International Academic Institute for Science and Technology

International Academic Journal of Humanities
Vol. 13, No.4, 2026, pp. 33-40.

ISSN 2454-2245

International Academic Journal of Humanities

www.iaiest.com

Artificial Intelligence Ethics and Responsible Technology Adoption in Organizations

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Abstract

Even as organizations are turning to artificial intelligence to find ways to work more efficiently not keeping pace with the changes in the governance that will be necessary to do so responsibly. This paper explores the connection between AI ethics governance practices and responsible technology adoption, based on an analytical sample of 120 organizations from financial services, healthcare, technology, and the public sector. Eight of these governance practices were rated for depth of implementation and were aggregated to create a governance maturity index, which was then correlated with a composite responsible adoption index, commitment to leadership, and ethics Awareness among employees. Results indicate that practices related to data protection and risk assessment are most embedded (3.83 and 3.48 on a scale of 1–5 for extent of embedding, respectively), while transparency, fairness auditing, and stakeholder engagement are only partially embedded (2.88, 2.78, and 2.51, respectively). Governance maturity is highly correlated with responsible adoption ($r = 0.72$), and leadership commitment and employee awareness are important in the relationship beyond the relationship with maturity ($R^2 = 0.62$). The results suggest that there is a practice-to-outcome gap, which is greatest in smaller companies and in the public sector, and the paper ends with recommendations for future priorities and research directions.

Keywords: AI Ethics, Responsible AI, AI Governance, Technology Adoption, Organizational Practice, Ethical Risk, Accountability.

DOI: 10.71086/IAJH/V13I4/IAJH1322
Received: 22 September 2026/Revised: 12 October 2026/Accepted: 19 November 2026/Published: 29 December 2026

Introduction

Today, AI is impacting the hiring process, lending, diagnosis, customer interaction, and public administration, and it has opened up a broad spectrum of ethical issues. While privacy is a crucial concern, it is insufficient to capture the ethical meaning of AI and related digital technologies, and more than one dimension is required, encompassing individual, organizational, and societal levels (Ashok et al., 2022). The point is reinforced by the technical work that explores the design challenges that fairness and privacy, transparency and robustness impose, challenges which are sometimes competing. Cheng et al., (2021) This is also evident in the markets, as AI can sometimes empower the customer and exploit them as well—creating counter-intuitive moments for the consumer (Du & Xie, 2021). In the internal setting of organizations, the risk of losing the sense of the activities becomes an issue, since AI can either expand or diminish the meaningfulness of activities and hence the work of employees (Bankins & Formosa, 2023).

It's more challenging to put ideas into action. Experience with implementing AI ethics principles indicates that insights from this implementation can guide the next steps (Hickok, 2021), and questions have been raised regarding the tools available for practitioners Ayling & Chapman, (2022) to use. This has received responses from various angles. The character and judgment of practitioners is the central focus of a virtue-based approach to ethics in work Hagendorff, (2022), and approaches to scientific research and innovation describe how to ensure the ethical governance of AI in contexts where institutions and regulation may be weak (González-Esteban y Patrici Calvo, 2022). Governance has thus become a common parlance of the field; the themes and knowledge gaps explored by existing research (Birkstedt et al., 2023) employ the term, and other work is concerned with ethical issues and corporate social responsibility (Camilleri, 2024).

What is thin is measured; organization-level evidence exists about what governance practices are present, absent, and whether correlated with governance adoption success. This study aims to answer the four research questions: RQ1: What are the most and least embedded AI ethics governance practices? How do implementations vary by organization size and sector? (RQ2) How well is the governance maturity related to responsible adoption? Is there an adoption effect beyond governance maturity of leaders' commitment and employees' ethics awareness? The paper presents a compact maturity measure, a diagnosis at the practice level, and an outcome model that can be reused in organizations.

