

## **The Role of Artificial Intelligence in Business Value Creation: The Mediating Role of Organizational Capability in Small and Medium Enterprises (SMEs)**

Ika Puji Rahayu 1 <sup>a\*</sup>, Indira Oralas 2<sup>a</sup>, Iwan Virgo Irawan 3<sup>a</sup>, Rini Siva Aulia 4<sup>a</sup>

<sup>a</sup>President University

\*Ika.rahayu@student.president.ac.id

**Abstract** – This paper discusses the impact of artificial intelligence on business value formation. Organizational capability is considered as a mediator in this case in terms of small and medium enterprises. The research seeks to examine artificial intelligence, decision-making capability, and innovation capability impacts on organizational capability. Further, the impact of organizational capability on business value is analyzed in this study. Quantitative research methodology was adopted, with data gathered from a sample of 76 respondents employed by small and medium enterprises. This data was analyzed using descriptive statistics, reliability analysis, and multiple regression analysis. The findings reveal that decision-making has a statistically significant effect on organizational capability; however, artificial intelligence and innovation capability do not have any significant direct effects. At the same time, organizational capability has a high statistically significant effect on business value formation. According to these results, it can be said that managerial capabilities play a greater role in organizational capability formation compared to technological and innovation capabilities. In other words, it is internal capabilities of organizations and proper management of resources rather than artificial intelligence that matter most when creating business value.

**Keywords:** Artificial Intelligence, Organizational Capability, Decision-Making, Business Value, SMEs

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## 1. Introduction

Artificial Intelligence technology is among the most revolutionary innovations that have arisen in the current era. It has brought about a significant transformation in the manner in which organizations operate and create value. AI technology enables organizations to process large volumes of information, automate mundane tasks, and make complicated decisions. Such capabilities allow organizations to increase their efficiency and productivity while maximizing their operations (Amin et al (2022); Enholm et al (2022)). As such, AI technology is not just an instrument but can be considered an important resource for organizations to undergo a transformation to stay ahead of the competition.

Small and Medium Enterprises (SMEs) have been viewed as vital components contributing significantly to economic development by generating employment, innovating, and growing economically. Unfortunately, SMEs face a myriad of challenges such as poor financing, inadequate technical expertise, and inability to utilize modern technological innovations. These challenges hinder SMEs from competing effectively against larger firms.

However, AI can provide solutions to these challenges as it enables well-informed decision making through updated information, innovations via data analytics, and management through automation (Zhang et al (2024); Sinha et al (2025)). In addition, AI technology plays an instrumental role in enabling organizations to deliver value to their customers efficiently and react to environmental changes promptly (Zebec & Štemberger, 2024).

However, regardless of any potential benefits, the use of AI does not always contribute positively to the outcomes. Several researchers point out that the effects of AI depend on multiple factors, such as organizational capabilities, the readiness to implement it, and others (Rani et al. (2021); Drydakis (2022)). Sometimes, the application of AI does not assist an organization in improving its performance due to insufficient capabilities to apply the technology effectively.

Apart from AI, decision-making quality and innovation capability could be significant contributors to organizational success. Decision-making assists in using available information effectively, while innovation capability allows adaptation and competitiveness (Ainin et al (2023); Nascimento et al (2023)).

While the connection between AI and the creation of business value has become more evident in recent years, only a limited number of studies have attempted to investigate how AI influences this process in SMEs. The mechanism of the effects that AI, decision-making, and innovation have on organizational capabilities needs further investigation. Therefore, the purpose of this paper is to analyze the influence of AI, Decision-Making, and Innovation Capability on Organizational Capability and Business Value in SMEs.

## 2. Literature Review

### 2.1 Artificial Intelligence in Business

The emergence of artificial intelligence (AI) is considered one of the most significant advancements in today's businesses that can help organizations to change their practices and develop value. It enables firms to handle massive amounts of data, automate tedious tasks, and support complex decisions. Such abilities may help improve efficiency, productivity, and performance of organizations (Amin et al., 2022). Today, AI is considered as a strategic resource for business transformation and competitive advantage. Thus, the use of AI by organizations makes them more responsive to external changes and internal improvement in customer service and operational optimization (Dwivedi et al., 2021).

