13th Higher Education Institutions Conference

04 – 05 September, 2025
ARTIFICIAL INTELLIGENCE:
THE FUTURE OF EDUCATION IN TIMES OF GLOBAL CHANGE

PROCEEDINGS

Double-Blind Peer Reviewed
Edited by: Karmela Aleksić-Maslać and Mateja Kovačić

ZSEM Zagreb School of Economics and Management
EUonAIR European University Alliance
LSB Luxembourg School of Business

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Publisher MATE Ltd., Zagreb

For Publisher Vesna Njavro

Chief Editor PhD Mato Njavro

Editors Karmela Aleksić-Maslać and Mateja Kovačić

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Welcome Note

Dear guests and friends,

It is with great pleasure to present this volume of scientific papers originating from the Thirteenth Higher Education Institutions Conference (HEIC 2025), hosted by the Zagreb School of Economics and Management (ZSEM). Over the past decade, HEIC has grown into a respected international forum for scholarly dialogue, bringing together academics and practitioners to reflect on key developments shaping higher education.

With the theme of HEIC 2025 "Artificial Intelligence: The Future of Education in Times of Global Change" the conference continuously addresses one of the most transformative forces currently influencing education, research, and society. Artificial intelligence is redefining how knowledge is created, delivered, and applied, placing new responsibilities on higher education institutions to ensure that technological progress is accompanied by ethical awareness, inclusiveness, and societal relevance.

The papers collected in this proceedings volume reflect the richness and diversity of these discussions. They explore the opportunities and challenges of integrating artificial intelligence into teaching, learning, governance, and research, while offering critical perspectives on its broader implications. Together, the contributions underscore the importance of thoughtful, evidence-based approaches to innovation in higher education.

This year's conference holds particular significance: ZSEM's co-leading role in the EUonAIR – The European University on AI in Curricula, Smart UniverCity and (Return) Mobility, a European University Alliance dedicated to advancing responsible and collaborative models of AI integration in higher education. Through EUonAIR, partner institutions jointly contribute to reimagining education, research, and mobility in response to contemporary European and global challenges, reinforcing the role of universities as drivers of sustainable and inclusive transformation.

As Croatia's first AACSB-accredited business school, ZSEM has long been committed to academic excellence, international cooperation, and innovation. Its engagement in EUonAIR further strengthens this mission, positioning the institution within a wider European ecosystem focused on responsible artificial intelligence, interdisciplinary collaboration, and societal impact.

I hope that this proceedings volume will serve as a valuable resource for researchers, educators, and policymakers, inspiring further inquiry and collaboration. By sharing knowledge and critical insights, the contributions gathered here support the ongoing dialogue on the future of higher education in an era increasingly shaped by artificial intelligence.

On behalf of the conference organisers and the Zagreb School of Economics and Management, I extend my sincere thanks to all authors, reviewers, and participants whose work and engagement made HEIC 2025 possible.

Best regards,

Mato Njavro, PhD
Dean, Zagreb School of Economics and Management

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KEYNOTE SPEAKERS / 2025

Mato Njavro, PhD

Zagreb School of Economics and Management

https://zsem.hr/en/dr-sc-mato-njavro/

Dr. Mato Njavro serves as Dean of the Zagreb School of Economics and Management (ZSEM) in Croatia. He also teaches at the Luxembourg School of Business and the University of St. Gallen in Switzerland. With a diverse academic and professional background, Dr. Njavro has worked at the St. Gallen Institute of Management in Asia, in Singapore, where he served as a senior research fellow.

Dr. Njavro was also a lecturer at the Singapore Management University, where he taught a course on China's economic development. Prior to joining the University of St. Gallen and Singapore Management University, Dr. Njavro was a visiting research fellow at Harvard University's Institute for Quantitative Social Sciences (IQSS). Furthermore, Dr. Njavro authored and co-authored several papers and case studies published by the Harvard Business School publishing.

Dr. Njavro has earned his bachelor's and master's degree in economics and finance from Bocconi University in Milan, Italy. He earned his PhD in finance from the University of St. Gallen in Switzerland. His professional experience includes working in the investment banking divisions of Lehman Brothers and Nomura in London.

