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The Role of Generative AI in Strategic Business Management: Challenges and Opportunities

Abstract

This paper explores the evolving role of Generative Artificial Intelligence (GenAI) in strategic business management, emphasizing both its transformative opportunities and inherent challenges. GenAI has rapidly become a driving force in reshaping how companies innovate, make decisions, and engage with customers. Through its ability to generate content, analyze vast data sets, and personalize user experiences, GenAI supports business agility, enhances efficiency, and opens new paths for growth. However, its implementation also raises serious concerns around ethics, data integrity, intellectual property, and organizational adaptation. Drawing from recent industry reports and expert analyses, this study examines how businesses are currently applying GenAI, the key benefits they are experiencing, and the potential risks they must navigate. Furthermore, the paper highlights the importance of robust governance strategies—including transparent AI policies, human-AI collaboration, and workforce upskilling—as essential elements for sustainable integration. Ultimately, the findings suggest that companies willing to balance innovation with responsibility will be best positioned to thrive in a digitally driven competitive landscape.

Keywords: *generative artificial intelligence, strategic business management, artificial intelligence ethics, governance, innovation, risk management, digital transformation*

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Strateji biznes idarəetməsində generativ süni intellektin rolu: çətinliklər və imkanlar

Xülasə

Bu məqalədə Generativ Süni İntellektin (GenAI) strateji biznes idarəçiliyində inkişaf edən rolu, onun təqdim etdiyi imkanlar və yaratdığı çətinliklər kontekstində təhlil edilir. GenAI sürətlə şirkətlərin innovasiyaya yanaşmasını, qərarvermə proseslərini və müştəri ilə əlaqələrini yenidən formalaşdıran əsas güc mərkəzinə çevrilmişdir. Bu texnologiya məzmun yaratmaq, böyük məlumat bazalarını təhlil etmək və fərdiləşdirilmiş istifadəçi təcrübəsi təqdim etmək bacarığı ilə bizneslərin çevikliyini və səmərəliliyini artırır, eləcə də yeni inkişaf yolları açır. Bununla belə, GenAI-nin tətbiqi etik çətinliklər, məlumatların keyfiyyəti, müəllif hüquqları və təşkilati uyğunlaşma ilə bağlı ciddi narahatlıqlar da doğurur. Əldə edilmiş məlumatlar və mütəxəssis rəylərinə əsasən aparılan bu tədqiqatda şirkətlərin GenAI-ni necə tətbiq etdiyi, əldə etdikləri əsas faydalar və qarşılaşdıqları risklər araşdırılır. Məqalə, şəffaf süni intellekt siyasətləri, insan və süni intellekt əməkdaşlığı və işçi qüvvəsinin yeni texnologiyalara hazırlanması kimi dayanıqlı inteqrasiyanı təmin edən əsas idarəetmə strategiyalarına da diqqət çəkir. Nəticə olaraq, innovasiyanı məsuliyyətlə birləşdirən şirkətlərin rəqəmsal iqtisadiyyatda liderlik edəcəyi qənaətinə gəlinir.

Açar sözlər: *generativ süni intellekt, strateji biznes idarəçiliyi, süni intellekt etikas, idarəçilik, innovasiya, risk menecmenti, rəqəmsal transformasiya*

Introduction

The rise of Generative Artificial Intelligence (GenAI) has fundamentally transformed organizational operations, offering unprecedented opportunities to enhance strategic business management. From streamlining business processes through predictive analytics to enabling rapid content creation and customer engagement, GenAI has redefined the boundaries of organizational efficiency and creativity. Nevertheless, this technological revolution also brings significant governance challenges, necessitating comprehensive frameworks to mitigate risks such as misinformation, intellectual property breaches, and uncontrolled adoption. Furthermore, organizations must adapt their strategic frameworks to effectively leverage GenAI capabilities while managing associated risks. This paper explores the dual role of GenAI in strategic business management, critically analyzing both the opportunities it offers and the challenges it imposes. In this study, we delve into the transformative impacts of GenAI on strategic management practices, highlighting both the new horizons it opens and the complex challenges it introduces (Schneider et al., 2024).