Moreover, AI contributes to the development of business models and innovations based on data insights (Nascimento et al., 2023). Despite all the advantages of AI, its influence is not necessarily positive or substantial. On the contrary, some authors emphasize the “dark side” of

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AI, including increased inefficiency, difficulty in implementing, and limited resources (Rani et al., 2021). Furthermore, the efficiency of AI is highly dependent on organization readiness and quality data management (Drydak, 2022).

### *2.2 Artificial Intelligence and Organizational Capability*

Organizational Capability can be defined as the ability of an organization to use resources effectively, coordinate activities, and accomplish strategic goals. AI has the ability to improve organizational capability through better decision-making processes, efficiency in operations, and resource management (Zebec & Štemberger, 2024). By use of AI, organizations can have better coordination and process optimization, which increases organizational capability. The use of AI for analytics and automation can result in more efficient use of internal organizational capabilities. Also, AI can facilitate better communication and integration of information within organizations and thereby enable informed decision-making in firms (Binsaeed, 2023).

However, it should be noted that there is no direct connection between AI and organizational capability. There are several pieces of literature which state that the effectiveness of AI requires certain supportive capabilities like employees' skills, digital infrastructure, and strategic alignment (Ainin et al., 2023).

### *2.3 Decision-Making and Organizational Capability*

Decision making is a crucial element of management which affects organizational efficiency and effectiveness. Decision making enables efficient resource allocation, change adaptation, and strategic goal attainment. AI can influence decision making in a positive way through the provision of timely and precise information as well as implementation of data-oriented decision making techniques (Zhang et al., 2024). Additionally, AI-supported decision making has been found effective in improving organizational efficiency and performance, particularly under adverse business circumstances (Sinha et al., 2025). As such, effective decision-making positively impacts organizational capability through improved coordination, less uncertainty, and operational effectiveness. It follows that decision-making will positively affect organizational capability.

### *2.4 Innovation Capability and Organizational Capability*

Innovation Capability represents an organization's ability to create, adopt, and modify innovations. Innovation capability is considered a critical aspect for organizations that aim at obtaining competitive advantage. Innovation may assist organizations in responding to change and adapting to new market trends and customer demands. AI contributes to innovation and supports organizations in understanding data and creating innovative business models (Nascimento et al., 2023). Yet, it appears that innovation capability does not necessarily improve organizational capability for small and medium-sized enterprises. Lack of resources, processes, and difficulties in implementing innovation can hinder innovation capabilities' performance. Consequently, the relationship between innovation capability and organizational capability may differ depending on the organization.

### *2.5 Organizational Capability and Business value*

Organizational Capability is essential in facilitating the conversion of resources into business value. Companies with high organizational capabilities can be more efficient, optimize their operations, and perform well. Artificial Intelligence creates business value when it is well embedded within the organizational structure (Enholm et al., 2022). Organizational capability is one of the most critical tools that help companies generate value from their technology investment (Zebec & Štemberger, 2024). Therefore, organizational capability has an important impact on business value.

### *2.6 Research Gap*

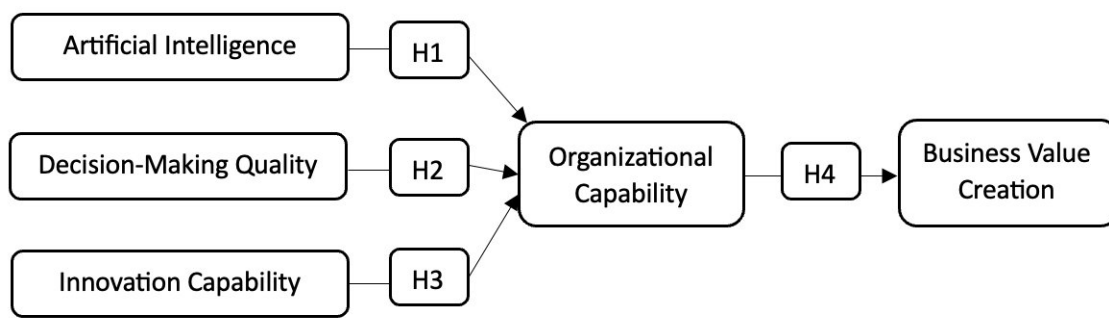
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While earlier research has investigated the association between Artificial Intelligence and business performance, their findings have not been consistent. While some studies underscore the benefits of Artificial Intelligence, others focus on its drawbacks and difficulties, especially within SMEs. Prior research has largely focused on larger firms with ample resources and technological capacity. On the other hand, SMEs encounter challenges such as resource scarcity, technical expertise deficiency, and insufficient technological maturity (Al-Haddad et al (2024); Alam et al (2023)). Moreover, there is a dearth of research on how Artificial Intelligence, decision-making, and innovation capability collectively affect organizational capability and business value. There exists a research gap here that needs to be addressed.