Peter A. Gloor, PhD

MIT’s Sloan School of Management

He blogs about Swarm Creativity at swarmcreativity.blogspot.com

Peter A. Gloor is a Research Scientist at the Center for Collective Intelligence at MIT’s Sloan School of Management where he leads a project exploring Collaborative Innovation Networks (COIN). He is also Founder and Chief Creative Officer of software company galaxyadvisors where he puts his academic insights to practical use, helping clients to coolhunt by analyzing social networking patterns on the Internet – spot the next big thing by finding the trendsetters, and to coolfarm – increase organizational happiness, creativity and performance through workforce analytics.

In addition Peter is a Honorary Professor at University of Cologne and a Honorary Professor at Jilin University, Changchun China. He has also taught classes at University of Bamberg, Universidad Cattolica, Santiago de Chile, Aalto University Helsinki, University of Rome Tor Vergata, University of Applied Sciences Lucerne, and University of Applied Sciences Northwestern Switzerland. Previously, Peter was a Partner with Deloitte Consulting, leading its e-Business practice for Europe, a Partner with Price-waterhouseCoopers and the section leader for software engineering at UBS. He was a postdoctoral fellow at the MIT Lab for Computer Science in the Advanced Networking Architecture group, working on hypertext well before the Web emerged and creating the multimedia CD “Animated Algorithms” (published by MIT Press). He obtained a Ph.D in Computer Science from the University of Zurich, and a Master’s degree (diploma) in Mathematics also from the University of Zurich. In his spare time he likes to work on bridging the digital divide, hiking and skiing in the mountains, and playing the piano.

He has written 9 books, his three newest books are Morality, Emotions, and AI (forthcoming), Swarm Leadership and the Collective Mind: Using Collaborative Innovation Networks to Build a Better Business (Emerald Publishers, 2017) and Sociometrics and Human Relationships: Analyzing Social Networks to Manage Brands, Predict Trends, and Improve Organizational Performance (Emerald Publishers, 2017), previous books include Swarm Creativity – Competitive Advantage through Collaborative Innovation Networks (Oxford University Press, 2005), Coolhunting – Chasing Down The Next Big Thing (with Scott Cooper) (AMACOM, 2007), and Coolfarming – Turn Your Great Idea In The Next Big Thing (AMACOM 2010).

Chief Thought Leadership Officer & EMEA, AACSB International

Eileen McAuliffe, PhD

Eileen McAuliffe serves as Executive Vice President, Chief Thought Leadership Officer, and Managing Director, EMEA at AACSB. As a key member of the executive team, she leads global thought leadership initiatives, positioning AACSB as the foremost voice in business education. In her role, she champions the quality, relevance, and societal impact of business schools worldwide, while also overseeing strategic direction and operations across the EMEA region to ensure strong engagement and support for AACSB members.

Prior to joining AACSB, McAuliffe was Pro Vice-Chancellor (Global) and Executive Dean of the Faculty of Business, Law, and Social Sciences at Birmingham City University. There, she played a central role in advancing the university's 2030 and Beyond Strategy, aligning international initiatives with institutional goals. As Executive Dean, she led a faculty of 400 and a student body of 12,000, managing an annual budget of approximately £100 million.

McAuliffe also brings a wealth of industry experience, having held executive tax advisory roles at ConocoPhillips in the oil sector. She earned her PhD in 2017 and was appointed Professor of International Taxation in 2020. In addition to her academic and professional leadership, she actively contributes to global policy as a member of the United Nations Platform for the Collaboration on Tax, and is a former member of the AACSB Board of Directors.

Holon Institute of Technology

Mikael Gorsky

Mikael Gorsky is a senior AI researcher at the Holon Institute of Technology (HIT), where he focuses on researching the transformative impact of generative AI on education and knowledge work. His work centers on AI-first solutions for transformation of knowledge work, drawing from decades of experience in technology and business strategy.

