, which has recently culminated in the Chinese model DeepSeek, the importance of leveraging LLM technologies in translation has become highly significant to accelerate the improvement of Machine Translation technologies. Before exploring integration capabilities, let's address the advantages of using LLMs in translation by testing several translations from English into Arabic, French, and Dutch, as well as addressing the gaps in our understanding of how LLMs perform in real translation scenarios, particularly focusing on digital text content (four webpages and four emails). The importance of this study lies in the comparison of LLM translations with MT translations, providing valuable insights for translators, editors, freelancers, companies, agencies, developers, and other users considering the use and/or integration of LLM technologies into MT systems.

2. Large Language Models in Translation and Localisation: Theoretical Framework

2.1. Introduction to Large Language Models

Large Language Models (LLMs), as known, generate and understand human language content. The word Large in Large Language Models could refer to many aspects of large scales, such as large training data or large model size (PaLM LLM by Google, for example, has 540 billion parameters 2022). However, the word “large” in Large Language Models could also refer to other aspects of large scales, like large computational resources or large tokens (length of the prompts/pages in a single window). This is, of course, a strong outcome of the fast-developing Artificial Intelligence (AI) technologies. LLM models are trained on data to perform different tasks (Kaplan, J., McCandlish, S., Henighan, T., Brown, T. B., Chess, B., Child, R., Gray, S., Radford, A., Wu, J., & Amodei, D. 2020) The Large Language Models are designed to be trained by interactions as well as fine-tuning. Depending on how large and well-trained the model is, the task performance will be higher and better. Recent research by Kaplan et al. (2020) included the relationships between model sizes, computational resources, and performance improvements (Vaswani, A., Shazeer, N., Parmar, N., Uszkoreit, J., Jones, L., Gomez, A. N., Kaiser, Ł., & Polosukhin, I. 2017) The most famous LLMs as of today include GPT by OpenAI, Claude by Anthropic, PaLM by Google, Vertex AI by Google Cloud, Llama by Meta (Facebook), and DeepSeek by DeepSeek, the modern Chinese AI company.

2.2. Translation and Localisation Framework

Large Language Models can be trained to go beyond translation according to what is needed, such as making local adaptations to times, currencies, and local cultural needs. Recent research by Mangiron, C. shows that effective localisation extends far beyond simple translation, considering cultural and other adaptations for target audiences (Mangiron, C. (2006). Correct localisation remains partially part of correct translation, at least in modern translations. As an example, it is more practical to translate 5am UK time into Egyptian Arabic whilst converting the time to the local time zone within the translation for the specific summer and winter times. The localisation could consider not only the different local versions of the language but also the cultural differences, such as translating the word “download” to “upload” meaning in some local Arabic variants (considering that “download from ... to ...” is somehow a way of “uploading to ... from ...”). In this study, localisation solutions have been considered in training the models.

3. Assessment Methodology

Evaluating LLM translation quality can be conducted through different approaches, whether by the LLM tools themselves or by human evaluators. The study implements a robust and professional assessment framework that accurately combines computational approaches of measuring the editing distances in different ways with human evaluation methods, in order to provide a hybrid evaluation of LLM translation quality using both quantitative and qualitative measures, as well as comparing the results with the Machine Translations (Albasher, S. 2024).

3.1. Quantitative Measures

The quantitative measures in this paper were based on calculating the edit distance (changes required to convert the LLM/MT text to a final human text), which means in this research the difference between the LLM translated text and the final version of the reviewed translation upon implementing the necessary corrections. For example, how many edits are needed to transform the LLM translated text into a correct human text with any kind of changes like insertions, deletions, substitutions, etc. The Edit Distance Methods which have been used in this study are: Levenshtein distance and Damerau-Levenshtein distance. Whilst Levenshtein distance measures the minimum edits of insertions, deletions, substitutions to convert “Initial-Text” string to “Final-Text” string, Damerau-Levenshtein distance measures the minimum edits of insertions, deletions, and substitutions, besides counting also the transpositions of adjacent characters as one edit.

3.2. Qualitative Measures

The qualitative measures in this paper were based on reviewer scores (human ratings). But of course, each human rating had to be adjusted using mathematical approximation methods to: Firstly, reduce bias by making the scores more objective and closer to reality. Secondly, improve reliability by aligning to standards to make scores more consistent. Thirdly, enhance accuracy by correcting the evaluation scores of “hard” and “soft” human raters. Fourthly, have fair comparisons by ensuring fairness across different language results. Fifthly, standardise evaluations by creating a common scale for all assessments.

4. Results

4.1. Developing Calculators for the Human Rating Scores for Each Language

The languages in each community consist of many important factors such as local uses, local cultures, formal and informal tones, etc. Due to that, three calculators have been developed in the study to evaluate three different translations (English into Arabic, English into Dutch, and English into French).

Table 1. Rating Calculator (Arabic Language)

	Criteria (Arabic)	Criteria in Details	Score (1-5)	Weight	Weighted Score	Fail Score
1	Accuracy (25%)	Precision in meaning and context, considering Arabic's complex morphology.	Score	0.25	Score * Weight	Five minus Weighted Score
2	Fluency (20%)	Smoothness and natural flow of the text, respecting Arabic grammar and sentence structure.	Score	0.20	Score * Weight	Five minus Weighted Score
3	Relevance (15%)	Contextual and cultural relevance, especially in idiomatic expressions.	Score	0.15	Score * Weight	Five minus Weighted Score
4	Creativity (10%)	Ability to use varied vocabulary and expressions, important for Arabic's rich linguistic diversity.	Score	0.10	Score * Weight	Five minus Weighted Score
5	Context Preservation (15%)	Maintaining the original context, crucial for Arabic due to its context-sensitive nature.	Score	0.15	Score * Weight	Five minus Weighted Score
6	Grammatical Correctness (15%)	Correct use of Arabic grammar, which is complex and essential for clarity.	Score	0.15	Score * Weight	Five minus Weighted Score
					Sum Score	

Source: Own elaboration

Table 2. Rating Calculator (French Language)

	Criteria (French)	Criteria in Details	Score (1-5)	Weight	Weighted Score	Fail Score
1	Accuracy (20%)	Accuracy in conveying the exact meaning, considering French's precise vocabulary.	Score	0.20	Score * Weight	Five minus Weighted Score
2	Fluency (25%)	Fluidity and readability, respecting the rhythm and style of French language.	Score	0.25	Score * Weight	Five minus Weighted Score
3	Relevance (15%)	Relevance to the subject matter and cultural context.	Score	0.15	Score * Weight	Five minus Weighted Score
4	Creativity (10%)	Creativity in language use, important for French's stylistic nuances.	Score	0.10	Score * Weight	Five minus Weighted Score
5	Idiomatic Expression (15%)	Ability to accurately translate or rephrase French idioms and expressions.	Score	0.15	Score * Weight	Five minus Weighted Score
6	Syntax (15%)	Correct syntactical structure, essential in French for clear communication.	Score	0.15	Score * Weight	Five minus Weighted Score
					Sum Score	

Source: Own elaboration

Table 3. Rating Calculator (Dutch Language)

	Criteria (Dutch)	Criteria in Details	Score (1-5)	Weight	Weighted Score	Fail Score
1	Accuracy (20%)	Precise translation of content, considering Dutch's directness and specificity.	Score	0.20	Score * Weight	Five minus Weighted Score
2	Fluency (20%)	Natural flow and readability in Dutch, which has a unique rhythm and sentence construction.	Score	0.20	Score * Weight	Five minus Weighted Score
3	Relevance (15%)	Applicability and contextual accuracy, especially for local phrases and expressions.	Score	0.15	Score * Weight	Five minus Weighted Score
4	Creativity (10%)	Use of a diverse vocabulary and expressions, valuing Dutch's linguistic variety.	Score	0.10	Score * Weight	Five minus Weighted Score
5	Coherence (20%)	Maintaining coherence in narratives and arguments, important for Dutch logical flow.	Score	0.20	Score * Weight	Five minus Weighted Score
6	Grammatical Accuracy (15%)	Correct use of Dutch grammar, which is crucial for clarity and precision.	Score	0.15	Score * Weight	Five minus Weighted Score
					Sum Score	

Source: Own elaboration

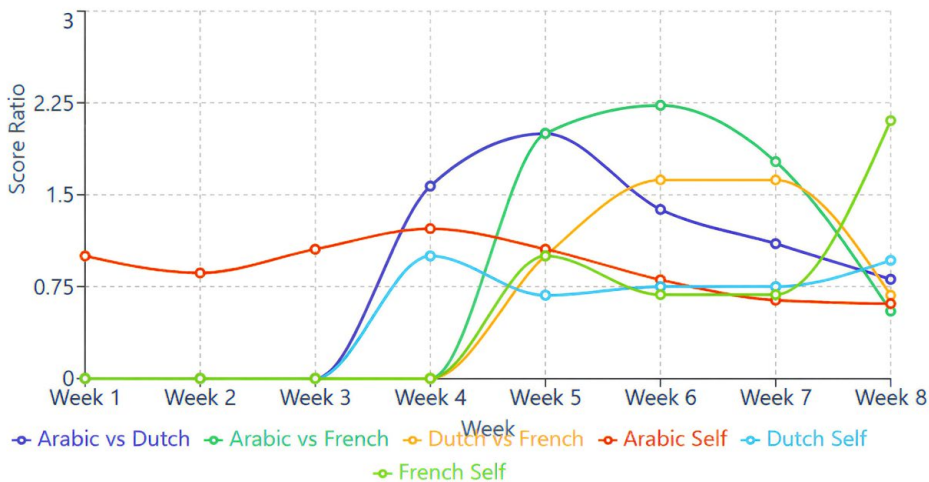
The average rating in Dutch translations was 2.58/5. The average evaluation rate was lower in French translations (2.4/5), and higher in Arabic translations (2.98/5). However, because the calculators are not the same, there is a need to have fair, standardised results and evaluation.

4.2. Correcting the Rating Scores for Each Language

Before measuring the human rating scores and the LLM evaluation of editing distances, we need to correct the provided scores for the reasons stated in the methodology section. The conducted correction steps are as following: Firstly, basic statistics are calculated for an initial understanding of the data (Mean, Standard Deviation). Secondly, pairwise correlation is calculated between each set of translator scores to assess reliability and consistency (Pearson Correlation). Thirdly, for each translator, a linear model is created based on the scores of the other translators (Adjustment Model Creation/Regression). Fourthly, the regression models are used to predict and adjust each translator’s scores (Mutual Adjustment of Scores). Fifthly, all the original, adjusted, and normalised scores are compiled into a single dataset (Compilation of Adjusted Scores).

Figure 1. Scores correlations for each language (a score vs other scores), and versus other languages

Language Score Correlations

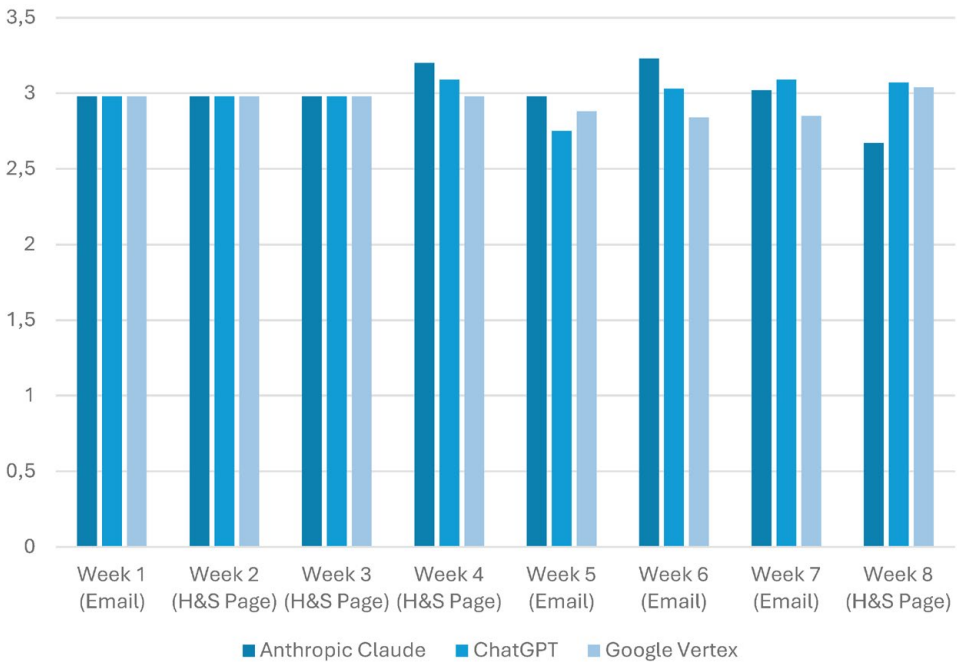


Source: Own elaboration (Image generated by Claude AI)

4.3. Analysis of Language Results

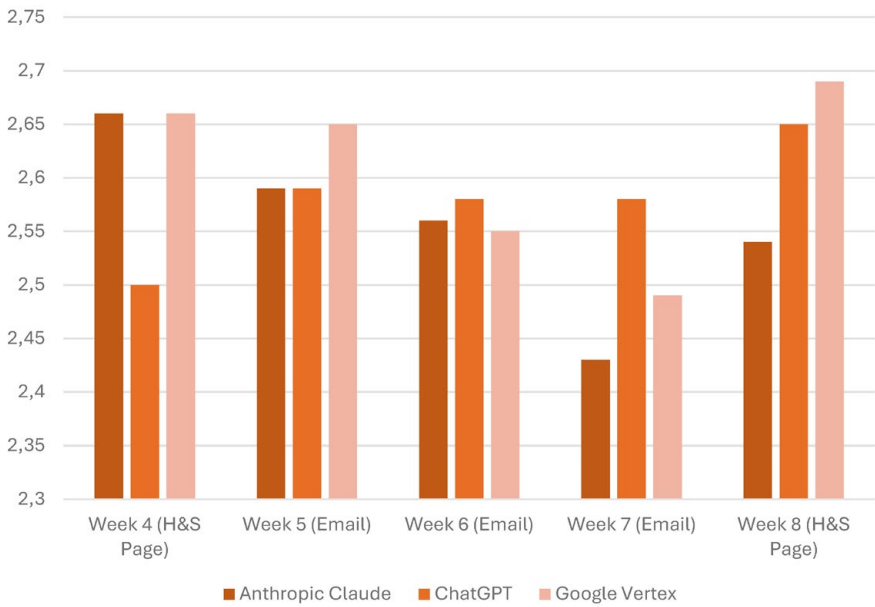
With correcting the scores, the comparison between the language results tends to be closer to reality, after reducing human errors with the previously detailed approximation method. In Arabic translation, Claude and GPT achieved average ratings of 2.75/5, whilst Vertex showed slightly lower performance at 2.67/5. The main notable issues were Arabic time format and Arabic vocabularies. The fine-tuned Vertex model achieved a rating of 2.70/5, showing clear improvement after training. French translations faced some challenges, particularly in handling time conversions, industry terms, and spelling. The rating averaged around 2.4/5 across models, with a notable improvement in the edit distance of Levenshtein distance reducing from 0.166 in non-trained model to 0.155 in the fine-tuned version. Dutch translation average rating was 2.58/5, reflecting strong performance and accuracy after improving the training to fix a few issues (structure, spelling, grammar, formatting, and genders).