### 2.7 Conceptual Framework

In light of the literature review, a conceptual framework is suggested for this study where Artificial Intelligence, Decision-Making, and Innovation Capability affect Organizational Capability, which then influences Business Value.

Organizational Capability serves as a mediator between internal organizational elements and business results.



**Figure 1. Conceptual Framework of AI-Driven Organizational Capability and Business Value Creation in SMEs**

### 2.8 Theoretical Framework

#### 2.8.1 H1: Artificial Intelligence → Organizational Capability

Artificial Intelligence is known to be a technology that has the potential to improve the processes of an organization using such means as automation, analysis of data, and efficiency. Through the use of Artificial Intelligence, an organization will have the capacity to analyze huge chunks of data to aid its activities and decision-making processes (Enholt et al., 2022). Furthermore, Artificial Intelligence has the potential to assist in coordination and effective resource allocation, both being elements of organizational capability. Nevertheless, artificial intelligence can be successful only if the organization itself is ready for it (Drydakakis, 2022).

The above-stated theoretical foundation suggests the following hypothesis:

H1: Artificial Intelligence positively impacts Organizational Capability.

#### 2.8.2 H2: Decision-Making → Organizational Capability

The decision-making process is one of the most important management activities which greatly influences the performance and efficiency of an organization. Being able to make good decisions, organizations are better able to control their resources, minimize uncertainty, and deal with environmental problems. Combining AI and data analytics with decision making allows managers to get accurate and timely information thus improving their decisions (Zhang et al., 2024). Improved decision-making leads to improved coordination and efficiency which are the main components of organizational capability.

In other words, it can be argued that increased decision-making capabilities will improve organizational capabilities.

H2: Decision-Making positively affects Organizational Capability.

### 2.8.3 H3: *Innovation Capability* → *Organizational Capability*

"Innovation Capability involves the capacity of the organization to conceive and introduce novel ideas, products, and practices. Innovation is a fundamental driver of competitiveness and sustainable development. AI may be used as a tool for supporting innovation by helping organizations analyze information and create new models for doing business," explains Nascimento et al (2023). Organizations that innovate are capable of improving their procedures and adjusting themselves to their environment. This way, it positively affects their organizational capacities. Innovation does not lead to improved performance in SMEs due to resource limitations and other reasons. This is why the relationship may vary depending on the circumstances. The above arguments lead to the following hypothesis:

H3: Innovation Capability positively affects Organizational Capability.

### 2.8.4 H4: *Organizational Capability* → *Business Value*

The Organizational Capability concept holds great importance in converting resources into business value. Companies that have high organizational capability can optimize their operations, increase efficiency, and produce more favorable results. AI generates business value when it has high organizational capability, which helps implement it effectively (Zebec & Štemberger, 2024).

Thus, organizational capability is anticipated to positively affect business value.

H4: Organizational Capability positively affects Business Value.

## 3. Method

### 3.1 Research Design

This research utilizes a quantitative research design to investigate the relationships among Artificial Intelligence (AI), Decision-Making (DM), Innovation Capability (IC), Organizational Capability (OC), and Business Value (BV) in small and medium enterprises (SMEs). A quantitative approach is suitable for this research because it helps researchers measure relationships among variables using statistical tools. Explanatory research (causal research) is adopted in this study. Explanatory research investigates relationships among variables empirically to explore cause-and-effect associations among independent variables (Artificial Intelligence, Decision-Making, and Innovation Capability), a mediator (Organizational Capability), and a dependent variable (Business Value).

### 3.2 Population and Sample

The target population of this study is the workers in the Small and Medium Enterprises (SMEs). This is because the individuals make part of the processes in which decisions are made in organizations. A non-probability sampling technique known as purposeful sampling will be used in selecting respondents. The criteria will involve individuals with knowledge or experience regarding decision-making in business. In this study, the total number of respondents is 76. The sample size in this case is not very large; however, it is enough for regression analysis. In other words, a rule of thumb of 5-10 respondents per indicator gives a sufficient sample size in research.