He has been engaged with knowledge work for many years, starting from software development for 8-bit processors. He co-founded one of the first management consulting firms in new, 'capitalist' Russia and started one of the first economic development think tanks. His work focused on strategies and performance management for the financial sector, retail, real estate and IT in Kazakhstan, Ukraine and Russia. He was also implementing various ERP solutions across countries of the former USSR.

His deepest interest in knowledge work led to getting HBS education on leading consulting and advisory organizations, and he remains fascinated by intricacies and complexities of those matters. Currently at HIT he does applied research on AI in knowledge work across fields of computer science, education and management while building international partnership networks and creating training programs for students and global audiences. His work focuses on practical applications that solve real knowledge work problems, capitalizing on the revolutionary advances in AI that are reshaping how people think, analyze, create and make decisions.

Knowledge work is being fundamentally transformed by AI, creating both unprecedented opportunities and serious challenges. Traditional roles in research, analysis, writing, and decision-making are being reshaped as AI handles routine cognitive tasks with increasing sophistication. This creates inevitable changes in professions, jobs, and social fabric – some knowledge workers will find their roles eliminated, others will see dramatic productivity gains, and entirely new types of work will emerge.

Generative AI may be the most important technology discovered by humans. Nations, firms and individuals have to rethink how they learn, decide and create, and this revolution calls for hard intellectual work to reflect on the new reality, define and implement structures, policies and guidelines for the era of AI.

University of St Andrews
Business School

Prof. Mark Brewer

Professor Mark Brewer is Dean and Head of School at the University of St Andrews Business School, where he also holds a professorial chair. With an international career that spans legal practice and senior academic leadership, Professor Brewer brings a unique interdisciplinary perspective to global education and research. Before joining St Andrews, he held high-level roles including International Director at Heilbronn University Graduate School in Germany, inaugural rector of Lancaster University's Leipzig campus, and founding president of a new university in the Middle East. His earlier professional experience includes practicing law with three major international law firms.

Professor Brewer holds a PhD in International Relations from the University of St Andrews, a Juris Doctor from Cornell University, and a Master of Laws and Legal Practice from Humboldt-Universität zu Berlin. His academic work is grounded in the intersection of law, corporate social responsibility, and sustainability, with a particular focus on the global fashion industry and the legal dimensions of social justice. He has published widely on topics ranging from statelessness and corporate accountability to the legal and ethical frameworks of fast fashion.

A recipient of numerous international awards and fellowships—including the Truman Scholarship, Rotary Scholarship, and a Bosch Fellowship—Professor Brewer has led and supported significant research and development projects worldwide. He currently serves as institutional co-lead on a €14.4 million EU-funded research consortium exploring the use of AI in business education and has supported initiatives fostering new models of higher education in Central Asia. His leadership and scholarship continue to shape conversations at the nexus of law, business, and global responsibility.

Dean, Heilbronn University Business School | Chair, Heilbronn University Graduate School | Professor of Strategic Management | Program Director MBA in Global Entrepreneurship

Professor dr. Ralf Dillerup

Professor dr. Ralf Dillerup is Dean of the Heilbronn University Business School and Chair of the Graduate School at Heilbronn University. He also serves as Professor of Strategic Management and Program Director of the MBA in Global Entrepreneurship. Previously, he co-chaired the university board and has held several leadership and lecture roles within the university. He has held visiting professorships at institutions in the United States, Vietnam, and across Europe. His academic leadership is focused on advancing interdisciplinary business education, integrating technology, fostering innovation, and promoting global entrepreneurial thinking.

Before transitioning to academia, Dr. Dillerup held several senior management positions in industry. At Robert Bosch's global heating division, he served in senior controlling and CFO roles. He also contributed to corporate strategy, purchasing, and logistics at the headquarters of Mercedes-Benz. His career began in production planning and sales at ASB Greenworld in Canada. These experiences provided him with deep, hands-on insight into global operations, strategy, and business process optimization.

Dr. Dillerup earned his doctorate in business administration and mechanical engineering from the University of Stuttgart, where he also completed his undergraduate studies. During this time, he conducted research and taught in the areas of self-organizing systems and the application of technology in business contexts.