Figure 2. Evaluation LLM Translation Results (Arabic Language)



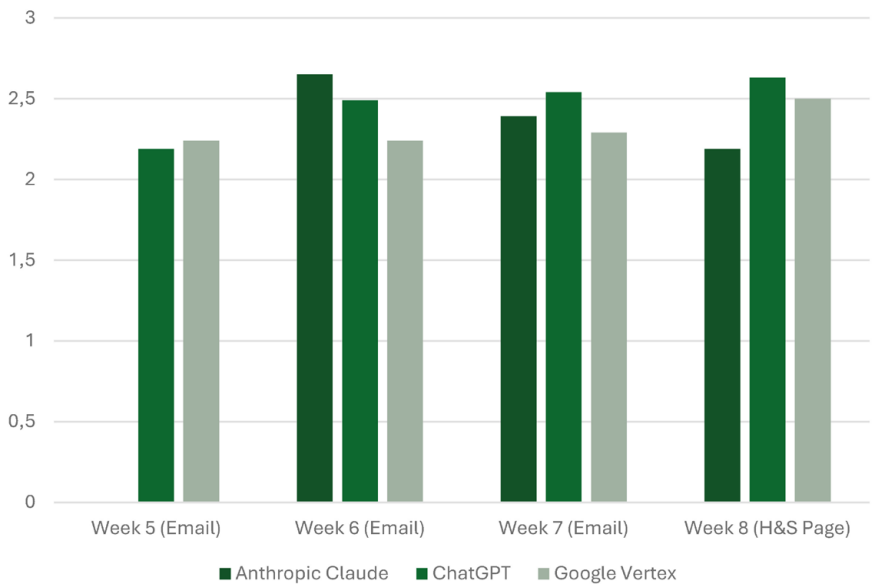
Source: Own elaboration

Figure 3. Evaluation LLM Translation Results (Dutch Language)



Source: Own elaboration

Figure 4. Evaluation LLM Translation Results (French Language)



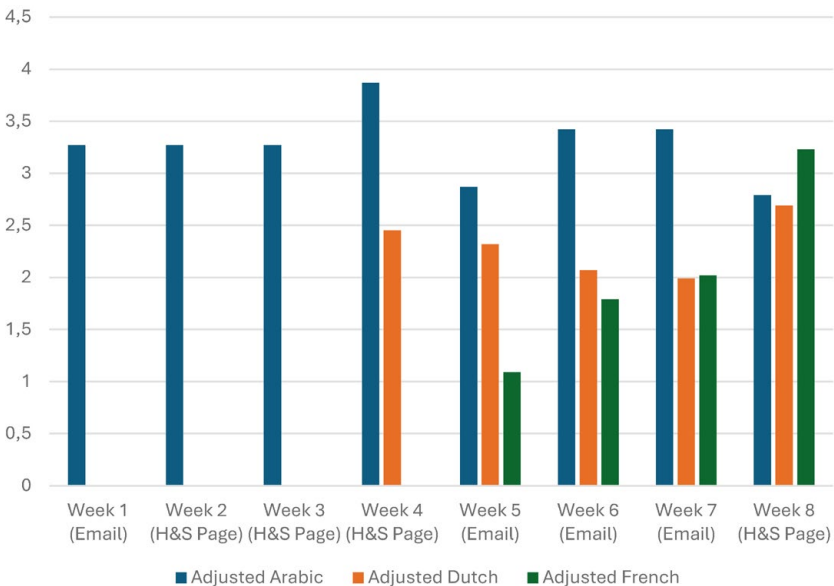
Source: Own elaboration

4.4. Fine-tuning the Models

To maximise success in using Large Language Models, it is very important to consider training the models very well. To test how the well-trained models could perform, the same translations were tested again using trained Vertex models. One model was trained using similar phrases to the expected text which would be translated, whilst the other models were generally trained with other general examples like localising currencies and times when translating. The quality results were different as expected.

In French, the trained model did not work very well with some localisation issues such as giving wrong time conversions in translations along with a few other issues that lowered the rating scores considerably, although the edit distance was lower. In Arabic translations, the Fine-Tuned Vertex worked successfully as expected because it had been initially trained with examples like the test assets, giving better rate scores (higher compared to the non-trained model) and better edit distance (lower compared to the non-trained model). In Dutch, the first trained model failed in time conversion with some inaccurate translations, although the edit distance did not show many changes to convert the text to the final readable text (lower edit distance). With retraining the models to solve a few repeated issues, the second trained model performed better with a few failures, but the time conversion issue was perfectly solved.

Figure 5. All Languages (Fine-Tuned Translation Scores)

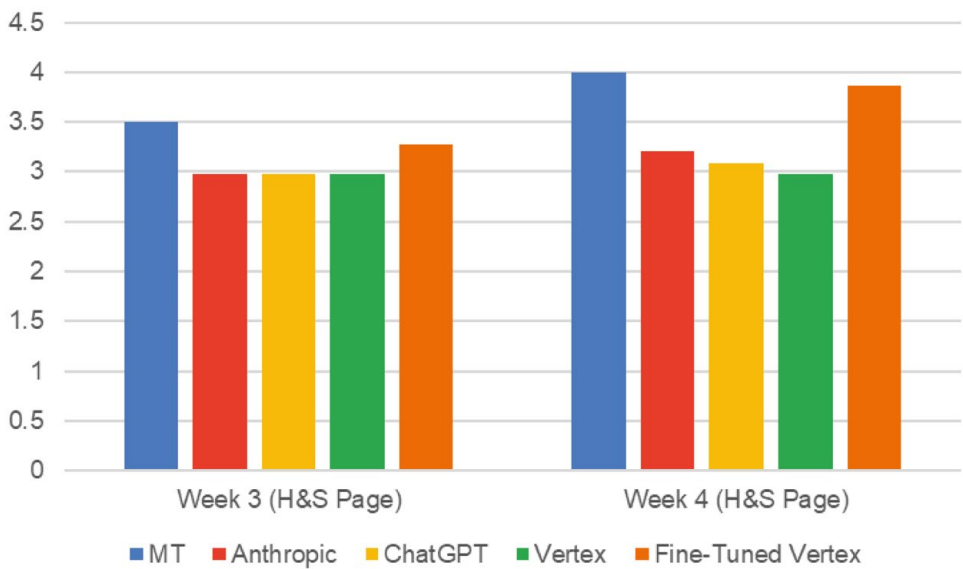


Source: Own elaboration

4.5. Comparison with Machine Translation

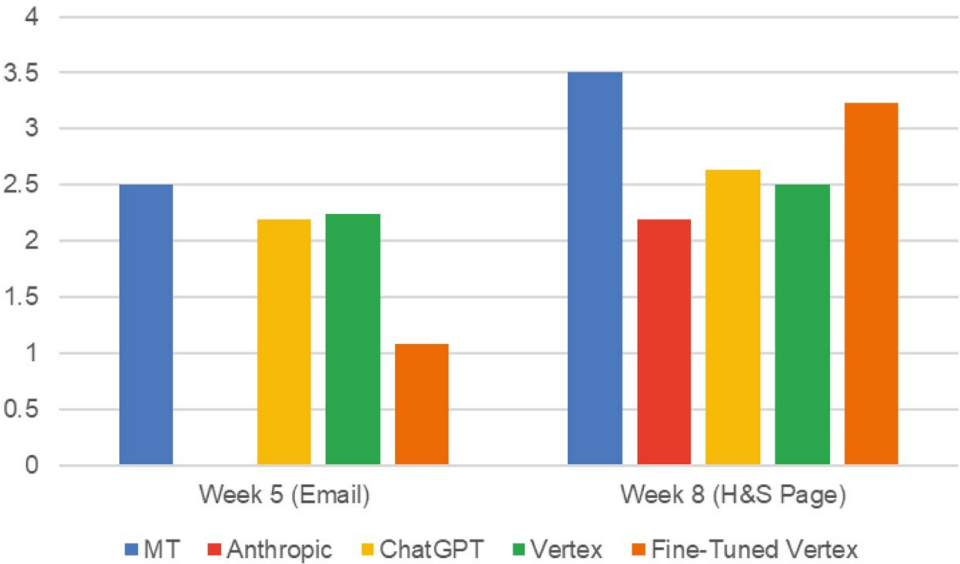
Machine Translation tools have been natively designed for translation jobs, whilst Large Language Models require specific training in doing translations, as well as maintaining good communication commands with the tools. Having that in mind, MT showed better and more professional translation results in this study, compared with LLMs. The translation speeds were also faster than LLMs, as well as the clear ability to handle large translations, maintain formatting and other elements, besides maintaining the usage of technical terminology across large translations. However, current LLMs work well for specific creative problem-solving such as doing localisation tasks alongside translation and respecting cultural solutions. The best solution is having a hybrid model of MT tool and LLM that could simply be an LLM solution integrated with a specialised manual or machine translation tool to assist in finding new optimal keywords, terminology, and sentence rephrasing.

Figure 6. Large Language Models vs Machine Translation (Arabic Language)



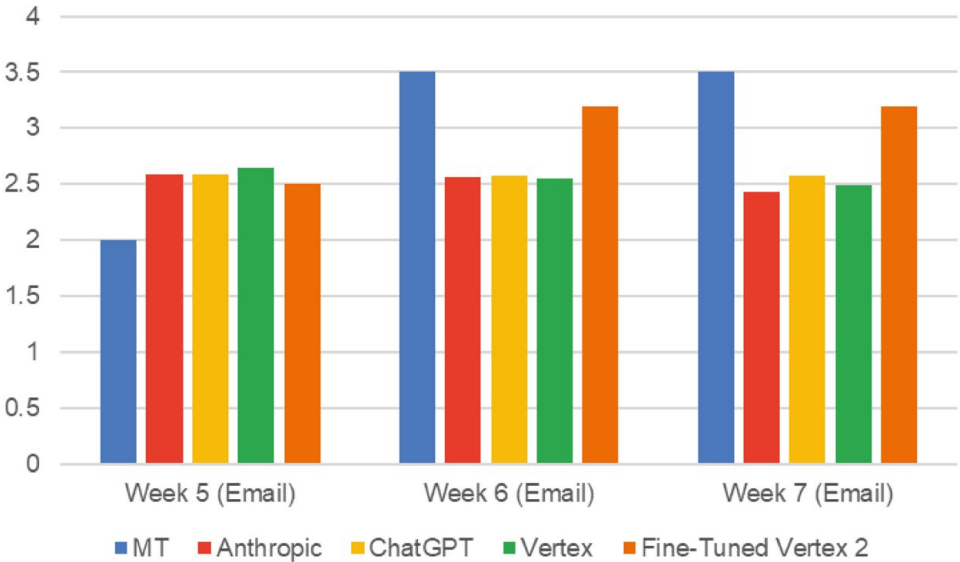
Source: Own elaboration

Figure 7. Large Language Models vs Machine Translation (French Language)



Source: Own elaboration

Figure 8. Large Language Models vs Machine Translation (Dutch Language)



Source: Own elaboration

5. Discussion

Assessing the success and failure of Large Language Models in translation for evaluating their performance in translation requires considering the current capabilities and limitations of Large Language Models. The research findings suggest a few key areas for consideration, including but not limited to understanding model behaviour, training the models according to needs, standardising the evaluation process, and integrating Large Language Models with Machine Translation for the best results.

5.1. Key Findings

Depending on the provided training to the models for understanding your needs, fine-tuned Large Language Models can suggest excellent terms, perfect translation and improved wording exceeding the capabilities of traditional MT systems. However, LLM solutions are currently struggling with a few issues such as handling large documents, busy servers, mislearning correctly with catching wrong information from global users, etc., besides the need to learn the best way for improving communication with LLMs in a form of perfect prompts.

5.2. Fine-tuning Impact

Fine-tuning the models of course results in improving LLM performance in translation according to the provided training. However, it is important to train the model very well, because poor training restricts LLM capability, resulting in minimal improvement or poor translations. The Arabic model was trained with segments like the translated texts, and the edit distances went lower (better) with correcting minor spelling standardisation, specification of industry terms, minor formatting changes, greeting personalisation, and minor terminology edits. In Dutch and French, even with having lower fine-tuned Vertex scores, the edit distances were lower compared to the regular Vertex, with having the main changes: shortened sentences, changed passive to active voice, standardised terminology, translated times to Dutch and French time zones (localisation), improved clarity and readability.

5.3. Practical Implications

The findings from this research will help in improving the development of future translation technologies. The analysis suggests that optimal translation results may be achieved through a hybrid approach that leverages the strengths of both LLM and MT systems, specifically for large and specialised translations.