### 3.3 Data Collection Method

The data collected in this research are primary data which is obtained through the use of a structured questionnaire. Several statements have been included in the questionnaire to help evaluate and measure all the variables included in the research model. The questionnaire was sent to the respondents via the internet in order to collect the data in an effective manner. The respondents have been instructed to answer all questions according to their perception of AI and related issues. The collected data was processed accordingly for statistical analysis.

### 3.4 Measurement of Variables

All variables are being measured with the use of a five point Likert scale as follows:

- 1) Strongly Disagree

- 2) Disagree
- 3) Neutral
- 4) Agree
- 5) Strongly Agree

All variables will be measured by multiple items which are adopted from earlier literature:

- Artificial Intelligence (AI): AI adoption in business operations
- Decision Making (DM): decision making and quality
- Innovation Capability (IC): innovation capability
- Organizational Capability (OC): organizational capability
- Business Value (BV): business value

The value of the variables will be computed by taking averages of their respective indicators.

**Table 1. Operationalization of Variables**

|                                       | Definition                                                              | Indicators                                                                                                    | Scale      |
|---------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------------|
| <b>Artificial Intelligence (AI)</b>   | Artificial intelligence technology use in support of business processes | Use of artificial intelligence in operations; decision-making; efficiency enhancement; data analytics support | Likert 1–5 |
| <b>Decision Making (DM)</b>           | Skillful and timely decision-making abilities                           | Data-driven decision-making; decision timeliness; accuracy; performance enhancement                           | Likert 1–5 |
| <b>Innovation Capability (IC)</b>     | The ability to generate and implement innovation                        | Generating ideas; implementation of innovation; innovation sustainability; innovation adaptability            | Likert 1–5 |
| <b>Organizational Capability (OC)</b> | The ability to effectively coordinate organizational resources          | Resources coordination; efficiency; resources utilization; organizational effectiveness                       | Likert 1–5 |
| <b>Business Value (BV)</b>            | The ability to create business performance and value                    | Performance; productivity; cost efficiency; competitiveness                                                   | Likert 1–5 |

### 3.5 Data Analysis Technique

Statistical analyses of the collected data have been performed using JASP software. The following analyses have been employed for this purpose:

- 1) Descriptive Statistics to analyze respondent data
- 2) Reliability Analysis to check internal consistency (Cronbach's Alpha)
- 3) Multiple Regression Analysis to test research hypotheses

Two regression models have been used:

- Model 1: AI, DM, IC → OC
- Model 2: OC → BV

Level of significance has been set at 0.05.

### 3.6 Validity and Reliability

The reliability analysis was done by means of Cronbach's Alpha test. Cronbach's Alpha score more than 0.70 indicates reliability of the measurements and their consistency. The indicators used in this research were drawn based on the literature review, thus, ensuring content validity of this research. This guarantees accurate measurement of each of the variables based on their concepts.

## 4. Results and Discussions

### Result

This chapter outlines the results of data analysis performed to find out the relationship between Artificial Intelligence (AI), Decision-Making (DM), Innovation Capability (IC), Organizational Capability (OC) and Business Value (BV) in SMEs. The results of the analysis

will be used to test the proposed hypotheses and evaluate the contribution of the variables in creating business value.

#### 4.1 Descriptive Statistics

The descriptive statistics were performed in order to give an overall impression of the respondents' perceptions towards each variable being investigated. As shown in Table 2 below, the descriptive statistics are derived from mean scores, which were computed using multiple indicators for each construct. The fact that all variables have mean scores between 1 and 5 denotes the appropriate transformation of data, which is consistent with the range of the Likert scale.

Moreover, it is worth noting that almost all of the mean scores for the variables are above the midpoint, showing that the respondents had a positive perception concerning the use of artificial intelligence, decision making processes, capability for innovation, organization capability, and value creation in business. Thus, it can be concluded that the SMEs participating in this study are somewhat aware of the significance of internal capabilities in supporting their performance. Descriptive statistics give an initial impression that the constructs being used in this study are appropriate to the organizational environment of the respondents.