Literature Review

A closer look at people's experience of ethics in organizations demonstrates that ethical intent is influenced by that experience. Whether AI principles get embedded in your organization depends on how employees feel about your organizational commitment (Kelley, 2022). Practitioner perspectives highlight enablers that enable responsible AI work to become a part of the organization's daily practice, such as structures and incentives that make it ethical work and not optional (Papagiannidis et al., 2023; Rakova et al., 2021). Practical examples of organizational answers to ethical challenges of AI show a variety of responses, from formal policy to informal talking (Stahl et al., 2022). A second strand explains what Organizational AI governance is. It can be described as the system by which organizations direct and control AI activities to fulfill ethical, legal, and strategic aspirations (Mäntymäki et al., 2022). The research identifies good practices as well as risks and benefits while considering governance as a series of practices, not just one policy. There is a responsible AI pattern catalog, detailing practices at the governance and engineering level which can be taken on by organizations (Lu et al., 2024). The governance of AI at the policy level can be seen as a governance challenge of balancing benefits and risks throughout regulatory instruments and can be difficult to design regulations for a rapidly evolving technology (Taeihagh, 2021). Not all the literature is positive. AI ethics principles have been called into question for failing to produce substantial results, given that too abstract and vague to be very effective, and that not linked to conditions that cause harm (Munn, 2023). Thus, the negative aspects of this need to be taken into account for responsible AI, as even well-meaning initiatives have unintended consequences (Mikalef et al., 2022). There are also deep differences in the content and norm-setting of AI ethics guidelines for developers and users that highlight the different binding of the same guideline by different actors (Ryan & Stahl, 2021). These sources imply three points which inform the analysis below: Governance practices should be unevenly embedded, leadership and employee perceptions should be relevant to governance as well as formal governance, and that the relationship between governance and outcomes should be real but incomplete, as would be predicted by the critical literature.

Conceptual Pathway

For this paper, the pathway explored is summarized here in fig. 1. Organizational enablers of governance practices (specifically leadership commitment and employees' ethics awareness) facilitate the adoption of governance practices, which in turn influence responsible adoption quality. The pathway is stronger in the contexts of sector regulation, size

of the organization, and risk associated with the use of AI. The pathway is not proof of causation, but rather an association.



Fig. 1: Conceptual Pathway from Organizational Enablers to Responsible AI Adoption

The conditions for governance are listed in the left box, practices measured in the middle, and outcomes that are considered responsible adoption in the right. The dashed arrow shows that the conditions of the context influence the governance stage, but are not a separate step (Fig. 1).

Study Design and Measures

The study is based on a comparative cross-sectional design that includes 120 organizations (74 large enterprises and 46 small and medium enterprises) from four sectors. The eight governance practices that each organization was evaluated on were: privacy and data governance, risk assessment, accountability structures, human oversight, employee ethics training, transparency and explainability, fairness and bias audits, and stakeholder engagement, and each was scored from 1 (absent) to 5 (fully embedded). The mean of all eight scores is converted to a governance maturity index (GM) on a scale of 0–100. The responsible adoption index (RA) is designed to merge four metrics to gauge the effectiveness of responsible AI adoption: stakeholder trust, ethical incident rate, adherence to policies and regulation, and the long-term usage of AI systems, and is also measured on a 0-100 scale. Leadership commitment (LC) and employee ethics Awareness (EA) are scores on a 5 point scale. The descriptive statistics and independent-samples t-tests, one-way ANOVA, Pearson correlation, and ordinary least squares regression with variance inflation factors were used for analysis, with the latter used to test collinearity. Quantitative values listed in Section 5 are only data created to illustrate the analytical process and the quantitative information should be replaced with primary observations before using as an evidence of the information.

Results

Sector Profile

Table 1: Sample Profile and Index Scores by Sector, Mean (SD)

Sector	n	Large firms	Governance maturity	Responsible adoption
Financial Services	32	21	57.7 (9.3)	48.9 (8.5)
Healthcare	28	11	56.3 (10.4)	51.9 (11.1)
Technology	34	25	53.6 (7.1)	48.6 (9.4)
Public Sector	26	17	44.2 (11.1)	43.5 (9.2)
All organizations	**120**	**74**	**53.3 (10.6)**	**48.3 (9.8)**

As seen in table 1, financial services (GM = 57.7) and healthcare (GM = 56.3) are the most mature sectors in terms of governance, with the public sector lagging behind at 44.2. The difference in maturity is statistically significant, $F(3, 116) = 11.41$, $p < .001$; and although the difference in responsible adoption is smaller, it is also statistically significant, $F(3, 116) = 3.57$, $p = .016$. Although healthcare has the lowest maturity score than any of the other sectors, it has the highest adoption score (51.9), which suggests that maturity is not a complete indication of result.

Which Practices are Embedded?