6. Conclusions

This evaluation of LLM capabilities in translation clarifies how to use and train the models, as well as showing where the fine-tuned models could succeed with good training or fail with poor training. Also, it was highly notable that the best LLM performance in translation and other text-generated tasks requires very large training datasets which could be costly now, besides some other issues such as handling documents, text formats, response speed, losing the trained and developed windows, limited sizes, manually typing prompts, rejecting large texts, busy servers as of now, etc. However, once the model is well-trained for the specific job, LLMs perform perfectly in a way that could exceed the expectations of the model trainers themselves.

7. Recommendations

Based on the performed analysis, a few points could be recommended in terms of integrating Large Language Models with Machine Translation tools, training the large models for translations (fine-tuning), and future development paths of large language models.

7.1. Integrating LLMs with MT Tools

A hybrid model of MT tool and LLM seems to be a better option. That will maintain the existing MT capabilities in translation whilst leveraging LLM strengths for creative translations. Depending on the training of the models, LLMs can suggest excellent terms, good translation and improved wording to the existing professional MT translation.

7.2. Training the Models for Translations (Fine-Tuning)

Training the models may cost time and resources. However, it could be more efficient to use pre-trained LLM translation models which are natively trained for translations and then train the translation models further on the required linguistic styles. That will avoid having weak training, because training the model on just a few examples will restrict its capability, resulting in minimal improvement or poor translations.

7.3. Future Development Paths of Large Language Models

LLM technologies are currently developing very fast, with strong competition in the industry between the United States of America, China, and other countries. Whilst the technology is rapidly growing, it is important to focus also on improving LLM performance in areas where they currently show clear limitations such as handling documents and maintaining formatting, speeding up responses, fixing interruptions, etc.

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Coalition-Based Procurement for Decarbonisation: The First Movers Coalition and the Case of VELUX

Abstract

This paper investigates the role of coalition-based procurement initiatives, such as the First Movers Coalition (FMC), in accelerating supply chain decarbonisation through collective economic influence. Using a conceptual approach supported by a case study of VELUX, the analysis shows that the success of such initiatives depends not only on coalition frameworks but primarily on firm-level implementation. Long-term offtake agreements, clearly defined emissions criteria, and trust-based supplier relationships play a critical role in de-risking supplier investment and enhancing emissions transparency across value chains. The case of VELUX demonstrates that coalition participation can support-but does not replace-proactive buyer strategies for decarbonisation. The article contributes to the literature on sustainable procurement and collaborative market shaping while offering practical implications for business strategy and policy.

Keywords: First Movers Coalition, coalition-based procurement, supply chain decarbonisation, Scope 3 emissions, sustainable procurement, collective market influence

Zakupy koalicyjne na rzecz dekarbonizacji: First Movers Coalition i przykład VELUX

Streszczenie

Praca analizuje rolę wspólnych inicjatyw zakupowych, takich jak *First Movers Coalition* (FMC), w przyspieszaniu dekarbonizacji łańcuchów dostaw poprzez zbiorowy wpływ ekonomiczny. Korzystając z podejścia koncepcyjnego i studium przypadku firmy VELUX, artykuł pokazuje, że skuteczność takich inicjatyw zależy nie tylko od ram koalicyjnych, ale głównie od praktycznej implementacji przez firmy. Długoterminowe umowy zakupu, jasno określone standardy emisji i partnerskie relacje z dostawcami odgrywają kluczową rolę w ograniczaniu ryzyka inwestycyjnego i zwiększaniu przejrzystości emisji w łańcuchach wartości. Analiza VELUX pokazuje, że udział w FMC wspiera, ale nie zastępuje aktywnych działań firm na rzecz dekarbonizacji. Artykuł wnosi wkład do literatury dotyczącej zrównoważonych zamówień publicznych i wspólnego kształtowania rynku, oferując jednocześnie praktyczne wnioski dla polityki i strategii przedsiębiorstw.

Słowa kluczowe: *First Movers Coalition*, wspólne zamówienia, dekarbonizacja łańcucha dostaw, emisje Zakresu 3, zrównoważone zakupy, zbiorowy wpływ rynkowy

1. Introduction

The intensifying climate crisis demands robust decarbonisation strategies across all sectors. Companies must now address not only direct (Scope 1) and energy-related (Scope 2) emissions, but also indirect (Scope 3) emissions throughout their value chains, as defined by the Greenhouse Gas Protocol. These upstream and downstream emissions often constitute the majority of a firm's carbon footprint and are increasingly recognised as critical to climate mitigation (Thanawala, 2022; Li et al., 2019).

Recent studies highlight the strategic role of Scope 3 emissions in closing the global emissions gap. In many firms, they surpass Scopes 1 and 2 combined, reinforcing the need for private-sector leadership within broader non-state climate governance frameworks.

Policy initiatives such as the Paris Agreement and the European Green Deal are expanding corporate accountability. The EU has begun integrating Scope 3 reporting and target-setting into its 2030 climate agenda (Oberšt, 2024; Schwarte, 2021). Science-based Scope 3 targets are now considered a benchmark for corporate climate credibility (Duan et al., 2022; Sanderson & Stridsland, 2022).

In this context, procurement is emerging as a strategic–yet underused–lever for decarbonisation. By shaping supplier behaviour and stimulating demand for low-carbon inputs, procurement can play a transformative role. Still, widespread adoption remains limited due to high upfront costs, supplier constraints, and uncertain returns (Karakosta & Papathanasiou, 2025; Grytsenko et al., 2022).

Coalition-based procurement offers a potential solution. By aggregating corporate purchasing commitments, these initiatives reduce supplier risk and stimulate market transformation. The First Movers Coalition (FMC), launched in 2021 by the World Economic Forum and the U.S. Department of State, exemplifies this model. It unites major companies committed to sourcing future purchases—such as green steel or sustainable fuels—from low-emission suppliers.

This paper investigates the FMC's role in accelerating supply chain decarbonisation through collaborative procurement. Drawing on academic and policy literature and a case study of VELUX, a founding FMC member, the paper explores how such coalitions can address structural barriers and enable systemic change.

The study is guided by the research question:

What role do coalition-based procurement initiatives, such as the First Movers Coalition, play in accelerating supply chain decarbonisation through collective economic influence?

By addressing this question, the article contributes to the literature on sustainable procurement, collaborative governance, and climate-aligned supply chain transformation.

2. Literature Review and Conceptual Framework

2.1. Supply Chain Decarbonisation

Achieving the Paris Agreement's targets, particularly limiting global warming to below 2°C, requires coordinated emission reductions across public and private sectors. In addition to direct (Scope 1) and energy-related (Scope 2) emissions, companies are increasingly expected to address indirect (Scope 3) emissions across their value chains, which often account for over 70% of their total carbon footprint (Warzywoda et al., 2022; Kumar et al., 2020).

Scope 3 emissions stem from upstream and downstream activities—such as raw material extraction, production, logistics, product use, and end-of-life disposal. Though complex and indirect, these emissions are critical to corporate climate accountability. Dietz et al. (2018) note that firms targeting Scope 3 emissions tend to adopt more credible climate strategies due to the reputational and financial risks of inaction.

EU frameworks like the European Green Deal and the CSRD mandate increased Scope 3 transparency, pushing companies to integrate these metrics into core operations—though sector-wide implementation remains uneven (Cenci et al., 2023).

Research highlights the significant mitigation potential in this area. For example, in retail, emissions from purchased goods and logistics often exceed operational emissions (Ferreira et al., 2019). Interventions such as supplier engagement, sustainable sourcing, and product redesign can deliver substantial reductions.

Nonetheless, progress is hampered by data gaps, fragmented supplier networks, and weak incentives (Kumar et al., 2020; Cenci et al., 2023). Existing accounting tools are often inadequate, and inconsistent supplier participation limits effectiveness.

To address this, the Science-Based Targets initiative (SBTi) requires firms to include Scope 3 emissions in targets when they are a major share of total emissions. As Sanderson and Stridsland (2022) argue, including Scope 3 has become a benchmark for climate credibility and risk mitigation.

In summary, Scope 3 emissions remain a critical focus for climate action. Addressing them demands robust data, full supply chain cooperation, and procurement strategies aligned with global climate goals (Dietz et al., 2018; Warzywoda et al., 2022; Sanderson & Stridsland, 2022).

2.2. Economic Barriers and the Role of Collaborative Procurement

Despite increasing policy and corporate focus, sustainable procurement still faces persistent barriers—particularly in sectors where low-carbon options carry cost premiums. These challenges fall into three categories: economic, organisational, and capacity-related.

Economic constraints are the most frequently cited. In cost-sensitive industries, short-term financial targets often outweigh environmental considerations. High upfront costs and long payback periods for sustainable materials deter investment, even where long-term savings are likely (Oyewobi & Jimoh, 2022; Ma et al., 2022). Procurement frameworks that prioritise lowest-cost bids make it difficult to justify greener alternatives without fiscal incentives or reliable returns.

This is exacerbated by market failures. Suppliers are hesitant to invest in sustainable technologies without guaranteed demand. Without long-term offtake agreements, suppliers shoulder disproportionate financial risk (Ma et al., 2022). This risk asymmetry restricts the availability of low-emission solutions, despite buyer interest. As the interviewee from VELUX noted, “one buyer offtake commitment can make or break a decarbonisation investment from the supplier”—highlighting how a lack of coordinated demand undermines supplier readiness and slows progress industry-wide.

Organisational barriers further limit progress. Many firms lack integration between procurement and sustainability functions, resulting in fragmented climate action (Okafor et al., 2022). Structural inertia and reliance on long-standing supplier relationships often hinder the adoption of new, lower-emission practices (Meehan & Bryde, 2011).

However, this is not universal. Ilary Ranalli confirmed that VELUX has no such internal fragmentation. The company maintains an integrated, well-resourced sustainability function that aligns procurement with climate goals—enabling its active participation in initiatives like the First Movers Coalition.

Capacity gaps are also prevalent. Procurement professionals often lack the expertise to assess sustainability criteria or conduct life-cycle analyses (Eikelboom et al., 2018; Testa et al., 2016). Without proper training and tools, climate goals remain aspirational rather than actionable.

To overcome these obstacles, **collaborative procurement** has emerged as a viable strategy. It emphasises demand aggregation, joint investment, and coordinated buyer action. Such models send clear market signals, enabling suppliers to scale innovations and lower costs (Wang & Ran, 2018; Reynolds, 2024).

Effective collaboration hinges on shared goals, trust, governance, and transparency. Multi-stakeholder alliances can improve performance and accountability—especially when supported by digital tools and inclusive design (Dania et al., 2019; Sindakis et al., 2023). Still, issues of equity and coordination across regions remain (Ayala-Orozco et al., 2018).

In summary, overcoming economic barriers to sustainable procurement requires both structural reform and strategic collaboration. Coalitions that align buyer strategies and de-risk supplier investments can reposition procurement as a catalyst for climate innovation—rather than a cost-control function.

2.3. First Movers Coalition: Market-Shaping through Collaborative Procurement

The First Movers Coalition (FMC), launched in 2021 by the World Economic Forum and the U.S. Department of State, illustrates how coalition-based procurement can address market failures and accelerate supply chain decarbonisation. By aggregating future demand for low-carbon goods—such as green steel, zero-emission aluminum, and sustainable aviation fuel—the FMC targets the “first customer” barrier that often deters early investment in climate innovations.

Central to the FMC model is the idea that early, credible demand signals enable suppliers to scale emerging technologies. Long-term offtake agreements reduce risk and provide the financial predictability necessary to expand production, especially in hard-to-abate sectors like steel, cement, and aluminum. Members commit to sourcing materials such as hydrogen-based DRI steel and aluminum with high recycled content, linking procurement directly to upstream innovation.

This collective buyer action facilitates the creation of “lead markets,” where clean technologies can mature and diffuse. Aggregated demand not only lowers costs and unlocks private capital but also drives industry-wide standardisation—amplifying early adopters’ influence and fostering policy alignment. As Bergek and Jacobsson (2021) and Meckling et al. (2015) suggest, such mechanisms are essential for bridging early-stage funding gaps and steering industrial transformation.

Importantly, the FMC reframes procurement from a transactional process into a strategic market-shaping tool. Through joint contracts, shared targets, and transparent governance, it redistributes risk and promotes collaborative innovation. While challenges remain—such as supplier readiness and data harmonisation—the FMC demonstrates how targeted coalitions can reshape incentives, reduce fragmentation, and enhance the commercial viability of low-emission supply chains.

Ultimately, the FMC functions more as a strategic enabler than a procurement tool. It empowers companies to use their purchasing power to influence wider market dynamics and policy landscapes in favour of decarbonisation.

3. Methodological Approach

This study adopts a conceptual paper format, supported by a case study, to examine how coalition-based procurement—exemplified by the First Movers Coalition (FMC)—can accelerate supply chain decarbonisation. Conceptual papers are well-suited to emerging topics where practical developments outpace academic

theory. Given the novelty of coalition-led procurement in climate governance, this approach allows the integration of existing research with forward-looking insights grounded in business practice.

The conceptual framework draws from three interrelated strands: sustainable procurement, supply chain decarbonisation, and collaborative market shaping. It synthesises academic literature, policy reports, and industry sources to explore how coalitions like the FMC influence supplier behaviour, mitigate economic barriers, and support systemic transformation. Theoretical foundations include first-mover advantage, demand aggregation, and eco-innovation diffusion.

To illustrate these dynamics, the paper presents a case study of VELUX Group—a founding FMC member and sector leader in low-carbon procurement. VELUX is a relevant example due to:

- its operations in a carbon-intensive sector (construction materials) with high Scope 3 emissions;
- its science-based target of lifetime carbon neutrality by 2041;
- active involvement in FMC-related dialogues and commitments; and
- publicly available disclosures and third-party evaluations of its procurement strategy.