**Table 2. Descriptive Statistics**

|                          | AIM    | DMM    | ICM    | OCM    | BVCM   | EIT    |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Valid                    | 76     | 76     | 76     | 76     | 76     | 76     |
| Missing                  | 0      | 0      | 0      | 0      | 0      | 0      |
| Mean (arithmetic)        | 3,289  | 3,171  | 3,342  | 3,276  | 3,211  | 2,618  |
| Std. Deviation           | 1,209  | 1,204  | 1,161  | 1,103  | 1,062  | 1,070  |
| Skewness                 | -0,256 | -0,009 | -0,392 | -0,145 | 0,112  | 0,085  |
| Std. Error of Skewness   | 0,276  | 0,276  | 0,276  | 0,276  | 0,276  | 0,276  |
| Kurtosis                 | -0,754 | -0,757 | -0,236 | -0,443 | -0,571 | -0,264 |
| Std. Error of Kurtosis   | 0,545  | 0,545  | 0,545  | 0,545  | 0,545  | 0,545  |
| Shapiro- Wilk            | 0,908  | 0,905  | 0,878  | 0,907  | 0,904  | 0,875  |
| P-value of Shapiro- Wilk | < .001 | < .001 | < .001 | < .001 | < .001 | < .001 |
| Minimum                  | 1,000  | 1,000  | 1,000  | 1,000  | 1,000  | 1,000  |
| Maximum                  | 5,000  | 5,000  | 5,000  | 5,000  | 5,000  | 5,000  |

#### 4.2 Reliability Analysis

Reliability test was conducted through the use of Cronbach's Alpha coefficient to examine the internal consistency of the items used in the measurement process. It can be seen from table 3 below that the Cronbach's Alpha coefficient in this research stands at 0.976, which is significantly greater than the threshold value of 0.70. Hence, the reliability test indicates very good internal consistency of measurement items used.

High reliability test value means that all indicators measure the same constructs and are highly dependable and consistent. Additionally, high internal consistency helps eliminate measurement error, therefore, improving the validity of the research. In such a way, all variables used within the current research are reliable and appropriate for further regression analysis.

**Table 3. Reliability Test**

| Item | McDonald's $\omega$ |              |              | Cronbach's $\alpha$ |              |              | Item-rest correlation |              |              |
|------|---------------------|--------------|--------------|---------------------|--------------|--------------|-----------------------|--------------|--------------|
|      | Estimate            | Lower 95% CI | Upper 95% CI | Estimate            | Lower 95% CI | Upper 95% CI | Estimate              | Lower 95% CI | Upper 95% CI |
| AI1  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,803                 | 0,705        | 0,871        |
| AI2  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,798                 | 0,698        | 0,867        |
| AI3  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,728                 | 0,602        | 0,819        |
| AI4  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,808                 | 0,713        | 0,874        |
| AI5  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,777                 | 0,669        | 0,853        |
| DM1  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,786                 | 0,681        | 0,859        |
| DM2  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,699                 | 0,562        | 0,798        |
| DM3  |                     |              |              | 0,974               | 0,964        | 0,984        | 0,847                 | 0,768        | 0,900        |
| DM4  |                     |              |              | 0,975               | 0,965        | 0,985        | 0,810                 | 0,716        | 0,876        |

|      |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|
| DM5  | 0,975 | 0,965 | 0,985 | 0,762 | 0,648 | 0,843 |
| IC1  | 0,975 | 0,965 | 0,985 | 0,758 | 0,642 | 0,840 |
| IC2  | 0,975 | 0,966 | 0,985 | 0,754 | 0,637 | 0,837 |
| IC3  | 0,975 | 0,966 | 0,985 | 0,726 | 0,599 | 0,818 |
| IC4  | 0,975 | 0,965 | 0,984 | 0,790 | 0,687 | 0,862 |
| IC5  | 0,975 | 0,965 | 0,985 | 0,766 | 0,654 | 0,846 |
| OC1  | 0,975 | 0,966 | 0,985 | 0,712 | 0,579 | 0,808 |
| OC2  | 0,975 | 0,965 | 0,985 | 0,776 | 0,667 | 0,852 |
| OC3  | 0,975 | 0,965 | 0,984 | 0,799 | 0,700 | 0,868 |
| OC4  | 0,974 | 0,965 | 0,984 | 0,832 | 0,746 | 0,890 |
| OC5  | 0,975 | 0,965 | 0,985 | 0,754 | 0,637 | 0,837 |
| BVC1 | 0,974 | 0,964 | 0,984 | 0,862 | 0,790 | 0,910 |
| BVC2 | 0,975 | 0,965 | 0,984 | 0,819 | 0,729 | 0,882 |
| BVC3 | 0,975 | 0,965 | 0,985 | 0,743 | 0,622 | 0,829 |
| BVC4 | 0,975 | 0,965 | 0,985 | 0,781 | 0,675 | 0,856 |
| BVC5 | 0,975 | 0,965 | 0,985 | 0,747 | 0,627 | 0,832 |