PANELISTS / 2025

PANEL 1

Strategic Challenge of Higher Education System

Moderator: **Mato Njavro, PhD (ZSEM)**

Zagreb School of Economics and Management

https://zsem.hr/en/dr-sc-mato-njavro/

Dr. Mato Njavro serves as the Dean of Zagreb School of Economics and Management (ZSEM) in Croatia. He also teaches at the Luxembourg School of Business and the University of St. Gallen in Switzerland. With a diverse academic and professional background, Dr. Njavro has worked at the St. Gallen Institute of Management in Asia, in Singapore, where he served as a senior research fellow. He was also a lecturer at the Singapore Management University, where he taught a course on China's economic development. Prior to joining the University of St. Gallen and Singapore Management University, Dr. Njavro was a visiting research fellow at Harvard University's Institute for Quantitative Social Sciences (IQSS). Dr. Njavro authored and co-authored several papers and case studies published by the Harvard Business School publishing. Dr. Njavro has earned his bachelor's and master's degree in economics and finance from Bocconi University in Milan, Italy. He earned his PhD in finance from the University of St. Gallen in Switzerland. His professional experience includes working in the investment banking divisions of Lehman Brothers and Nomura in London.

Panelists: Mariola Ciszewska-Mlinarič, PhD

Kozminski University

Prof. ALK dr hab. Mariola Ciszewska-Mlinarič is an associate professor of strategic management and international business strategy at Kozminski University, where she serves as Vice-Rector for International Cooperation and ESR, as well as Dean of the College of Management. She teaches at doctoral, EMBA, postgraduate, and graduate levels both in Poland and internationally (France, Austria, Slovenia, and China).

She has been recognized with several prestigious awards, including the National Education Commission Medal (2017), the Polish Prime Minister's Award for Scientific Achievements (2021), and the Silver Medal for Long Service from the President of Poland (2023). A graduate of the University of Warsaw (Master's in Management) and Kozminski University (PhD in Management Sciences), Prof. Ciszewska Mlinarič specializes in strategy theory and practice, internationalization, and strategic consultancy for the enterprise growth and the implementation of a performance management systems. She also focuses on performance management implementation, particularly in the chemical and energy sectors.

She is an active member of several scientific organizations, including the Academy of International Business, the Strategic Management Society, and the European International Business Academy. She has led major research projects funded by the National Science Center—such as studies on psychic distance in internationalization and business model innovation—and has contributed to international grants in collaboration with CEIBS. Her research explores strategy, internationalization from emerging economies, decision-making, global expansion challenges, and business model innovation.

She has published extensively in renowned journals, including International Marketing Review, Journal of Business Research, European Journal of International Management, Business History, and Journal for East European Management.

Panelists: **Professor dr. Ralf Dillerup**

Heilbronn University
Business School

Professor dr. Ralf Dillerup is Dean of the Heilbronn University Business School and Chair of the Graduate School at Heilbronn University Business School. He also serves as Professor of Strategic Management and Program Director of the MBA in Global Entrepreneurship. Previously, he co-chaired the university board and has held several leadership and lecture roles within the university. He has held visiting professorships at institutions in the United States, Vietnam, and across Europe. His academic leadership is focused on advancing interdisciplinary business education, integrating technology, fostering innovation, and promoting global entrepreneurial thinking.

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Dr. Dillerup earned his doctorate in business administration and mechanical engineering from the University of Stuttgart, where he also completed his undergraduate studies. During this time, he conducted research and taught in the areas of self-organizing systems and the application of technology in business contexts.

Panelists: Hendrik Flier, PhD

UWC Mostar

Hendrik Flier joined UWC Mostar in 2022 as the Director of Studies. A teacher of history by profession, Hendrik has a rich and diverse background in international education and holds a certificate in Post-Academic Study in Educational Leadership. He brings a wealth of experience in relevant areas of educational leadership, curriculum development and a deep commitment to fostering academic excellence, personal growth, and community spirit.