Case data is drawn entirely from secondary sources, including VELUX’s sustainability reports, FMC publications, press statements, and scholarly assessments of the firm’s climate approach. Additional insights come from a conversation with Ilary Ranalli, Supply Chain Decarbonization Senior Manager at VELUX, offering practitioner perspectives on organisational capacity and the role of offtake agreements in enabling supplier transitions.

While not intended for broad generalisation, the case concretely illustrates the conceptual mechanisms discussed. The methodology combines deductive reasoning from theory with empirical illustration, providing a structured lens to assess coalition-based procurement’s contribution to supply chain decarbonisation.

4. The First Movers Coalition in Practice: The Case of VELUX

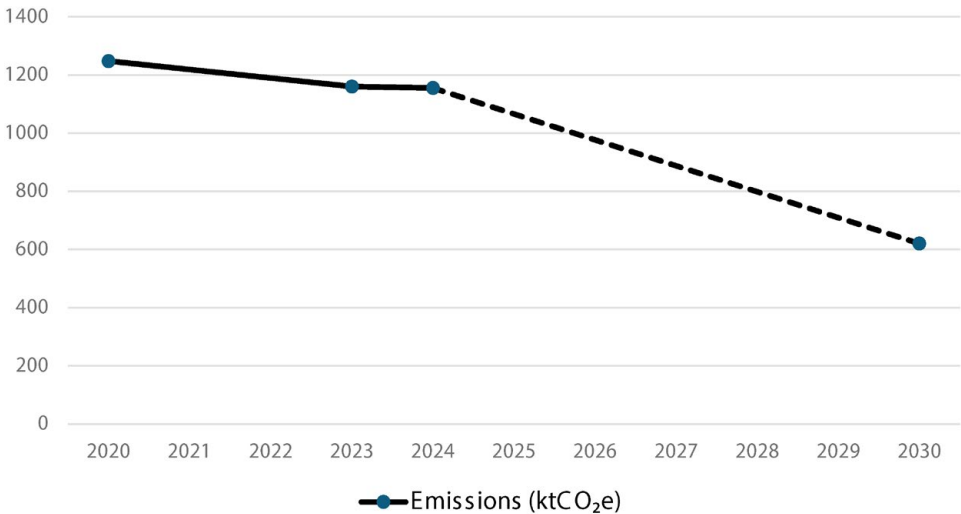
This section examines how VELUX Group applies coalition-based procurement through its participation in the First Movers Coalition (FMC), highlighting both sector-wide implications and company-level practices. Based on corporate disclosures and insights from VELUX’s Supply Chain Decarbonisation Senior Manager, the case illustrates how procurement can drive Scope 3 emissions reductions.

4.1. Strategic Procurement Implementation: Coalition Engagement and Supplier Evolution

The influence of coalitions in climate-aligned procurement is evident in VELUX’s transformation of collective commitments into supplier action. Its participation in the FMC demonstrates how strategic procurement frameworks can deliver measurable Scope 3 progress.

A key achievement has been the sharp increase in supplier emissions disclosure. From 2020 to 2023, the share of VELUX’s strategic suppliers reporting via the Carbon Disclosure Project (CDP) rose from 25% to over 70%. This shift was enabled by long-term contracts, active engagement, and integration of climate metrics into procurement processes. This progress reflects the role of coalition-backed procurement in boosting transparency, supplier capability, and accountability (Song et al., 2023; Huang et al., 2023). VELUX’s commitment to transparency is further illustrated by Scope 3 emissions progress shown in Figure 1.

Figure 1. VELUX Scope 3 Emissions Progress (ktCO₂e)



Source: Adapted from “The VELUX Group Sustainability Report 2024,” p. 5

Supplier engagement is vital for decarbonising complex value chains, particularly in sectors with high upstream emissions (Butt et al., 2024; Hettler & Graf-Vlachy, 2023). VELUX’s trust-based, collaborative model—built on shared targets and continuous dialogue—illustrates best practice. Tools like CDP reporting support these efforts by introducing normative pressure that drives climate accountability across the supply base (Villena & Dhanorkar, 2020).

4.2. VELUX and the Implementation of Collective Climate Procurement

VELUX operationalises coalition-based procurement through its role in the First Movers Coalition. As a founding member, it has aligned sourcing with coalition targets by adopting stringent criteria—such as $\geq 70\%$ recycled content and ≤ 3 kg CO₂-eq/kg for aluminum—and securing long-term contracts with low-carbon steel and glass suppliers.

These actions go beyond internal goals and represent a broader strategy to leverage procurement as a competitive advantage. Research shows that firms pursuing science-based targets and transparent sourcing are more likely to drive sectoral change and gain stakeholder trust (Giesekam et al., 2021; Akbulut & Alagöz, 2024).

VELUX's supplier collaborations are rooted in shared accountability and innovation. As noted by its Supply Chain Decarbonisation Senior Manager, “One buyer offtake commitment can make or break a supplier's decarbonisation investment,” highlighting how demand certainty shapes supplier action.

In addition to reducing emissions, coalition-based procurement enhances reputational and strategic positioning. Through transparency and cross-sector engagement, VELUX strengthens supplier alignment and contributes to sector-wide norm-setting. Its experience confirms that sustainable procurement has the most impact when grounded in collective goals, mutual accountability, and system-wide visibility (Ellram & Tate, 2024; Blanco, 2021; Asif et al., 2023).

This case highlights that while the FMC offers a valuable framework, its true impact depends on company-level implementation. At VELUX, progress is driven by offtake agreements, robust emissions criteria, and trust-based partnerships. These practices reduce investment risk and enable collective responsibility, tackling the economic interdependence that often hampers Scope 3 decarbonisation. Coalition procurement helps address structural barriers, but its success hinges on active buyer strategies and supplier collaboration.

5. Conclusion

This study explored how collaborative procurement—particularly within coalitions like the First Movers Coalition (FMC)—can help overcome the economic interdependence that often impedes supply chain decarbonisation. Using VELUX as a case, the analysis demonstrates that while frameworks like FMC are essential for aggregating demand and signalling market intent, their real impact depends on firm-level execution.

VELUX exemplifies how strategic procurement—anchored in long-term offtake agreements, defined emissions criteria, and supplier partnerships—can unlock scalable low-carbon solutions. These actions reduce supplier risk and enhance emissions transparency, addressing barriers such as high costs, low readiness, and uncertain returns. The increase in CDP reporting among VELUX’s suppliers (from 25% in 2020 to over 70% in 2023) illustrates the power of trust-based collaboration in building capacity and accountability.

While FMC provides critical infrastructure for aligning procurement with climate goals, it is best understood as an enabler—not a standalone solution. Its success relies on how companies translate coalition pledges into operational action. The VELUX case underscores the importance of embedding sustainability into procurement systems and fostering long-term cooperation beyond transactional relationships.

As enterprises increasingly encounter pressure to decarbonize their supply chains, coalition-based procurement presents a potential although intricate avenue. Future study should investigate how increased buyer participation, policy endorsement, and standardized criteria can enhance the effectiveness of coalitions in altering markets and facilitating large-scale climate-aligned procurement.

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Bridging the Cultural Intelligence Gap: The Role of Humanities Education in Developing Effective Communication Professionals

Abstract

In a modern world, both increasingly interconnected and polarized, cultural intelligence (CQ) becomes an essential competency for communication professionals. Initially designed to address international cultural diversity, CQ must now adapt to deal with complex cultural dynamics within societies. This article explores the critical role of humanities education in developing culturally intelligent practitioners that can build effective communication strategies despite generational divides, digital echo chambers, and societal polarization.

Keywords: Cultural Intelligence (CQ), humanities education, communication management, digital echo chambers, societal polarization, cross-cultural communication, generational divides, media consumption, cultural awareness, public relations strategies

Przerzucanie mostu nad luką w inteligencji kulturowej: rola edukacji humanistycznej w rozwoju skutecznych specjalistów ds. komunikacji

Streszczenie

Współczesny świat staje się coraz bardziej połączony, ale jednocześnie coraz bardziej spolaryzowany, co sprawia, że inteligencja kulturowa (CQ) staje się kluczową kompetencją dla specjalistów ds. komunikacji. Początkowo opracowana w celu zarządzania międzynarodową różnorodnością kulturową, CQ musi obecnie dostosować się do złożonej dynamiki kulturowej w obrębie społeczeństw. Niniejszy artykuł analizuje kluczową rolę edukacji humanistycznej w kształtowaniu specjalistów posiadających inteligencję kulturową, którzy potrafią opracowywać skuteczne strategie komunikacyjne mimo podziałów pokoleniowych, cyfrowych komór rezonansowych i polaryzacji społecznej.

Słowa kluczowe: inteligencja kulturowa (CQ), edukacja humanistyczna, zarządzanie komunikacją, cyfrowe komory rezonansowe, polaryzacja społeczna, komunikacja międzykulturowa, podziały pokoleniowe, konsumpcja mediów, świadomość kulturowa, strategie public relations

1. Introduction

Twenty years ago, P.C.Earley and S.Ang introduced the definition of a “cultural intelligence” or CQ as an individual’s “ability to adapt effectively across diverse cultural settings” (Earley and Ang, 2003). They believed it was a critical competency for any professional communicating in an increasingly interconnected world. Since then, the concept of CQ has been primarily applied to the international contexts. However, now that there is the evolving complexity within societies (shaped by such factors as generational divides, localized cultural clusters, and the pervasive influence of digital media), now, that the interconnection of our world leads also to the increasing level of global conflicts – it seems that a broader interpretation of CQ is in demand as we have to deal with cultural diversity – or rather polarization that manifests itself not only across national borders but also within them. Today, in order to achieve an effective communication, professionals must bear in mind not only cross-cultural differences but also the intricate cultural dynamics within their own societies. At the same time those professionals are themselves being influenced by the very same factors that make their target audiences less receptive to general, unified approaches to communications strategies.

The growing diversity within nations, driven by globalization on the one hand and by the resentment of traditionalists on the other, by immigration and socio-political shifts, has blurred the lines between traditionally homogeneous societies and those characterized by multiculturalism. Generational cohorts such as Millennials and Generation Z exhibit distinct cultural values and media consumption habits (Twenge, 2023), further complicating communication strategies. There is also a shift to a postmodern mode of content creation and consumption where grand narratives lose significance, where the elements of those narratives can be reassembled to suit personal preferences. This mode of consumption leads to a disruption of a unified culture code, as the engagement becomes more about immediate gratification than seeking deeper common meanings (Azuma, Abel, and Kōno, 2009).

At the same time, the rise of digital echo chambers has fostered societal polarization, limiting exposure to diverse perspectives and reinforcing pre-existing biases (Sunstein, 2017).

Meanwhile, these challenges are intensified by the crisis on humanities education in university curricula. Critical thinking, ethical reasoning, and cultural awareness – the competencies that were traditionally cultivated among the students and young professionals through humanities disciplines—are at risk of being sidelined in favor of vocational and technical training (Porter, Pold and White, 2017). This shift also limits the ability of communication professionals to address complex cultural and ethical dilemmas effectively.

This article explores the crucial and multifaceted role of CQ for an effective work of communication managers, emphasizing the importance of humanities education in professional training. It examines how societal polarization, the transition to online education, and social media usage have reshaped cultural education leading to certain gaps that can become barriers communication professionals who try to provide effective strategies in today's fragmented and often polarized cultural landscape. By addressing these gaps, this research aims to contribute to the training of culturally intelligent communication practitioners that will be capable of bridging divides and fostering meaningful relations with the public.

2. Modern challenges for communication management and a revised approach to cultural intelligence

In today's increasingly globalized and diverse environment cultural intelligence (CQ) is foundational to effective management in any field, including communications. The concept of CQ was developed by P. Christopher Earley and Soon Ang. In their groundbreaking work "Cultural Intelligence: Individual Interactions Across Cultures" they defined four key components of CQ as an individual's ability to effectively function and communicate in culturally diverse settings: cognitive CQ (knowledge of cultural norms, values, and practices), metacognitive CQ (the awareness and control of one's own cultural assumptions), motivational CQ (the interest and drive to engage with culturally diverse environments) and behavioral CQ (the ability to adapt verbal and non-verbal behavior in accordance with cultural expectations in diverse settings) (Earley and Ang, 2003).

A comprehensive approach to understanding and adapting to cultural contexts is very important for managers in order to identify, address and relate to cultural differences. And CQ-driven managers can also mediate conflicts finding more effective resolutions of culturally sensitive disputes.

In communication management, CQ enables professionals to adapt strategies to multicultural audiences. Any public relations, brand promotion or crisis communication campaign requires a nuanced understanding of target audience's insights including cultural expectations and sensitivities. By understanding diverse nuances, communication professionals can get higher audience engagement as a result of their activities.

On the other hand, the lack of CQ lead to cultural misunderstandings which are sometimes critical for communication campaigns. One of the best (or worst) examples was the case of the French company IPC introducing in 2013 a new product, "Cyclone B". Unfortunately, the lack of cognitive CQ prevented them from understanding that the name of their new biodegradable (hence "B") degreaser

sounded a lot like the infamous gas Zyklon B the Nazis used in the extermination camps (Jewish Press News Desk, 2013). The more anecdotal case is related to the scandal with Gerber in Africa: the global company used its standard packaging featuring a baby image, unaware that in some African countries, labels typically depict the contents of the package. This led to the confusion among the consumers who saw the jars that contained in their opinion not baby food but food made out of babies (Open Marketing Hub, n.d.).

CQ makes an impact not only on the effectiveness of marketing campaigns but also on the daily communications and negotiations. The lack of cultural knowledge about different communication approaches can lead to misinterpretations and conflicts (Janković-Paus, 2017).

As for the internal communications in a company, cultural differences in norms and expectations also very often often lead to conflict and reduced productivity. The modern studies show how misinterpretations of non-verbal cues, different approaches to hierarchy or contrasting decision-making processes have a negative impact on workplace communication (Mustajoki and Cherkunova, 2021).