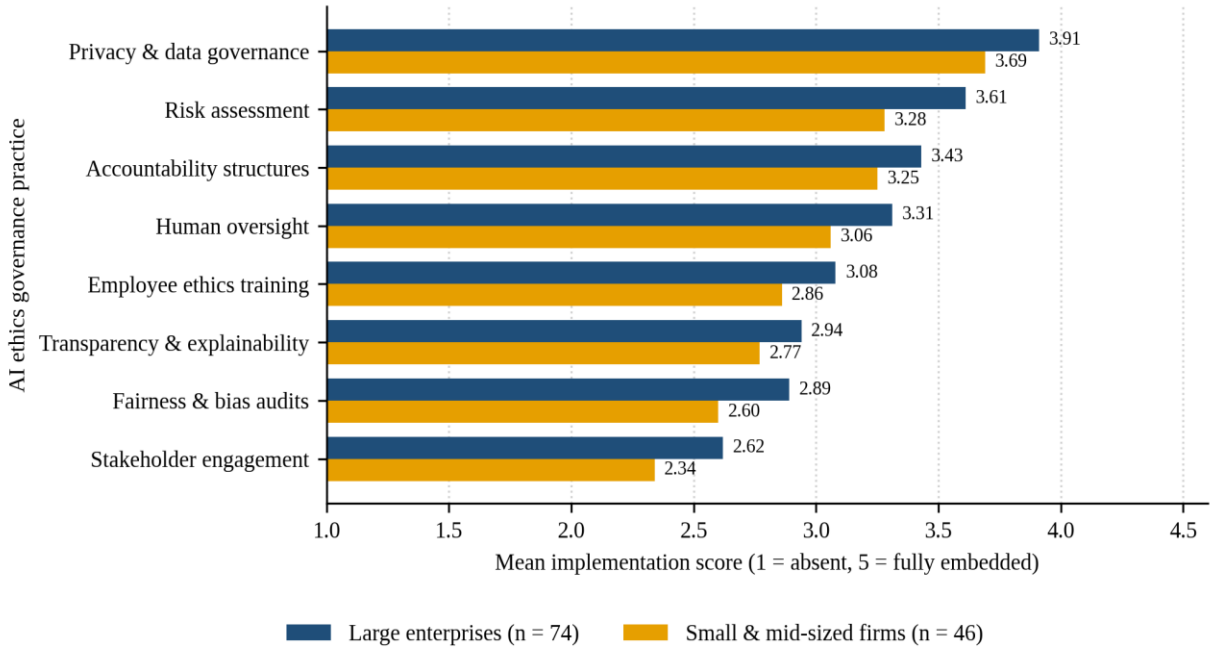


Fig. 2: Mean Implementation Score of Eight AI Ethics Governance Practices by Organization Size

The horizontal axis shows the mean implementation score and the vertical axis shows the practices, with the most embedded practices listed at the bottom and the least embedded practices at the top; the legend below the plot differentiates large enterprise (dark blue) and small and mid-sized enterprise (orange) (Fig. 2). Both groups had privacy and data governance leads in the top two areas (overall mean 3.83) followed by risk assessment (3.48). Transparency, fairness auditing and stakeholder engagement are the three practices oriented towards impacted people, with an average of 2.72 that is lower than the mid-point of the scale. The eight practices score higher for large enterprises than for smaller enterprises. The gap is significant in the areas of risk assessment ($p = .008$), human oversight ($p = .032$), fairness audits ($p = .009$), and stakeholder engagement ($p = .018$), and borderline in the area of ethics training ($p = .050$), but not in the areas of privacy, accountability, and transparency. Therefore, size is most important for the practices that require special staff and capabilities.

Table 2: Mean Implementation Score of Each Practice by Sector

Practice	Financial Services	Healthcare	Technology	Public Sector	ANOVA p
Privacy & data governance	4.07	3.90	3.87	3.40	< .001
Risk assessment	3.58	3.67	3.50	3.14	.025
Accountability structures	3.38	3.43	3.50	3.09	.068
Human oversight	3.42	3.39	3.16	2.84	.002
Employee ethics training	3.11	3.16	3.07	2.59	.001
Transparency & explainability	3.05	3.01	2.88	2.51	.003
Fairness & bias audits	3.10	2.77	2.77	2.40	< .001
Stakeholder engagement	2.77	2.68	2.39	2.16	< .001

Note: Scores range from 1 to 5. ANOVA tests the difference among the four sectors ($df = 3, 116$).

Table 2 is an extension of fig. 2, indicating the sector differences that are present in table 1. The mean scores for the public sector are lower than for the other sectors for all of the eight practices, except for accountability structures ($p = .068$). The differences between the sectors are significant for seven of the practices. The biggest differences are in fairness and bias audits (financial services 3.10 compared to public sector 2.40), and in privacy and data governance (4.07 compared to 3.40), indicating that regulated, data-driven industries have been driven towards formalized controls and public sector bodies haven't. The other sectors are technology, which are mid-table (2.39), with fairly good accountability systems with somewhat less stakeholder engagement than finance and healthcare.