#### 4.3 Regression Analysis

The regression analysis will be used to investigate the correlation between the variables, to check the assumptions, and to test the hypotheses put forward in this research. There are two regression models in this study. The first one investigates the effect of Artificial Intelligence, Decision-Making, and Innovation Capability on Organizational Capability. The second model investigates the effect of Organizational Capability on Business Value.

##### 4.3.1 Model 1: Determinants of Organizational Capability

The first model tests the influence of Artificial Intelligence, Decision-Making, and Innovation Capability on Organizational Capability. As it can be seen from Table 4.3, the model has high explanatory power, which is proved by the value of  $R^2$  equal to 0.775, meaning that 77.5% of variability in Organizational Capability can be explained by independent variables used in the model. Besides, the F-statistic in the table proves the validity of the model ( $F=48.30$ ,  $p<0.001$ ).

Concerning individual effects, the coefficient of Artificial Intelligence equals 0.083 and its p-value is 0.288. It means that there is no significant influence of Artificial Intelligence on Organizational Capability. This result is explained by the fact that the introduction of Artificial Intelligence in organizations may not lead to their enhanced capabilities because they may lack required resources, competencies, and skills to use AI effectively (especially SMEs). On the other hand, the coefficient of Decision-Making is equal to 0.227 and its p-value equals 0.012, which means that the process has a significant influence on Organizational Capability.

On the other hand, Innovation Capability has a coefficient of 0.014 and a p-value of 0.866; this means that Innovation Capability does not have any significant effect on Organizational Capability. These results imply that innovation activities conducted in SMEs are not organized enough or are not influential enough to lead to organizational capability. In summary, Decision-Making is the only variable out of the three with a statistically significant effect (as seen from Table 4).

**Table 4. Regression Result Model 1**

|             | Unstandardized | Standard Error | Standardized | t      | p      | Collinearity Statistics |       |
|-------------|----------------|----------------|--------------|--------|--------|-------------------------|-------|
|             |                |                |              |        |        | Tolerance               | VIF   |
| (Intercept) | 2,618          | 0,123          |              | 21,33  | < .001 |                         |       |
| (Intercept) | -0,494         | 0,215          |              | -2,299 | 0,024  |                         |       |
| AIM         | 0,083          | 0,078          | 0,094        | 1,070  | 0,288  | 0,417                   | 2,399 |
| DMM         | 0,227          | 0,088          | 0,256        | 2,577  | 0,012  | 0,326                   | 3,065 |
| ICM         | 0,014          | 0,083          | 0,015        | 0,169  | 0,866  | 0,398                   | 2,513 |
| OCM         | 0,334          | 0,086          | 0,344        | 3,881  | < .001 | 0,409                   | 2,446 |
| BVCM        | 0,305          | 0,092          | 0,302        | 3,301  | 0,002  | 0,383                   | 2,613 |

#### 4.3.2 Model 2: Effect of Organizational Capability on Business Value

In the second regression analysis, the effect of Organizational Capability on Business Value was examined. From Table 5 below, one can see that there is a strong and statistically significant relationship between these two variables, with a coefficient of 0.631 and a p-value of  $< 0.001$ . Additionally, an  $R^2$  of 0.430 shows that 43% of the variance of Business Value can be attributed to Organizational Capability.

Thus, we can conclude that Organizational Capability has a significant role to play in ensuring that the efforts of the company translate into tangible business achievements. This conclusion implies that if an organization enhances its organizational capability, its business will be more successful.