Although initially the concept of CQ was designed to address the challenges of global businesses and was heavily influenced by Hofstede's cultural dimensions model, nowadays a communication manager needs a broader perspective that includes intranational diversity societal polarization, generational shifts, and digital subcultures. G.Hofstede categorized countries based on traits such as power distance, individualism versus collectivism, and uncertainty avoidance (Hostede, 1980). But he didn't consider many of the nuances that distinguish modern society. Several characteristics are to be mentioned in this regard.

Such factors as urbanization and immigration as well as an ongoing socio-political global led to an expanse of cultural diversity within nations. Modern communication technologies help create and maintain localized cultural clusters, create pockets of diversity that resist any external intervention. A.Flache and M.W.Macy observed that long-range social ties in small-world networks reduce cultural homogeneity but simultaneously deepen divisions, contributing to polarization (Flache and Macy, 2011).

Another layer of complexity comes from generational divides. Each generation shows differences in its values, communication styles, and priorities.

In case of the United States there is a growing cultural divide between older and younger generations. Younger Americans are increasingly diverse, often being first- or second-generation individuals of non-European ancestry and frequently bilingual. In contrast, baby boomers and seniors grew up in a period with a predominantly white European immigrant population. As for cultural exposure, baby boomers advocate for social changes like eliminating racial discrimination

and promoting workplace equality, but they had limited interaction with people from other countries. Modern youth are more globally connected and culturally exposed (Pew Research Center, 2018).

Even societies historically considered culturally homogeneous, such as Japan and South Korea, are experiencing increasing diversity and polarization. So, a traditional notion of cultural uniformity should be challenged by communication professionals when they work on strategies.

Japan has been traditionally viewed as one of the most homogeneous societies, but this country faced significant challenges due to globalization and immigration. Factors such as an aging population and the need for foreign labor have increased cultural diversity, leading to new communication challenges. Y. Sugimoto notes that this diversification has disrupted traditional social norms, requiring Japanese institutions to adapt their practices to engage effectively with multicultural communities (Sugimoto, 2014).

South Korea faces similar problems, as its cultural diversity grows due to immigration and shifts in generational attitudes. N.-K. Kim highlights how multicultural families and foreign workers are reshaping societal structures creating diverse groups characterized by different and sometimes polarized values and lifestyle (Kim, 2014).

This polarization is amplified by social media algorithms that create echo chambers: the users primarily engage with content that aligns with their existing beliefs. It reinforces their stereotypes and deepens societal divisions. Cass R. Sunstein highlights the dual nature of digital platforms: it serves both as a tool for democratization and as an instrument of division (Sunstein, 2017). So digital echo chambers help maintain virtual segregated environments, and segregation influences interpersonal interactions, which in turn affect attitude polarization (Feliciani, Tolsma and Flache, 2023).

Digital platforms have reshaped social interactions, forming localized cultural clusters within social networks (Palmieri, 2024). Research in *PNAS Nexus* highlights how echo chambers reinforce existing ideologies, amplifies biases, particularly in polarized societies where audiences are more likely to accept content that confirms their pre-existing beliefs, and drives social fragmentation. This phenomenon underscores the challenges communication professionals face in countering false narratives effectively (Kish, Dimant, Lelkes and Rand, 2024).

Traditional mass communication models aimed at broad audiences are increasingly ineffective in a fragmented digital landscape. Platforms' algorithmic curation further restricts the reach of messages intended to promote cross-group understanding and inclusivity (Journalism University, 2024).

Polarized audiences exhibit resistance to messages that challenge their beliefs, reducing the impact of communication campaigns. This resistance is particularly

pronounced in politically charged contexts, where audiences may dismiss information as biased or misleading. Research published in *Frontiers in Psychology* suggests that communication professionals must design strategies that not only consider these divides but also foster dialogue and empathy across ideological boundaries (Bliuc, Bouguettaya and Felise, 2021).

All those trends represent unique challenges for communication professionals. As societies become more heterogeneous and polarized, it is essential to develop strategies that address these complexities:

- a. cultural competence in communication: it is critical to understand the norms and values of diverse cultural groups and to follow the evolution of societal contexts in order to adapt communication approaches.
- b. adapting strategies for heterogeneous societies: communication strategies should balance respect for traditional values with an understanding of new cultural influences.
- c. utilizing quantitative tools for communication planning: there are several tools that provide valuable insights. J.Fearon developed indices that measure ethnic and cultural diversity across countries, demonstrating the internal complexities within nations. For example, countries traditionally viewed as homogeneous often rank higher than expected on these indices, reflecting the presence of ethnic minorities and cultural subgroups that influence societal dynamics (Fearon, 2003). There is also a D-PLACE (<https://d-place.org/>) – The Database of Places, Language, Culture, and Environment that provides comprehensive data on how cultural diversity shapes social behaviors and communication practices.
- d. addressing polarization: communication strategies must consider the impact of digital echo chambers and socio-cultural divides. To mitigate this effect, communication professionals must adopt innovative strategies that promote media literacy (i.e. educate audiences on recognizing bias and seeking diverse perspectives), design inclusive messages, based on common goals and shared values of polarized groups, use multiple digital and traditional channels to bypass the limitations of algorithms, create opportunities for conversations between opposing groups to reduce hostility and to create opportunities for collaboration.

In the light of those trends, the traditional view of CQ, centered on understanding international cultures, is no longer sufficient in addressing the complexities of modern societies. Today, effective communication requires a multifaceted approach to CQ including the recognition of the diverse values and communication styles of different age groups, the engagement with fragmented and polarized online communities and the acknowledgement of diverse cultural identities and political ideologies within a single nation.

3. The role of humanities education in developing CQ among communication specialists

It is clear that humanities studies equip the professionals with the skills, knowledge, and perspectives needed to develop the four components of cultural intelligence.

As for Cognitive CQ (**knowledge of cultural norms, values, and practices**), philosophy and ethics encourage the exploration of universal themes and cultural relativism, helping understand how values differ across contexts. Disciplines like anthropology, history, literature, and cultural studies provide insights into the norms, values, and practices of different societies.

To develop one's Metacognitive CQ (awareness and control of one's own cultural assumptions), courses in comparative religion, sociology, or cross-cultural communication provide tools for analyzing how one's cultural background. Literary analysis helps develop the ability to see situations from multiple perspectives.

As for Motivational CQ (**interest and drive to engage with culturally diverse environments**), exposure to works from diverse authors, artists, and philosophers nurtures curiosity and empathy by emphasizing the richness of cultural diversity. This motivates individuals to explore and engage with other cultures, it sparks a personal interest in learning about other cultures.

And in case of Behavioral CQ (ability to adapt verbal and non-verbal behavior to cultural expectations), language studies are especially crucial. They provide the tools to make verbal communication effective in multicultural settings, and they show the subtleties of etiquette and behavior across cultures. Performing arts, linguistics, and theater studies help students adapt their communication styles for different cultural contexts, emphasizing body language, tone, and other non-verbal cues.

Humanities education is integral to the development of analytical, interpretive, and critical thinking skills. These competencies enable communication professionals to work effectively with diverse audiences, to interpret cultural nuances and social trends. They also shape frameworks for exploring moral reasoning and ethical dilemmas which is important for communication strategizing in order not to erode public trust. A decline in humanities education threatens this skillset, potentially leaving professionals ill-prepared to address the multilayered challenges of modern communication.

As F.Donoghue highlights, the humanities provide a lens for understanding the social and cultural dynamics that shape human interaction (Donoghue, 2008). And this is the foundation for developing CQ among communication professionals.

4. The supposed crisis of Humanities education

What many researchers call a crisis of humanities education in higher education is a global trend, reflecting a broader shift toward technical and vocational training. This transition, while addressing immediate industry needs, has raised concerns about the long-term implications for communication professionals.

Some studies show indeed that there is a loss of academic authority in Humanities education for quite some time (Ikpe, 2015). This is because less students are interested in the subject, and the universities prioritize business and technology studies over Humanities (Cavana, 2022).

In Great Britain humanities enrolments have fallen both in absolute and relative terms since 2009 (Roberts, 2021).

A 2017 report by the British Academy, for instance, found that enrolments in language courses had been declining for a decade and that many departments had downsized or shut in this period (British Academy, 2017).

Data from the American Academy of Arts and Sciences (2021) illustrates a significant decline in humanities enrollments, with notable exceptions at community colleges. Over the past two decades, the proportion of students pursuing humanities degrees has decreased, particularly in fields related to communication. This trend correlates with changing societal perceptions of the humanities as less practical or marketable compared to STEM and business disciplines (American Academy of Arts and Sciences, 2021).

This shift also risks sidelining the core intellectual values traditionally upheld by humanities education. Universities are increasingly treating students as customers, focusing on consumer satisfaction rather than intellectual rigor, (Ingram and Cuklanz, 2016). Instead of upholding the academic values – such as intellectual freedom and critical inquiry – a simpler goal of pleasing students is dominating in many cases. And this process contradicts the essential qualities of humanities education that help develop cultural intelligence – intellectual fluidity, ethical commitment, readiness for a constructive dialog with the opponents.

Although it should be clear that courses that cultivate critical thinking, ethical reasoning, and cultural awareness are essential for future communication professionals, especially in the age of social polarization, there is a certain lack of public trust and respect for humanities studies.

About half of the Americans believe that STEM jobs “pay better, attract more of the brightest young people and are more well-respected” (Pew Research Center, 2018). Even President Barak Obama made such point in his public speech in 2014: “Folks can make a lot more, potentially, with skilled manufacturing or the trades than they might with an art history degree” (The White House, 2014).

The United Kingdom has experienced fluctuations in international student enrollments. The *Financial Times* reports a 35% decline in deposits from international students for courses beginning in 2024 compared to August 2023 (Financial Times, 2024). This decrease raises concerns about the potential impact on communication programs, which have traditionally attracted a diverse international cohort. Factors such as visa restrictions and rising tuition fees may contribute to this trend.

In many countries, such as the United Kingdom, governmental funding for non-technical courses is being reduced, or as some public commentators put it “the arts and humanities are marginalised in Government thinking” (Daley and Smith, 2022). In 2021 the Office for Students’ (a regulator to the higher education sector in the UK) suggested that music, dance, drama and performing arts, as well as art and design, media studies and archaeology, were not ‘strategic priorities and therefore possible targets for 50% cuts in funding (The Office for Students, 2021). So the British government publicly announced its intention to reduce funding for arts, social sciences, and humanities degrees it deems “low value.” (The Boar, 2021).

In Russia, the state is also more interested in technical specialists and demonstrates this by providing subsidies for free education. In 2023, the largest number of free students among all students in a specific field were mechanics and mathematicians (78.2%), power engineers (74.1%), oil workers and geologists (73.9%), and specialists in the field of land transport (73.3%) (Vedomosti, 2023).

All these competencies are undoubtedly important, but any reduction in humanities courses eliminates the educational background needed to cultivate all four components of CQ. It risks creating professionals who are technically proficient but lack the depth of insight required for impactful communication. As *The Paw Print* (2023) argues, the decline in humanities education risks creating professionals who are technically proficient but lack the depth of insight required for impactful communication (The Paw Print, 2023).

Restructuring Humanities education to develop Cultural Intelligence among communication specialists

However, it is worth noting that some representatives of the academic community don’t call the current crisis of humanities education as a decline. They claim it’s merely about the redistribution of the structure of courses towards an interdisciplinary approach. STEM students study humanities more and more as part of their programs. According to a report by representatives of several British universities, it is not entirely correct to talk about a true decline students’ interest toward the humanities – at least among British students (Thain, Fitzmaurice, Gill, Gregory, Harkness, Marshall, Pittock and Thorpe, 2023).

The analysis of the humanities course catalogs from leading universities (the University of Oxford, Harvard University, Stanford University, the Massachusetts Institute of Technology (MIT), the University of Cambridge, and the University of Chicago) –consistently ranked in the QS Top 10– proves that all of them maintained a comprehensive range of courses in psychology and cultural studies.

Recent additions for University of Oxford include modules addressing contemporary societal challenges, such as cultural polarization and the dynamics of intranational diversity, reflecting an effort to integrate traditional humanities education with modern societal issues (University of Oxford, n.d.).

Cambridge has expanded its offerings within the Faculty of Human, Social, and Political Science to include courses that explore societal polarization and the cultural dynamics of modern societies (University of Cambridge, n.d.).

Harvard's Department of Psychology and the Committee on Degrees in Studies of Women, Gender, and Sexuality have expanded their curricula to address themes such as generational differences and media consumption (Harvard University, n.d.).

The curriculum of MIT includes specialized modules on cultural diversity and polarization, illustrating the institution's focus on addressing pressing societal issues (Massachusetts Institute of Technology, n.d.).

The Stanford courses explore the intersection of technology, culture, and society, offering students nuanced perspectives on the cultural implications of technological advancement (Stanford University, n.d.).

The Division of the Humanities at the University of Chicago has introduced courses emphasizing cultural diversity and societal polarization. These offerings provide students with critical tools for analyzing the cultural dimensions of contemporary issues (University of Chicago, n.d.).

Despite notable advancements in humanities education, there are certain gaps that remain apparent based on the analysis of the curricula. First, there is a limited focus on cultural diversity and polarization within individual nations, on nuanced cultural dynamics that shape intranational interactions and communication. Second, there is the limited presence of studies related to generational differences in cultural values and media consumption.

5. The influence of online education on CQ development

There is another problem influencing the development of CQ among future communication specialists – the shift toward online and hybrid learning. It has fundamentally reshaped higher education over the past decade, with the COVID-19 pandemic acting as a catalyst for rapid adoption. Universities globally have increased their online offerings to meet evolving learner needs,

enabling broader accessibility but also raising concerns about the long-term implications for educational quality and cultural immersion (World Economic Forum, 2020).

Actually, this trend started even before the pandemic. According to the National Center for Education Statistics (2021), in the fall of 2021, 61% of all U.S. undergraduate students enrolled in at least one distance education course, and 28% were exclusively online National Center for Education Statistics, 2021).

