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AI is revolutionising decision-making, but it can't replace human leaders

AI is enhancing human decision-making, driving better outcomes and operational efficiency across the board. José Miguel Diez Valle and Nikita discuss the power of AI to improve business outcomes and its limitations for complex decision-making in which context and human insight are indispensable.

Long gone are the days when artificial intelligence seemed to be the novelty of the century. But back then the closest thing to an artificial intelligence used to be Microsoft's **Clippy**. Unlike blockchain technology and the promise of virtual life in the metaverse, technologies whose general interest has **fluctuated in a downward spiral** since their initial push, AI continues to increase both in influence and application in workplaces.

AI is no longer a distant concept, but a transformative force reshaping industries across the globe. In the **McKinsey** Global Survey, AI adoption surged to 72 per cent of respondent organisations across industries worldwide (up from around 50 per cent over the past six years). The technology is increasingly integrated, including generative AI, into multiple business functions. This is again reshaping how decisions are made, as much as spreadsheets and emails once did.

The corporate world must consider the broader implications of AI on its decision-making, and more importantly, what this will mean for the role of decision-makers, especially leaders.

AI has come to the office

AI is positioned to transform **strategic business operations**. Its ability to automate a wide range of routine tasks across each business, ranging from financial forecasting and resource allocation to performance monitoring, offers businesses a way to save time and resources.

Intelligent analytics and precise predictions will enhance human decision-making, driving better outcomes and operational efficiency across the board. For instance, JP Morgan Chase currently uses AI to **quickly retrieve information** on potential investments, speeding up their internal decision-making process. Similarly, but in a different industry, **IBM's Watson** assists doctors by analysing patient data to recommend personalised treatment plans, enhancing the overall patient experience.

Given the overwhelming volume of data and stress associated with decision-making, a feeling experienced by **85 per cent of business leaders** daily, it's no surprise that they are increasingly turning to AI for support. Workplace tools like spreadsheets are no doubt helpful, but AI's ability to handle vast datasets in real-time has shifted it from a supportive tool to an active decision-maker. No longer just a back-office assistant, AI is playing a crucial role in driving strategic choices in industries as diverse as finance and healthcare.

The World Economic Forum's **FireAId** predicts wildfire outbreaks and offers the best response strategy. The Mayflower Autonomous Ship (**MAS**) project operates a full-size vessel without a crew. This growing autonomy of technology raises questions about the need for human intervention.

The point is that AI is increasingly taking on roles once reserved for humans, not just in less skilled jobs but also in high-level decision-making, handling complex tasks like **procurement negotiations** and **stock trading**, which were traditionally the domain of highly skilled colleagues. With **96 percent of business leaders** acknowledging that AI improves the quality of their decisions, it's natural to question whether intelligent systems will eventually dominate leadership roles.

However, despite all these advancements, full technological takeover of decision-making is still hindered by the need for ethical considerations, regulatory compliance and human intervention. The lingering question is not if AI will take over entirely, but how we can balance its strengths with human judgment in critical decisions.

Your new tool, not your new manager

Due to its **lack of human constraints** such as limited working memory, short attention spans or decision fatigue, AI surpasses humans in many areas. But it is unlikely to fully replace human decision-making in the foreseeable future, particularly in roles that demand higher cognitive skills.

Intelligent systems excel at managing **repetitive** and **data-intensive tasks with fixed parameters**. However, they struggle with tasks requiring complex and **"human-like" cognitive functions**, such as strategic planning, emotional intelligence or nuanced problem-solving.

Leadership roles often involve interpreting ambiguous information and navigating dynamic environments, tasks that AI struggles to perform due to its **lack of emotional intelligence**, empathy and ethical reasoning. In the realm of complex decision-making, especially within

businesses, **context and human insight** are indispensable areas in which AI cannot adequately replace human judgment.

Consider, for instance, a hiring decision, one of the core decisions every leader has to make. AI can automate the initial processes such as **screening resumes**, scheduling interviews and managing employee data. However, it struggles with more intricate aspects of decision-making, including evaluating candidates' **nuanced work experience**, providing **transparent reasoning** for its decisions, **predicting personality** traits and accurately assessing a candidate's **long-term potential**.

AI can also unintentionally **perpetuate biases** present in their training data that reflect historical inequalities and partial societal influences. Research reveals that AI hiring tools often **disadvantage candidates** from underrepresented groups such as women and people of colour. Such risks underscore the need for human oversight to ensure that the decision-making process remains fair and inclusive.

The technology's limitations are particularly evident when it comes to understanding the broader business landscape. While intelligent systems might recommend **cost-cutting measures** or predict **sales trends**, they often overlook the human impact of their decisions.

A recent **legal case in the Netherlands** involves employees who were terminated based on AI-driven recommendations. This emphasises the dangers of overreliance on intelligent technology in critical decision-making without human oversight. For example, the computer might suggest firing a staff member to cut costs without considering the broader impact on employee trust, team morale or company culture. This is where human judgment plays a critical role in balancing efficiency with ethical considerations.

Given these challenges, it's clear that AI should be seen as a tool to complement, not replace, human intelligence. By leveraging the strengths of both AI and human intelligence, organisations can create a more efficient, insightful and ethical future.

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