**Table 5. Regression Results Model 2**

|             | Unstandardized | Standard Error | Standardized | t     | p        |
|-------------|----------------|----------------|--------------|-------|----------|
| (Intercept) | 3,211          | 0,122          |              | 26,35 | $< .001$ |
| (Intercept) | 1,142          | 0,292          |              | 3,908 | $< .001$ |
| OCM         | 0,631          | 0,085          | 0,655        | 7,465 | $< .001$ |

#### 4.4 Hypothesis Testing

The test results are presented in Table 6 below. The results show that not all the hypothesized relationships hold. For example, Hypothesis 1 (AI  $\rightarrow$  OC), which posits a significant relationship between Artificial Intelligence and Organizational Capability, is rejected. However, Hypothesis 2 (DM  $\rightarrow$  OC), which suggests a significant relationship between Decision-Making and Organizational Capability, is accepted.

In addition, Hypothesis 3 (IC  $\rightarrow$  OC), which proposes a significant relationship between Innovation Capability and Organizational Capability, is rejected. In contrast, Hypothesis 4 (OC  $\rightarrow$  BV) postulates that Organizational Capability has a significant relationship with Business Value. The hypothesis is accepted. These results, as indicated in Table 6 below, imply that managerial factors are more important than technology and innovation factors in shaping organizational capability among SMEs.

**Table 6. Hypothesis Testing**

| Hypothesis | Relationship                                                    | Result    |
|------------|-----------------------------------------------------------------|-----------|
| H1         | Artificial Intelligence $\rightarrow$ Organizational Capability | Rejected  |
| H2         | Decision-Making $\rightarrow$ Organizational Capability         | Supported |
| H3         | Innovation Capability $\rightarrow$ Organizational Capability   | Rejected  |
| H4         | Organizational Capability $\rightarrow$ Business Value          | Supported |

#### 4.5 Summary of Findings

In general, the findings of this research prove that Decision-Making is the sole predictor that significantly influences the level of Organizational Capability. In this context, the decision-making capability of managers becomes an important tool in improving the performance of organizations. However, Artificial Intelligence and Innovation Capability turn out to have no significant impact, which means that those two variables can be improved by SMEs in order to boost organizational capability.

Additionally, Organizational Capability is proven to have a substantial and significant influence on Business Value. Overall, the research findings imply that it is essential for SMEs to concentrate their efforts on developing organizational capability and decision-making skills rather than implementing new technologies.

## Discussions

The objective of this research is to examine the influence of AI, DM, and IC on OC and the effect of OC on BV in SMEs. The findings show that some independent variables do not have a significant effect on organizational capability, indicating the complicated nature of value generation in SMEs.

The findings show that both managerial and organizational variables have more weight than technological and innovation-related variables. It implies that the success of AI and innovation heavily depends on how they are integrated into the company's internal processes. Therefore, this discussion will not only focus on whether there are any relationships between the variables but also why some variables are insignificant.

### *4.6 The Effect of Artificial Intelligence on Organizational Capability*

It can be seen from the results that the effect of Artificial Intelligence on Organizational Capability is not significant. This implies that even if there is some adoption of AI by the organization, it does not have any impact on its internal capabilities. It is possible that most of the businesses included in the analysis are in the initial stages of their digital transformation journey and adopt AI technologies in an experimental manner.

At the same time, SMEs usually have constraints like shortage of funds, technological capabilities, and adequate digital infrastructure that hamper them from making use of artificial intelligence technologies for their benefit. As a result, AI technology alone does not seem to have a significant effect on organizational capability as seen from the results of our study.

This conclusion aligns well with the literature in the field since it is known that AI only provides its benefits when used together with other complementary capabilities of the organization.

### *4.7 The Effect of Decision-Making on Organizational Capability*

According to the analysis results, Decision-Making has a significantly positive impact on Organizational Capability. It can be inferred that the organizations, which have developed efficient, timely, and informed decision-making practices, will be able to create organizational capabilities. Decision-making is vital for the alignment of organizational resources, as well as the management of change processes.

It should be noted that in small business enterprises, where decision-making is a responsibility of managers, decision-making process has a direct effect on organizational capability and its development. Especially under conditions of uncertainty and lack of resource availability, efficient decision-making becomes a powerful competitive tool.

The finding has empirical support in other studies, since the authors argue that decision-making processes are vital for the improvement of organizational capability and organizational performance. Hence, it can be suggested that decision-making in SMEs will lead to better organizational capability outcomes than technological advancements.