Although online education expands access, it also creates challenges to cultural immersion, complicating the development of cross-cultural competencies and CQ. The research by O'Dowd (2017) indicates that virtual exchanges, while beneficial, cannot fully replicate the depth of cultural understanding achieved through in-person experiences due to reduced in-person interaction and limited experiential learning (O'Dowd, 2017).

6. Conclusion

In an increasingly interconnected and at the same time polarized world, cultural intelligence appears to be a critical competency for communication professionals. Initially CQ was conceptualized as a tool for managing cross-border business interactions, but now it must also address the nuanced cultural dynamics within national boundaries. The need for strategies that are based on a preliminary analysis and understanding of true cultural diversity comes from such factors as generational divides, societal polarization, and the influence of digital echo chambers.

The challenges outlined in this article—ranging from the decline in popularity of humanities education to the limitations imposed by online learning—highlight gaps in the current educational framework that are crucial for future communication professionals. Humanities disciplines play a very important role in developing the critical thinking, ethical reasoning, and cultural awareness – all of which is necessary for all four components of CQ. However, there is a global trend of deprioritizing humanities in favor of technical and vocational training, and there is a risk for undermining these essential competencies.

The shift toward online education, while expanding accessibility, has also limited opportunities for immersive cultural learning, further complicating the development of CQ leaving the gaps in preparing communication professionals.

To bridge these gaps, a renewed focus on humanities education is imperative. Communication industry professionals should advocate for the importance of humanities education by highlighting its role in successful campaigns and decision-making processes. And awareness should be raised among students and employers about the practical applications of humanities skills in communication.

Universities must prioritize courses that address such things as cultural diversity, societal polarization, and digital subcultures, combining them with practical training in communication strategies.

Ultimately, developing culturally intelligent communication practitioners is not merely an academic goal, it's a social necessity. The cornerstone of effective communication in the 21st century is the ability to bridge these divides with skills based on cultural intelligence.

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Global Convergence in Mandatory Due Diligence: Comparative Analysis Through Regulatory Convergence Theory

Abstract

This article evaluates the global evolution of sustainability due diligence requirements using a systematic comparative approach. By evaluating the regulatory developments from 2010 to 2024, a pattern of 'structured divergence' was identified in which core substantive elements of due diligence regulations show synergies while procedural requirements remain jurisdictionally different. Regulatory Convergence Theory is used as the primary theoretical lens to analyze how different jurisdictions adopt increasingly similar regulatory approaches over time while distinct implementation characteristics are maintained. The analysis shows that European approaches demonstrate higher strictness, reach, and Triple Bottom Line balance compared to North American frameworks, which reflects deeper differences in regulatory philosophy. This research offers theoretical insights into how global regulatory convergence shapes sustainability governance.

Keywords: regulatory convergence theory, Due Diligence corporate sustainability, structured divergence, comparative analysis, European Union

Globalna konwergencja w obszarze obowiązkowej należytej staranności: analiza porównawcza przez pryzmat Teorii Konwergencji Regulacyjnej

Streszczenie

Niniejszy artykuł analizuje globalną ewolucję regulacji obowiązkowej należytej staranności w zakresie zrównoważonego rozwoju poprzez systematyczną analizę porównawczą. Na podstawie oceny rozwoju regulacyjnego w latach 2010–2024 zidentyfikowano wzorzec „rozbieżności strukturalnej”, w którym podstawowe elementy merytoryczne regulacji należytej staranności wykazują synergie, podczas gdy wymogi proceduralne pozostają różne w poszczególnych jurysdykcjach. Teoria Konwergencji Regulacyjnej została wykorzystana jako główna perspektywa teoretyczna do analizy sposobu, w jaki różne jurysdykcje przyjmują coraz bardziej podobne podejścia regulacyjne w czasie, jednocześnie zachowując odrębne charakterystyki implementacyjne. Analiza pokazuje, że podejścia europejskie wykazują wyższą surowość, zasięg i równowagę Triple Bottom Line w porównaniu z ramami północnoamerykańskimi, co odzwierciedla głębsze różnice w filozofii regulacyjnej. Niniejsze badanie oferuje teoretyczny wgląd w to, jak globalna konwergencja regulacyjna kształtuje zarządzanie zrównoważonym rozwojem.

Słowa kluczowe: Teoria Konwergencji Regulacyjnej, *Due Diligence*, zrównoważony rozwój korporacyjny, rozbieżność strukturalna, analiza porównawcza, Unia Europejska

1. Introduction

The past decade has shown a paradigm shift for corporate accountability, moving from voluntary initiatives to mandatory sustainability due diligence requirements. With this transformation, a fundamental reconceptualization of corporate responsibility is demonstrated which goes beyond traditional ownership and control limits (Narula et al., 2019; Sinnig & Zetzsche, 2025; Wilhelm, 2024). The number of jurisdictions (i.e., states, governments, or countries) in the world which are implementing mandatory due diligence legislation increased from just two to over twenty between 2015 and 2025, with especially growth after 2020 (de Kluiver, 2023; LeBaron & Rühmkorf, 2017; Macchi & Bright, 2020; Nolan, 2018).

Several elements drove this global regulatory evolution: First, changing public expectations require corporate accountability for supply chain practices (Gustafsson et al., 2023b; Velluti, 2024). Second, growing investor pressure with growing ESG assets (Edunjobi, 2024; Liang & Renneboog, 2020), Third, the 2015 Paris Agreement and the climate discussions have enhanced emerging technologies like AI and initiatives like the Belt and Road Initiative supporting energy transition (Chishti et al., 2024; Kortelainen, 2022; Macchi, 2021). Fourth, high-profile supply chain scandals have increased human rights awareness (Emerald Expert Briefings, 2022; Lu & Delaye, 2025; Salcito, 2023) and accelerated demand for comprehensive due diligence mechanisms (Bright & Bueno, 2023; Nartey, 2024; Quijano & Lopez, 2021).

The European Corporate Sustainability Due Diligence Directive (CSDDD), represents a milestone as perhaps the most comprehensive due diligence framework to date. The CSDDD in its original agreed form affects around 6,900 EU and non-EU companies through extraterritorial provisions (Garcia, 2024; Jevremovic Petrovic, 2025) and establishes new standards for corporate accountability by requiring companies to identify and address adverse human rights and environmental impacts throughout their entire value chain (Cantú Rivera, 2024; European Commission, 2024; Guarriello, 2024; Mieszkowska, 2024). However, besides strong initial ambitions, the final text had weaknesses that may limit the effectiveness (Bakhtina, 2024; O'Brien & Christoffersen, 2023), therefore the European Commission continues refining regulations to reduce administrative burdens (Podesta, 2025).

Despite intensive study into regulatory trends, there are significant gaps in implementation assistance for businesses navigating such a complex landscape. The existing literature offers limited cross-jurisdictional implementation guidance, focused mostly on single-country compliance or specific sectors. (Brandenburg et al., 2024; Bright & Bueno, 2023; Deva, 2023; Müller, 2021; Rumthum, 2023). Academic research often provides insufficient consideration of operational realities, particularly integration challenges into existing business processes (Meinlschmidt et al., 2018), while the absence of efficiency frameworks for

multi-regulation compliance creates unnecessary duplication for companies operating across multiple jurisdictions (de Kluiver, 2023). Recent criticisms highlight that mandatory human rights due diligence laws may become a mirage for rightsholders without addressing underlying power imbalances (Deva, 2023), and may produce unintended consequences such as superficial compliance approaches, potential divestment from high-risk regions, and disproportionate burdens on smaller suppliers in developing countries (Mieszkowska, 2024).

This paper addresses the research question: **How are various jurisdictions approaching mandatory due diligence requirements?** The objective is to analyze convergence patterns in global regulations (Bright et al., 2024; Endl, 2024) and to develop an understanding of regulatory development based on Regulatory Convergence Theory (Braithwaite & Drahos, 2020; Dhanarajan, 2016).

This research examines how various jurisdictions approach mandatory due diligence requirements through systematic comparative analysis using Regulatory Convergence Theory. The analysis focuses on identifying patterns of convergence in substantive requirements and divergence in procedural implementation across jurisdictions.

The paper is organized in the following structure: Chapter 1 presents the literature review and theoretical framework, establishing the groundwork for global convergence in mandatory due diligence regulations. Chapter 2 describes the methodology for developing a structured analytical framework for analyzing due diligence regulations around the world. Chapter 3 presents the analysis and findings, including the comparative analysis of regulations and identified patterns. Chapter 4 discusses the theoretical and practical implications and concludes with future research directions.

2. Literature review and theoretical framework

2.1. Evolution of Due Diligence Regulation

Corporate sustainability due diligence has gone from traditional financial and legal risk assessment to incorporate broader environmental, social, and governance factors (Wilhelm, 2024). This reflects an increasing awareness that corporations are accountable for impacts across their value chains, not just inside their own operations (Grimm et al., 2023; Meinlschmidt et al., 2018).

The regulatory path started with voluntary initiatives, most notably the United Nations' Guiding Principles on Business and Human Rights (UNGPs) from the United Nations (2011), which established the “protect, respect, remedy” framework for corporate responsibility (Soundararajan et al., 2019). After the UNGPs the revised OECD Guidelines for Multinational Enterprises followed, which integrate human rights due diligence into international standards

for responsible business conduct (OECD, 2011). Early national legislation focused mainly on transparency and disclosure. For example the California Transparency in Supply Chains Act established by the State of California (2010) as well as the UK Modern Slavery Act from the UK Government (2015) required companies to report about their efforts to eliminate human trafficking and slavery but stopped short of mandating specific due diligence processes (Birkey et al., 2018; LeBaron & Rühmkorf, 2017).

The real shift to mandatory due diligence started by the French Duty of Vigilance Law in 2017, requires large French companies establishing vigilance plans, to address human rights and environmental risks (République Française, 2017). This was followed for example by the Dutch Child Labor Due Diligence Act (Enneking, 2019; Dutch Government, 2019), the German Supply Chain Due Diligence Act (Bundesministerium für Justiz, 2021), Norwegian Transparency Act (Norwegian Government, 2022), and Swiss Responsible Business Act (Swiss Federal Council, 2021). All of them increase the scope and requirements of corporate due diligence (Bright et al., 2024). The European CSDDD is at the top of this trend, including enhanced due diligence requirements as well as introducing civil responsibility measures and climate transition commitments (European Commission, 2024). The CSDDD builds on prior approaches while introducing new requirements for corporate accountability. It contains not only components from national rules, such as the French Duty of Vigilance Law and the German Supply Chain Act, but also expands coverage to include both human rights and environmental issues (Brandenburg et al., 2024; Dehbi & Martin-Ortega, 2023). The CSDDD is also underpinned by key international guidelines and EU regulations, such as the UN Guiding Principles on Business and Human Rights (United Nations, 2011), the OECD Guidelines (1976, 2011, 2012) for MNEs, the EU Non-Financial Reporting Directive (European Commission, 2014), the Corporate Sustainability Reporting Directive (European Commission, 2022), the EU Green Deal (European Commission, 2019) and the Circular Economy Action Plan (European Commission, 2020).

2.2. Comparative Analysis of Regulatory Approaches

European states have led the mandatory due diligence law development, with national measures before EU-wide regulation. The French Duty of Vigilance Law for example established broad corporate obligations with civil liability provisions (République Française, 2017), while the German Supply Chain Act implemented comprehensive risk management with administrative enforcement and financial penalties (Bundesrepublik Deutschland, 2021). The Dutch Child Labor Due Diligence Act took a focused approach targeting specific human rights concerns across all companies serving Dutch consumers (Dutch Government, 2019).

European approaches display more strictness and broader reach than North American frameworks, reflecting a deeper regulatory philosophy of the EU. The EU focuses on comprehensive legal norms and enforcement mechanisms (O'Brien & Christoffersen, 2023; Wulf & Velte, 2024).

The North American approaches have more targeted legislation to address specific human rights concerns instead of comprehensive frameworks. The US implemented for example the Dodd-Frank Act provisions on conflict minerals (U.S. Government, 2012), Trade Facilitation and Enforcement Act (Congress.gov, 2015), and Uyghur Forced Labor Prevention Act, with focus on particular materials, regions, or practices (CBP, 2021). Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act represents a hybrid approach that combines reporting requirements with import restrictions (Government of Canada, 2024). Finally, Asia-Pacific jurisdictions have been slow to implement mandatory due diligence legislation, with Australia's Modern Slavery Act establishing reporting requirements for large corporations (Australian Government, 2018), whereas Japan focuses on voluntary initiatives despite pressure for mandatory measures, with 70% of surveyed companies supporting regulations (Human Rights Now, 2024).

2.3. Common Elements and Divergences

Reviewing global due diligence regulations shows five core elements. First, to identify potential human rights and environmental impacts, risk assessment processes are required (Cantú Rivera, 2024; O'Brien & Christoffersen, 2023). Second, prevention and mitigation measures are required, with the focus on prioritizing the most severe risks (Lafarre, 2023b; Shulman, 2024). Third, stakeholder engagement is increasingly required, especially with affected communities and rights-holders (Cantú Rivera, 2024). Fourth, all regulations require to track and document the due diligence efforts (Bluff, 2018; Cerqua et al., 2024). Fifth, obligations for communication and reporting appear in all regulations while format and content requirements are different (Bright et al., 2024; Potoski & Prakash, 2004).

Differences also exist for sectoral focus, for example extractives, textiles, agriculture, and electronics receive particular attention in certain jurisdictions (Cardona Vallès, 2024; Sauer & Seuring, 2017). Mechanisms for enforcement range from administrative oversight to financial penalties and civil liability provisions with significant penalty severity variation (de Kluiver, 2023; O'Brien & Christoffersen, 2023). Reporting requirements are different in regards to frequency, content, and verification standards (Fornasari & Traversi, 2024). The degree in variation is shown by the application scope, with thresholds based on employee numbers, revenue, legal form, and sectoral focus creating complex regulatory landscapes for multinational enterprises (O'Brien & Christoffersen, 2023).