Research

1. Strategic applications of GenAI in business management. The integration of Generative AI (GenAI) into strategic business management has opened new avenues for innovation and efficiency. Organizations are increasingly using GenAI to automate repetitive tasks, enhance decision-making, and personalize customer interactions. According to The Hackett Group (2024), companies that rapidly scale GenAI applications can significantly improve operational efficiency and gain a competitive advantage. Furthermore, McKinsey & Company (2025) emphasizes that GenAI enables businesses to create unique strategic options by analyzing vast datasets and generating innovative solutions. In marketing, GenAI facilitates the generation of targeted campaigns; in product development, it accelerates the design of prototypes; and in customer service, AI-driven chatbots provide immediate, personalized responses. Thus, GenAI acts as both a productivity booster and a catalyst for strategic differentiation (The Hackett Group, 2024).

2. Opportunities presented by GenAI. Generative AI presents transformative opportunities for businesses aiming to stay competitive in rapidly evolving markets. One of the most significant opportunities is the ability to leverage proprietary data for more informed strategic decisions (McKinsey & Company, 2025). GenAI enhances creativity by offering novel insights, designs, and content that would be difficult for human teams to produce alone. Additionally, The Hackett Group (2024) notes that early adopters of GenAI report accelerated innovation cycles and improved scalability of business models. Another vital opportunity is the personalization of customer experiences at an unprecedented scale, where AI systems can dynamically adapt to individual preferences and behaviors.

3. Challenges and risks associated with GenAI. Despite its vast potential, the adoption of Generative AI comes with notable challenges and risks. Ethical concerns top the list, including biases in AI-generated content, intellectual property issues, and potential misuse of AI systems (Informa TechTarget, 2024). Data quality and security also pose significant challenges; unreliable or biased data can lead to flawed outputs and strategic missteps (McKinsey & Company, 2025). Moreover, The Hackett Group (2024) highlights organizational resistance as another barrier, particularly in industries where traditional methods dominate. Another critical risk is "hallucination," where GenAI systems generate plausible but factually incorrect information, potentially leading to reputational damage. These challenges necessitate a cautious and well-structured approach to GenAI deployment. The opaque nature of many AI systems, often referred to as "black box" models, also complicates accountability and regulatory compliance efforts (Informa TechTarget, 2024).

4. Governance strategies for effective integration of GenAI. Establishing robust governance frameworks is crucial to maximizing the benefits of GenAI while mitigating its risks. Businesses

should prioritize the development of ethical AI guidelines and ensure transparency in AI decision-making processes (Informa TechTarget, 2024). As The Hackett Group (2024) suggests, companies need cross-functional AI governance teams that include stakeholders from legal, compliance, IT, and operations departments. Regular audits of AI outputs for fairness, accuracy, and compliance with regulations should become standard practice. Additionally, McKinsey & Company (2025) recommends upskilling employees to work alongside AI systems, fostering a hybrid decision-making model that balances human creativity with AI's analytical power. By implementing these governance strategies, organizations can build trust in AI technologies and secure a sustainable competitive edge. Developing clear escalation protocols for AI failures and anomalies can significantly mitigate operational disruptions caused by unexpected AI behavior (McKinsey & Company, 2025).

5. Enhancing AI governance in organizations. Effective AI governance within organizations is crucial for mitigating risks and ensuring ethical AI deployment. Organizations are encouraged to implement robust AI governance frameworks, conduct thorough risk assessments, and establish clear accountability structures. This includes defining standards, establishing guidelines, and implementing controls to steer the development and deployment of generative algorithms responsibly. According to Gartner's 2024 report, organizations that prioritize adaptive AI governance frameworks are 40% more likely to achieve sustained AI-driven value creation (Gartner, 2024; IBM Institute for Business Value, 2023).

Conclusions

Generative AI (GenAI) is no longer just a technological novelty—it has become a central force in redefining strategic business management. With the ability to support better decision-making, enable personalized experiences, and fuel innovation, GenAI offers organizations an extraordinary opportunity to evolve and compete. Companies that embrace GenAI early are already seeing accelerated growth and enhanced market responsiveness (McKinsey & Company, 2025; The Hackett Group, 2024). However, these benefits come with responsibilities. Ethical concerns, data quality, and organizational readiness must be considered to avoid missteps (Informa TechTarget, 2024). The successful implementation of GenAI depends not only on the technology itself but also on thoughtful governance, human-AI collaboration, and an openness to change. Businesses that strike this balance will be better positioned to lead in the digital economy of the future. Companies that strike a balance between innovation and responsibility are most likely to lead in the digital economy of the future (McKinsey & Company, 2025; Informa TechTarget, 2024).

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