Governance Maturity and Responsible Adoption

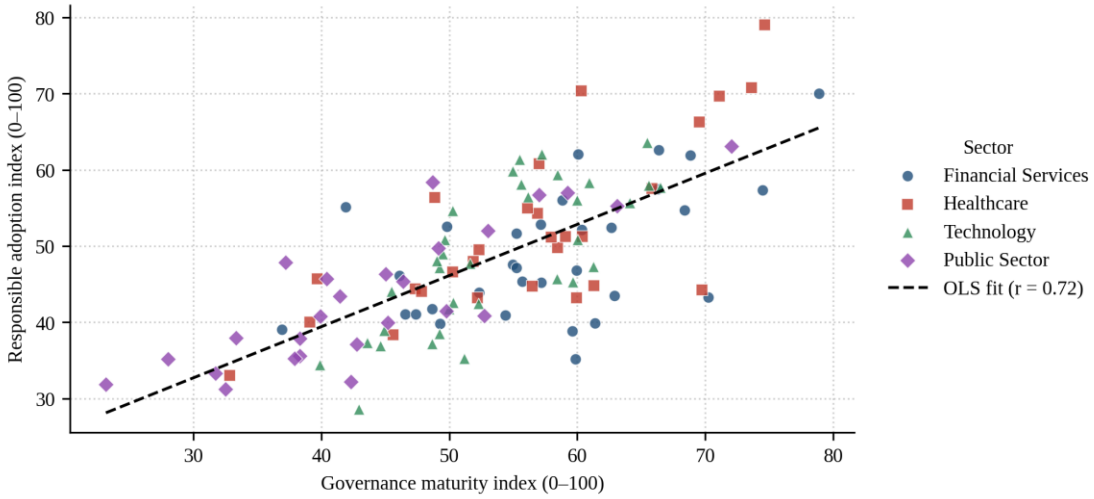


Fig. 3: Relationship Between Governance Maturity and Responsible Adoption Across Sectors

These are each one organization, as indicated in the legend to the right; the color and shape of the markers indicate the sector; the dashed line is the fitted regression (Fig. 3). There is a positive and strong ($r = 0.72$, $p < .001$) association and the slope suggests that for every additional maturity point, responsible adoption is roughly 0.67 points higher ($R^2 = 0.52$). Formal structures do not necessarily equate with outcomes, as most of the public-sector organizations are in the lower left, with several financial-services firms with a high maturity rating in the lower section of the chart, below the line. If the organizations are segmented by maturity in equal thirds, mean adoption scores increase by 14.1 points; from 40.9 points at the low maturity level, to 49.1 points at the middle maturity level, to 55 points at the high maturity level. **5.4**

Correlations and Multivariate Model

Table 3: Pearson Correlation Matrix of Study Variables (n = 120)

Variable	1	2	3	4
1. Leadership commitment (LC)	1	—	—	—
2. Employee ethics awareness (EA)	0.47	1	—	—
3. Governance maturity (GM)	0.64	0.32	1	—
4. Responsible adoption (RA)	0.67	0.46	0.72	1

Note: All coefficients are significant at $p < .001$.

Table 3 indicates that each of the variables is positively and significantly related with each other. The relationship of responsible adoption to other variables is highest with governance maturity ($r = 0.72$), followed by leadership commitment ($r = 0.67$) and employee awareness ($r = 0.46$). Leadership commitment is also related to maturity ($r = 0.64$), meaning that partly, leadership influences outcomes through the practices that sponsor. The predictors were correlated so a regression was estimated to subtract the effect of one predictor from the effect of the other.

Table 4: OLS Regression Predicting Responsible Adoption Index

Predictor	B	SE	β	t	p	VIF
Intercept	2.25	3.60	—	0.63	.533	—
Governance maturity (GM)	0.46	0.07	0.50	6.67	< .001	1.69
Employee ethics awareness (EA)	2.92	1.07	0.18	2.73	.007	1.29
Leadership commitment (LC)	3.76	1.12	0.27	3.36	.001	1.95

The three predictors combine to explain 62 per cent of the variance in responsible adoption, as shown in table 4. The standardized effect of governance maturity is the largest at $\beta = 0.50$, which implies that for every ten-point increase

in governance maturity, about 4.6 points towards adoption are gained, controlling for all other predictors. Both leadership commitment ($\beta = .27$, $p = .001$) and employee awareness ($\beta = .18$, $p = .007$) still have significant effects on the dependent variable, therefore the answer to RQ4 is yes. The range of variance inflation factors (1.29-1.95) suggests that collinearity is not a problem.