2.4. Theoretical Framework: Regulatory Convergence Theory

A theoretical lens for understanding the evolution of global due diligence regulations is provided by regulatory convergence Theory, because it supports to analyse how different jurisdictions adopt increasingly similar regulatory approaches over time while maintaining distinct implementation characteristics (Braithwaite & Drahos, 2020; Velluti, 2024). The theory explains harmonization in terms of various aspects. First, international organizations such as the UN and OECD establish common normative frameworks that shape national regulation and provide foundational norms that influence domestic implementation (Buhmann, 2024; Koula, 2024; Rasche & Waddock, 2021). Second, policy diffusion occurs as successful regulatory models are adopted across jurisdictions, with early adopters like France influencing subsequent frameworks (Bright et al., 2024; Schilling-Vacaflor & Gustafsson, 2024). This aligns with what Lafarre (2023b) identified as a growing patchwork of national requirements that necessitates harmonization, particularly regarding consequences of non-compliance and enforcement mechanisms. Third, while multinational enterprises seek regulatory standardization to simplify global operations, sustainability due diligence regulation effectiveness depends on robust state-driven oversight, currently inadequate and leaving accountability primarily to consumers, civil society, and investors (Bright & Bueno, 2023). Fourth, civil society organizations push for the same rights across borders, putting pressure on different governments to implement comprehensive due diligence procedures (Deva, 2023; Schilling-Vacaflor & Gustafsson, 2024).

Besides harmonizing pressures, significant divergence factors persist, such as different legal traditions, differences in industrial composition and economic priorities, domestic political considerations, and existing regulatory frameworks that influence how new requirements are integrated (Lafarre, 2023b; Marx, 2025). The interaction between convergence and divergence forces creates what will be called “structured divergence” in this Paper – a pattern where core substantive principles align while implementation details and procedural requirements vary according to local context (Bright et al., 2024; Endl, 2024). The comparison of regional approaches shows such a structured divergence very well., for example European countries use comprehensive frameworks with civil responsibility elements, whereas North American methods emphasize tailored regulations that addresses specific human rights concerns via import restrictions and disclosure requirements (O’Brien & Christoffersen, 2023; Shulman, 2024). The CSDDD represents a synthesis combining civil liability mechanisms, risk management requirements, and expanded coverage across human rights and environmental dimensions (Cantú Rivera, 2024; European Commission, 2024; Oehm, 2024).

Based on this understanding, three patterns of global regulatory development can be expected. First, substantive convergence will continue around core due

diligence elements derived from UNGPs and OECD Guidelines as these standards gain legitimacy and adoption (Bonnitcha & McCorquodale, 2017; Quijano & Lopez, 2021). Second, procedural divergence will persist in reporting formats, supervisory mechanisms, and enforcement approaches, reflecting domestic legal traditions and institutional arrangements (Buhmann, 2024; Mieszkowska, 2024). Third, jurisdictional expansion will accelerate as more countries adopt mandatory due diligence legislation, particularly following major economies' implementation and demonstrable outcomes (Podgorelec, 2024).

This application of Regulatory Convergence Theory provides explanatory power for observed patterns in global due diligence regulation and helps predicting future regulatory developments (Bright et al., 2024; Dehbi & Martin-Ortega, 2023; Endl, 2024; Velluti, 2024). As Zhang (2024) mentioned, regulatory convergence models emphasize transnational regulatory standards' role in global economic governance while at the same time highlighting legitimacy and regulatory capture issues challenging effective standards establishment. This theoretical background supports to address the research question of how various jurisdictions are approaching mandatory due diligence requirements (Gustafsson et al., 2023b; O'Brien & Christoffersen, 2023; Salminen & Rajavuori, 2019).

3. Methodology

A comprehensive literature-based analytical approach is employed, which examines global mandatory due diligence requirements through systematic review methodology (Cornelissen, 2017; Snyder, 2019; Tranfield et al., 2003). Existing regulatory frameworks, academic literature, and policy documents were synthesized to identify patterns and implementation approaches. A mixed-methods approach was used, combining qualitative comparative analysis with quantitative scoring methodology (Creswell & Creswell, 2009).

3.1. Analytical Framework and Comparative Method

Two primary components were used for the analysis: First, a systematic review of 26 major due diligence regulations across Europe, North America, and Asia-Pacific regions from 2010-2024. For this, the scope, requirements, enforcement mechanisms, and implementation timelines were examined; Second, the theoretical focus was applying a Regulatory Convergence Theory framework (Braithwaite & Drahos, 2020; Bright et al., 2024; Velluti, 2024). To analyse the regulatory approaches the Triple Bottom Line (TBL) framework was used, as conceptualized by Elkington and Rowlands (1999), re-discussed by Elkington (2018) which integrates social, environmental, and economic dimensions in evaluating sustainability performance. For the comparative analysis, an expert evaluation methodology

was applied, as in Baldwin & Cave (2011) and Majone's (2002) assessment of regulatory principles. This incorporates objective elements but the final ratings reflect professional judgment informed by comprehensive review of regulatory documents and academic literature, consistent with approaches outlined by Howlett (2018) and Lodge & Wegrich (2012). With this approach it is acknowledged, that regulatory analysis involves interpretive elements and diverse frameworks across different jurisdictions (Parker & Nielsen, 2011; Radaelli, 2005). With the expert evaluation each of the 26 regulations was assessed, with dimensions using criteria detailed in Appendix A, Table 1: First criteria was "Strictness" (1-10 scale) to evaluate binding nature and enforcement strength from voluntary guidelines to mandatory requirements with severe penalties. The next criteria "Reach" (1-10 scale) assesses the scope of coverage across sectors and company types. "Implications" (1-10 scale) measures the substantive requirements from disclosure-only to comprehensive accountability with liability provisions. "Triple Bottom Line Balance" (1-10 scale) evaluates how equally regulations address social, environmental, and economic dimensions. "Triple Bottom Line Coverage" (1-10 scale) assesses depth of engagement with TBL considerations, representing average coverage across all three dimensions. A comprehensive review of legal texts, implementation guidance, and academic literature was done for each regulation. Table 2 shows the aggregation of individual regulation scores, grouped by geographic region to identify broader patterns in regulatory approaches across jurisdictions.

3.2. Framework and Limitations

Based on comparative regulatory research approaches, a structured coding framework (Dehbi & Martin-Ortega, 2023; Eberlein et al., 2014; Schaffer & Pollack, 2010) guides the evaluation. This aligns with Marx's (2025) institutional design effectiveness analysis but also Chambers & Birchall's (2024) assessment of regulatory impacts on business practices. The subjectivity of the methodology is accepted while maintaining systematic rigor through predetermined criteria and documented decision-making processes. The limitations include potential publication bias, subjective elements in expert evaluations, reliance on publicly available documents, and the rapidly evolving regulatory landscape potentially affecting recent developments not yet reflected in published sources.

4. Analysis and findings

4.1. Comparative Analysis of Due Diligence Regulations

For the analysis, 26 global due diligence regulations were compared (as per Appendix 1) in regards to their regulatory approaches, enforcement mechanisms, geographical and sectoral coverage, business impact, and comprehensive

coverage of Triple Bottom Line dimensions (Bright et al., 2024; Bueno & Bright, 2020; Macchi, 2021; Marx, 2025; Zhang, 2024).

Tables 1 and 2 (Appendix A) shows distinctive patterns supporting the ‘structured divergence’ concept through a systematic comparative analysis (Radaelli, 2005). It can be seen that the ongoing convergence of sustainability reporting standards is reshaping global regulatory landscapes. European regulations show better Triple Bottom Line (TBL) balance compared to North American frameworks (Nogueira et al., 2024; Wulf & Velte, 2024).

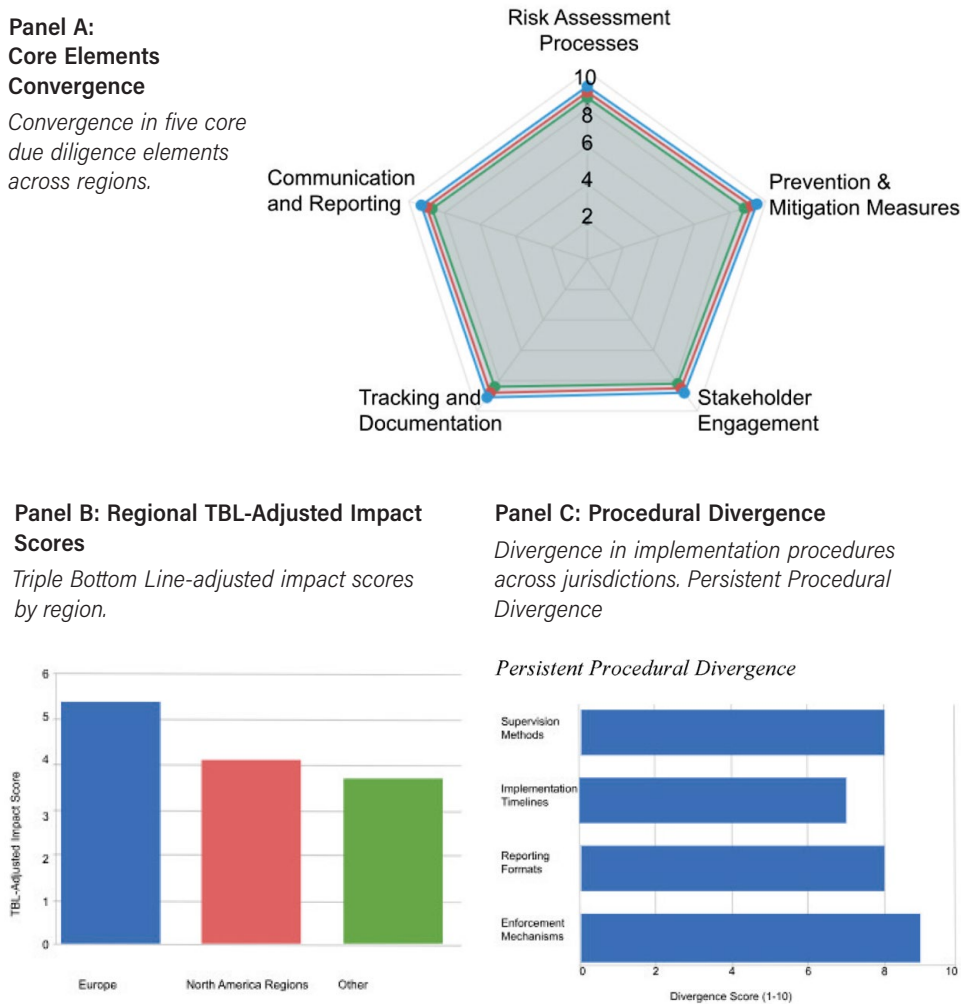
Four key patterns were identified which align with Regulatory Convergence Theory. First, regulations are becoming steadily more stringent over time, with the EU CSDDD demonstrating an evolution from voluntary frameworks toward mandatory requirements with stronger enforcement mechanisms (Brandenburg et al., 2024; European Commission, 2024). This supports predictions mentioned in the Literature, that successful regulatory models will be adopted and expanded over time, with substantive requirements becoming more comprehensive as the field grows and gets more mature (Bright et al., 2024; Macchi & Bright, 2020; Rasche & Waddock, 2021; Zhang, 2024). Second, the European regulations do demonstrate a higher TBL balance in comparison to North American approaches, which indicates a more comprehensive coverage across all dimensions (Bueno et al., 2024; Chambers & Birchall, 2024; Marx, 2025). This reflects completely different approaches to sustainability governance, with the European models favoring integrated frameworks while North American regulations tend toward issue-specific interventions (Baik et al., 2024; de Kluiver, 2023; O’Brien & Christoffersen, 2023). This finding illustrates the “structured divergence” pattern which was mentioned in Chapter 1.4, where regional regulatory traditions continue to influence implementation approaches besides common underlying principles (Bright et al., 2024; Endl, 2024; Velluti, 2024; Zhang, 2024).

Third, a lower TBL balance is shown by some regulations with high impact, such as the earlier mentioned Uyghur Forced Labor Prevention Act, while others reach both high impact and TBL balance (like the CSDDD and German Supply Chain Act) (Bundesrepublik Deutschland, 2021; CBP, 2021; European Commission, 2024; Rühmkorf, 2023). This trade-off highlights that there must be a tension between targeted effectiveness and holistic sustainability, which is reflecting how jurisdictions balance competing priorities within their regulatory approaches (Bastos Lima & Schilling-Vacaflor, 2024; Gustafsson et al., 2023a; Schilling-Vacaflor & Gustafsson, 2024).

Fourth, this divergence reflects that there are deeper differences when it comes to regulatory philosophy and sustainability conceptualization which persists besides convergence pressures (Braithwaite & Drahos, 2020; Kortelainen, 2022; Marx, 2025; O’Brien & Christoffersen, 2023; Zenner, 2022).

The structured divergence pattern is illustrated in Figure 1. Core substantive elements converge across regions is shown by Panel A, while Panel B reveals TBL-adjusted impact score differences, and Panel C demonstrates persistent procedural divergence. This can confirm the assumption that harmonization operates primarily at the substantive level while implementation remains jurisdictionally distinct (Marx, 2025).

Figure 1. Structured Divergence in Global Due Diligence Regulations



Source: Own elaboration (2025)

4.2. Implementation Challenges Through the Lens of Regulatory Convergence

With the analysis distinct factors were identified which are driving both convergence and divergence in regulatory approaches. Convergence in this context is facilitated by international normative frameworks establishing common standards (Koula, 2024; Rasche & Waddock, 2021), also policy diffusion as successful models are adopted across jurisdictions (Bright et al., 2024), as well as civil society advocacy for similar protections across borders (Schilling-Vacaflor & Gustafsson, 2024). At the same time, there is still divergence due to different legal traditions, differences in industrial composition, domestic political considerations, and existing regulatory frameworks (Marx 2025; Lafarre 2023). The interaction between these factors is also an example of the ‘structured divergence’ pattern mentioned in the comparative analysis. The specific challenges mentioned in the Literature for sectors shows how structured divergence manifests in practice. For example, manufacturing and consumer goods, they face supply chain visibility challenges across complex, multi-tier supplier networks (Bright & Bueno, 2023; Wilhelm & Villena, 2021). Technology and electronics companies struggle with responsible sourcing of minerals and components (Bueno et al., 2024; Young, 2018). Extractive industries confront significant human rights and environmental risks throughout operations (Cardona Vallès, 2024; Morgera, 2020; Sauer & Seuring, 2017). Apparel and textile firms must address labor rights concerns in manufacturing while managing extensive subcontracting relationships (Schilling-Vacaflor & Gustafsson, 2024; Velluti, 2024). While regulatory requirements are based on similar principles, the realities for operations are very different across sectors, which results in industry-specific implementation methods based on unique operational challenges (Lafarre & Rombouts, 2022; Quijano & Lopez, 2021; Salcito & Wielga, 2018).