### *4.8 The Effect of Innovation Capability on Organizational Capability*

The results indicate that Innovation Capability does not have a significant effect on Organizational Capability. This implies that the innovation initiatives carried out by small and medium-sized enterprises may not yet be adequately advanced and properly planned to contribute to organizational capabilities. The reason for this could be the nature of innovations adopted by small and medium-sized enterprises, whereby innovations are mostly incremental and non-formal innovations. Consequently, the innovations may not lead to significant impacts on organizational capabilities. Moreover, innovation in small and medium-sized enterprises may be affected by resource constraints, lack of R&D capabilities, and business objectives.

This finding contradicts earlier works that emphasize the critical role played by innovation in improving organizational performance. Nevertheless, this study reveals that innovation may not play a crucial role in driving organizational capability. Instead, innovation may be used as an adjunct tool for organizational capability.

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#### *4.9 The Effect of Organizational Capability on Business Value*

It can be seen from the above findings that Organizational Capability shows strong and significant impacts on Business Value. The finding suggests that SMEs with good organizational capacity, process capability, and effective coordination capabilities are able to produce higher business values.

Organizational capability plays an important role as the intermediary factor among internal assets and performance results. Through organizational capability, firms can convert different resources such as technology, innovations, and manpower into valuable results.

As mentioned earlier, RBV argues that internal capabilities play an important role for firms to gain competitive advantage. Hence, the organizational capability becomes one of the essential factors that determine how internal resources could be fully harnessed by the firm. For example, the impacts of AI and innovation would remain insignificant without considering organizational capability as the determinant of success.

### **5. Conclusions and Recommendations**

This research tries to determine the role of Artificial Intelligence, Decision-Making, and Innovation Capability in affecting Organizational Capability. Further, Organizational Capability is seen as affecting the Business Value created within the SMEs.

The findings show that Decision-Making is the only variable that affects Organizational Capability in a positive manner. This implies that for the organization to become strong and efficient, good managerial decisions should be made. On the other hand, Artificial Intelligence and Innovation Capability are seen to affect Organizational Capability in a positive way. This means that for business value to be achieved, the organization must be ready for innovation and technology.

Additionally, Organizational Capability has a positive effect on Business Value. This shows that organizational capabilities enable an organization to generate value in the business. In conclusion, business value generation within SMEs does not come from adoption of technology and innovations but rather from organizational capabilities and decision-making processes. Therefore, organizations are advised to focus more on developing their organizational capability and decisions.

#### *5.1 Managerial Implications*

The result of this research study has several managerial implications for the managers of Small and Medium Enterprises (SMEs). Firstly, since the Decision Making process has a substantial effect on the Organizational Capability of SMEs, managers must concentrate on enhancing their decision-making capabilities. This can be done through the application of accurate data and encouraging analytical thinking in their decision-making process. Proper decision-making processes allow the organization to better respond to changes in the environment and thus enhance performance.

Secondly, while Artificial Intelligence has no substantial direct effect, its use is still necessary for SMEs' development. It can be noted that according to the results obtained in this study, the introduction of AI in SMEs requires certain preconditions to be met. These include skill development of employees, efficient data management, and proper alignment of technology with the strategies of business development. If such conditions are not created, then the implementation of artificial intelligence will not yield expected results.

Thirdly, since the non-significant effect of Innovation Capability implies that innovation activities in small and medium-sized enterprises have not been fully matured, managers should work on making innovation more systematic. Innovation must not be limited only to the development of innovations; it must also be concerned about enhancing the innovation capability within the organization.

Fourthly, the study proved that Organizational Capability can affect Business Value

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significantly. Therefore, SMEs should focus on developing their capabilities internally through effective coordination and management of efficiency and organizational processes.

### 5.2 Limitations and Future Research

There are certain limitations associated with the current study that should be kept in mind when interpreting the results of the study. First, the analysis conducted in this study only concerns SMEs. This means that the study cannot be generalized to a larger organizational environment due to specific features of SMEs such as limited resource availability and simplified structure.

The second limitation is associated with the limited scope of the study, which concerns only the identified variables. Other features, including organizational culture, leadership or digital maturity, can also play a vital role in shaping organizational capability and creating value but were not considered in this research. Thus, the results can fail to reflect all important issues related to the topic under investigation.

Finally, the data available in the current paper is cross-sectional as its collection took place at one particular moment in time. Thus, longitudinal changes cannot be observed during this stage of the investigation.

Considering the stated limitations, it would be advisable to carry out future research with consideration of other important factors as well as their interrelationship in terms of mediation and moderation effects.

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