Discussion

Results are a description of an organisational environment where governance is powerful when risk is internal and measurable, and is weak when accountability is directed towards the outside. While data protection and risk assessment have been long standing compliance requirements that have defined specific owners, transparency, fairness auditing and stakeholder engagement will demand a cross functional effort and often, decisions will be open to external review. This is a pattern similar to the practitioner and critical literature that was discussed above – those that are easier to formalize are formalized first, and the more difficult ones come after. A further reading is on the topic of context for the sector. Higher privacy, risk, and fairness practice scores occur with high regulatory expectations for data handling and decision accountability in financial services and healthcare. Financial services and healthcare have greater regulatory expectations for data handling and decision accountability and their higher scores on privacy, risk, and fairness practices reflect that pressure. While the decisions made by the public sector can have a significant impact on the lives of citizens, the public sector receives the lowest score in all areas. While there are likely to be a range of reasons why public bodies may not be as mature as it is claimed to be, the gap may be as much a capacity as an intent issue. Care should be taken of size effects as well. While it is true that large companies are ahead of the curve on some of the practices that need standing teams, like bias auditing, and stakeholder engagement, smaller companies are better on practices that are purchased as a service or integrated into software, like privacy controls. This means that the barrier to smaller organisations is not a lack of willingness, but a lack of dedicated capacity, and this argues for the use of shared tools as well as external assurance services. The strong maturity–adoption association reinforces the view that governance is not just symbolic. However, the slight remaining differences in Fig. 3 and the independent impact of employee awareness and leadership in table 4 demonstrate that structures have little effect on responsible outcomes. Organizations that are at a similar stage of maturity in their development have a range of results and the range reflects the visibility of the leaders' commitment and the ethical expectations of their employees. The results to the four research questions are summarised in table 5.

Table 5: Summary of Findings by Research Question

RQ	Principal finding
RQ1	Privacy and data governance (3.83) and risk assessment (3.48) are most embedded; stakeholder engagement (2.51) is least embedded.
RQ2	Large firms outscore smaller firms on all eight practices; public-sector maturity (44.2) is well below the other sectors.
RQ3	Governance maturity and responsible adoption are strongly related ($r = 0.72$; $R^2 = 0.52$).
RQ4	Leadership commitment and employee awareness add explanatory power; the full model reaches $R^2 = 0.62$.

Table 5 makes clear that for every question, there is a definite answer in the data and the answers converge into one practical conclusion: Governance is not a policy document, it is a system of practices, people and leadership signals.

Practical Implications

- Close the opening that faces outwards. Focus on practices that are the most transparent, most fair, and most audit-able, and have the lowest score. Prioritize the practices that are most transparent, most fair, most audit-able and have the lowest score, because these are the practices that are most visible to affected people.
- Top-down sponsorship for governance. Executive commitment to AI ethics is evident because it is visible and has an impact on the outcomes after controlling for the maturity factor.
- Invest in Awareness not Rules. Employee ethics awareness is independent predictor that is positively linked with role-specific training and open avenues for raising concerns.
- Help support smaller and public-sector organisations. The size and sector gap that exists on the other side of resources can be diminished with shared toolkits, audit templates and sector guidance

Limitations and Future Research

There are a few restrictions on the results. The design is cross-sectional, which means that the associations cannot claim that governance leads to better outcomes in terms of adoption; the indices are based on scored assessments which might contain rater bias; four sectors cannot cover all the industries; and, as mentioned in Section 4, the numbers presented are approximate and need to be confirmed with primary data. Going forward, further research is needed to test for the causal ordering of the practices, include more interview data to gain insight on why, in some cases, mature structures do not achieve outcomes, and explore the impacts of generative AI on the relative importance of the 8 practices.

Conclusion

The current research has analyzed the connection between AI ethics governance practices and the responsible implementation of AI technologies by 120 organizations. The results obtained show that governance practices concerning privacy and risk management are quite developed, while those regarding transparency and fairness are rather weak. There is a need for improvement in terms of stakeholder engagement because there exists a gap between governance practices and responsible AI adoption. It should be emphasized that a high degree of connection between the level of governance maturity and responsible implementation of AI has been found. It means that organizations with high governance maturity have more opportunities for using AI technologies responsibly in their business operations. Apart from governance maturity, such factors as leadership commitment and employee ethics knowledge were found to be significant as well. From a practical standpoint, the results highlight the importance of addressing the gap between ethical theory and its practice in the actual implementation of AI technology in organizations. The focus needs to be placed on such activities as transparency, fairness, and stakeholder engagement since oriented toward the outside world and, as such, more challenging to implement. Thus, rather than implementing only privacy and risk controls, organizations need to create governance approaches that encourage accountability, openness, fairness, and active stakeholder engagement. Further empirical research could build upon these insights by conducting longitudinal and multi-organizational studies of the development of governance maturity.

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