4.3. Patterns of Regulatory Convergence and Divergence

European sustainability due diligence frameworks are evolving towards more strict regulations, shifting from voluntary measures to mandatory ones with high penalties for noncompliance (Lafarre, 2023a). This trend stimulates rapid jurisdictional growth, as regulatory models from early adopters such as France affect future frameworks across the EU and beyond, potentially impacting business processes even in places with traditionally different approaches (Enriques et al., 2025).

With the analysis five significant patterns were revealed. First, a substantive convergence in core due diligence elements derived from the UNGPs and OECD Guidelines (Bonnitcha & McCorquodale, 2017; Quijano & Lopez, 2021). Second, procedural divergence, especially persisting in reporting formats, supervisory

mechanisms, enforcement approaches, and implementation timelines across jurisdictions (Buhmann, 2024; Mieszkowska, 2024). Third, an acceleration for jurisdictional expansion because more countries adopt mandatory due diligence legislation (Podgorelec, 2024). Fourth, from the perspective of TBL balance regional variations, with European regulations demonstrating higher TBL balance in comparison to North American frameworks (Chambers & Birchall, 2024; Marx, 2025). Fifth, a clear move away from voluntary initiatives to more strict mandatory regulations requiring stronger enforcement mechanisms (Bueno & Bright, 2020).

With this five patterns evidence is demonstrated that both, convergence and divergence factors operating simultaneously in global due diligence regulation, supporting the structured divergence finding, outlined in previous Chapters.

5. Discussion and conclusion

5.1. Theoretical and Practical Implications

The analysis demonstrate five patterns potentially extending Regulatory Convergence Theory through the concept of “structured divergence” – in which substantive requirements converge but at the same time procedural elements remain different jurisdictions (Bright et al., 2024; Endl, 2024). First, a convergence is evident in five core due diligence elements for all compared regulations. Those five elements are risk assessment processes, prevention and mitigation measures, stakeholder engagement, tracking and documentation requirements, and communication obligations, they all reflecting the harmonizing influence of international normative frameworks like the UNGPs and OECD Guidelines (Bonnitcha & McCorquodale, 2017; Buhmann, 2024; Koula, 2024; Quijano & Lopez, 2021). Second, procedural divergence remains not only in the reporting formats but also the supervisory mechanisms, enforcement approaches, and implementation timelines, which is reflecting domestic legal traditions and institutional arrangements (Buhmann, 2024; Mieszkowska, 2024). Third, jurisdictional expansion accelerates through policy diffusion from early adopters like France which in consequence is influencing subsequent frameworks and very recently the EU CSDDD, representing a synthesis, with the goal to influence future global regulatory development (Cantú Rivera, 2024; Zhang, 2024). Fourth, the comparative analysis demonstrate a more balanced coverage across the TBL dimensions for European regulations in comparison to North American frameworks’ which are more targeted approaches, supporting the “structured divergence” concept established in earlier Chapters Fifth, the evolution of due diligence regulation shows a progression from voluntary initiatives to increasingly stringent mandatory requirements with stronger enforcement mechanisms (Bueno & Bright, 2020). This challenges the assumptions about regulatory homogenization and demonstrates that effective

theoretical frameworks must account for both convergence and divergence forces operating simultaneously (Lafarre, 2023a; Marx, 2025; Zhang, 2024).

For companies which are operating across multiple jurisdictions, the “structured divergence” pattern suggests that it is essential to develop compliance strategies which can standardize core substantive due diligence processes while flexibility need to be maintained for procedural implementation to accommodate local regulatory requirements (Brandenburg et al., 2024; Lafarre & Rombouts, 2022; Welsen, 2024). Companies need to focus their resources on establishing robust risk assessment, prevention and mitigation, stakeholder engagement, tracking, and communication systems that can very flexible adapt to different reporting formats and enforcement mechanisms across jurisdictions (Meinlschmidt et al., 2018; Wilhelm & Villena, 2021), this flexibility will help to understand which processes are affected by the due diligence regulations.

For regulators and policymakers, The findings indicate that harmonization efforts should prioritize substantive convergence on fundamental due diligence elements while providing procedural flexibility to meet domestic legal traditions and institutional setups (Marx, 2025; O’Brien & Christoffersen, 2023). This approach can increase the effectiveness of regulations while maintaining jurisdictional sovereignty. According to the analysis, European-style comprehensive frameworks may achieve better Triple Bottom Line balance but targeted approaches can also be effective for specific issues.

For international organizations and standard-setters, the analysis demonstrates that it is very important to continue further developing or updating normative frameworks like the UNGPs and OECD Guidelines, not only to drive substantive convergence (Bonnitcha & McCorquodale, 2017; Rasche & Waddock, 2021). Future international efforts should focus to strengthen such foundational standards but also recognizing and accepting that procedural implementation will necessarily vary across different legal and institutional contexts.

For civil society organizations and advocates, to understand structured divergence can inform strategic approaches to regulatory advocacy, to focus core substantive elements that tend to converge while procedural expectations need to be adapted to local contexts (Deva, 2023; Schilling-Vacaflor & Gustafsson, 2024). The jurisdictional expansion which is accelerating in the last years, creates opportunities for leveraging successful regulatory models across borders through policy diffusion mechanisms.

5.2. Future Directions and Conclusion

From the perspective of Regulatory Convergence Theory, three likely paths emerge for due diligence regulation evolution. First, expanding mandatory requirements to additional jurisdictions will probably continue, especially in Asia and Australia

as well as emerging markets, driven by policy diffusion as successful models are adopted across jurisdictions (Braithwaite & Drahos, 2020; Cantú Rivera, 2024; Zhang, 2024). Second, Obligations in regards to climate-protection are becoming more important within due diligence frameworks, following the CSDDD model reflecting growing recognition of climate change as a human rights issue (Bright & Buhmann, 2021; Macchi, 2021). Third, enforcement mechanisms will be strengthened including expanded civil liability provisions and increased administrative penalties as regulations mature (McCullagh, 2024; Sabia, 2021).

Answering the primary research question of how various jurisdictions approach mandatory due diligence requirements, the analysis confirms the pattern of ‘structured divergence’ for which jurisdictions converge on substantive core elements, risk assessment, prevention measures, stakeholder engagement, documentation, and communication, while maintaining distinct procedural and enforcement approaches that reflect regional regulatory philosophies.

European approaches demonstrate comprehensive frameworks with higher Triple Bottom Line balance, North American approaches prefer a targeted intervention, and procedural implementation remains jurisdictionally different besides substantive harmonization.

Several limitations and gaps provide a guidance for future research directions. First, the lack of field-analysis could be addressed by primary stakeholder interviews, not only to validate the structured divergence concept in practice but also addressing the gap of comprehensive empirical analysis as mentioned by several authors (Bright & Bueno, 2023; Lafarre & Rombouts, 2022). Second for Companies which are operating across multiple jurisdictions, it would be important for the process adaptations to understand the impact of structured divergence patterns on the operational processes.

Third, field studies could also investigate how procedural divergence affects substantive human rights and environmental protection outcomes (Mieszkowska, 2024; Shulman, 2024). Fourth, research should examine how structured divergence pattern appears across different industries (Koos, 2024; Schilling-Vacaflor & Gustafsson, 2024).

This paper examined the global evolution of mandatory sustainability due diligence regulations using Regulatory Convergence Theory and Triple Bottom Line analysis, revealing “structured divergence” in which core substantive elements show convergence but procedural requirements remain jurisdictionally distinct. This paper demonstrates that global landscape will continue evolving with substantive convergence around core principles, persistent procedural divergence reflecting domestic legal traditions, and accelerating jurisdictional expansion as more countries adopt mandatory requirements (Mieszkowska, 2024; Podgorelec, 2024).

Appendix A: Detailed Regulatory Analysis

Table A1:

Note: Scores reflect expert assessment based on systematic analysis of legal texts, implementation guidelines, and academic literature. Methodology detailed in Section 2. All scores represent the regulatory framework as of May 2025 and may not reflect subsequent amendments.

Table 1. Evaluation of Due Diligence Regulations

Year	Regulation	Type	Strictness	Reach	Implication	Impact Score	TBL Balance	TBL Coverage	TBL-Adjusted Impact	Scope
2010	California Transparency in Supply Chains Act	Hard Law	2	3	2	2.4	6.1	4.3	2.1	Regional, specific sectors
2011	UN Guiding Principles on Business and Human Rights	Soft Law	4	8	3	5	6.1	4.3	4.4	Global, all sectors
2011	OECD Guidelines for MNEs revised	Soft Law	3	7	3	4.6	10	7	4.6	Global, all sectors
2012	US Dodd-Frank Act on Conflict Minerals	Hard Law	3	5	4	4.4	7.8	5.7	4.1	Global supply chains, specific materials
2012	Human rights in IFC Performance Standards	Soft Law	2	4	2	2.8	6.1	4.3	2.5	Global, project financing
2014	EU Directive on Non-Financial Reporting	Hard Law	3	6	4	4.8	10	7	4.8	EU, large companies
2015	UK Modern Slavery Act	Hard Law	2	4	3	3.4	6.1	4.3	3	UK & global supply chains
2015	UN Sustainable Development Goals	Soft Law	3	9	2	4.8	10	7	4.8	Global, all sectors
2017	French Duty of Vigilance Law	Hard Law	5	4	6	5.2	10	7	5.2	French companies & subsidiaries
2017	EU Conflict Minerals Regulation	Hard Law	4	6	5	5.4	7.8	5.7	5	EU importers, specific materials
2018	Australia Modern Slavery Act	Hard Law	3	3	4	3.6	6.1	4.3	3.2	Australia, large businesses

Year	Regulation	Type	Strictness	Reach	Implication	Impact Score	TBL Balance	TBL Coverage	TBL-Adjusted Impact	Scope
2019	Dutch Child Labor Due Diligence Law	Hard Law	4	3	5	4.2	6.1	4.3	3.7	Netherlands, specific issue
2020	EU Taxonomy Regulation	Hard Law	5	6	6	6	6.4	4.7	5.4	EU, financial market participants
2021	UNPRI Human Rights Expectations	Soft Law	3	6	3	4.2	6.1	4.3	3.7	Global, investors
2021	Norway Transparency Act	Hard Law	5	3	6	4.8	7.8	5.7	4.5	Norway, large enterprises
2021	Swiss Responsible Business Act	Hard Law	4	3	5	4.2	10	7	4.2	Switzerland, large companies
2021	EU Sustainable Finance Disclosure Regulation	Hard Law	4	6	5	5.4	10	7	5.4	EU, financial market
2022	Swiss Due Diligence Ordinance	Hard Law	5	3	6	4.8	10	7	4.8	Switzerland, specific sectors
2022	EU Corporate Sustainability Reporting Directive	Hard Law	6	7	7	7	10	7	7	EU, broader company scope
2023	Uyghur Forced Labor Prevention Act (US)	Hard Law	6	5	7	6.2	6.1	4.3	5.5	US imports, specific region
2023	EU Battery Regulation	Hard Law	5	6	6	6	6.4	4.7	5.4	EU, specific product category
2023	EU Deforestation-Free Products Regulation	Hard Law	6	6	7	6.6	6.4	4.7	5.9	EU, specific commodities
2023	EU Forced Labour Regulation	Hard Law	5	6	6	6	6.1	4.3	5.3	EU market, all products
2023	German Supply Chain Due Diligence Act	Hard Law	7	5	7	6.2	10	7	6.2	German companies & supply chains
2024	Canada's Fighting Against Forced Labour Act	Hard Law	5	4	6	5.2	6.1	4.3	4.6	Canada, specific issue
2024	EU Corporate Sustainability Due Diligence Directive	Hard Law	8	8	9	8.6	10	7	8.6	EU & global value chains

Source: Own elaboration (2025)

Scores reflect expert assessment based on systematic analysis of legal texts, implementation guidelines, and academic literature. Methodology detailed in Section 2. All scores represent the regulatory framework as of 2024 and may not reflect subsequent amendments.

Table 2. Analysis of Regional Comparison Averages

Region	Strictness	Reach	Implication	Impact Score	TBL Balance	TBL Coverage	TBL-Adjusted Impact
European	5.1	5.2	6	5.7	8.5	6	5.4
North American	4	4.3	4.8	4.5	6.5	4.7	4.1
Other	2.9	5.9	2.9	4.1	7.2	5.1	3.7

Source: Own elaboration (2025)

Note: Regional averages represent expert assessment based on systematic analysis of legal texts, implementation guidelines, and academic literature. Cross-jurisdictional comparisons involve inherent interpretive elements despite employing predetermined assessment criteria.

Acknowledgement

Transparency Statement: Detailed scoring sheets and evaluation criteria are available upon request. All regulatory texts and implementation documents used in the evaluation are publicly available through official government sources.

Funding information

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Declaration of generative AI and AI-assisted technologies

During the preparation of this work the Author used Claude Sonnet 3.5 to condense and rephrase selected paragraphs. After using this tool, the Author reviewed and edited the content and take full responsibility for the content of the publication.

Declaration of interest statement

The Author report there are no competing interests to declare.

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ISBN978-83-67673-88-4



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