His leadership experience includes serving as Vice Principal at the Johan van Oldenbarnvelt Gymnasium and the Teyler College in the Netherlands, as Head of Department at UWC Changshu in China, and as pastoral leader at Jumeira Baccalaureate School in Dubai.

Since joining UWC Mostar in 2022 as the Director of Studies, Hendrik has demonstrated unwavering commitment, showcasing his ability to ensure continuity while addressing future challenges and opportunities.

Panelists: **Danijela Horvatek Tomić, PhD**

Agency for Science and Higher Education (ASHE/AZVO)

Prof. dr. sc. Danijela Horvatek Tomić, has been the Director of the Agency for Science and Higher Education (ASHE/AZVO) since March 2023. Her academic career began at the Faculty of Veterinary Medicine, University of Zagreb, where she has been employed since 2002 and where she received her PhD in 2009. She is currently employed as a full professor at the same Faculty.

She is particularly recognized as an expert in the field of quality assurance in higher education. In 2014, she was appointed Head of the Quality Office at the Faculty of Veterinary Medicine, and two years later she became President of the Quality Management Committee. From 2018 to 2022, she served as Vice-Dean for Quality Control at the Faculty of Veterinary Medicine.

She has participated several times, as a leader or collaborator, in national and international scientific projects, was a member of the organizational and scientific committees of numerous domestic and international scientific and professional conferences, and has trained in institutions across Europe—including Italy, Germany, France, Austria and Slovenia.

In 2010, she received the prestigious “For Women in Science” scholarship, awarded by the Croatian Commission for UNESCO and L’Oréal Adria. In June 2025, she was elected to the Board of the European Consortium for Accreditation in Higher Education (ECA).

Generative AI may be the most important technology discovered by humans. Nations, firms and individuals have to rethink how they learn, decide and create, and this revolution calls for hard intellectual work to reflect on the new reality, define and implement structures, policies and guidelines for the era of AI.

Panelists: Karolina Kristic, PhD

Frankfurt School of Finance & Management

Karolina Kristic is the Chancellor and Chief Financial Officer (CFO) of the Frankfurt School of Finance & Management, a renowned business university based in Frankfurt am Main, Germany. Since January 2009, she has been responsible for the financial strategy and management of the entire Frankfurt School Group, including the Frankfurt School Foundation and its subsidiaries. In her role, she oversees key areas such as financial and risk management, controlling, human resources, and facility management. She played a pivotal role in the financial planning and execution of the Frankfurt School's new campus, a multi-year infrastructure project with an investment volume in the hundreds of millions.

Before joining the Frankfurt School, Kristic held leadership roles such as authorized officer at SCDM Germany GmbH and Head of Finance for several luxury car dealerships at Pendragon PLC. She holds an Executive MBA from Ashridge Business School and completed an executive program in risk management at Harvard Business School.

Kristic also serves as a member of the Board of Trustees of the Frankfurt School Foundation and is actively involved in sustainable and innovative projects—for example, the development of a pre-fabricated solar carport on campus and the introduction of the AI-powered platform "Frankie."

Karolina Kristic is a key leadership figure at Frankfurt School, combining strategic financial planning with a strong focus on innovation and sustainability.

PANEL 2

Introducing AI in HEIs
Ethical and implementation challenges

Moderator: **Goran Oblaković, PhD**

Zagreb School of Economics and Management

Dr. Goran Oblaković is an Associate Professor in Management and Strategy at Luxembourg School of Business and an Associate Dean at the Zagreb School of Economics and Management. Prior to joining the academia Goran worked in logistics and consulting.

Dr. Goran Oblaković, the Associate Dean for Undergraduate Programs and the Program Director of the Executive MBA graduate program at the Zagreb School of Economics and Management teaches a variety of management courses at undergraduate, MBA, and executive levels. He is also Associate Professor in Management and Strategy at Luxembourg School of Business. Dr. Oblakovic completed his PhD in management at the University of St. Gallen, Switzerland, with research focused on risk management in banks. He completed his master's studies in strategic finance (MSSF) and business administration (MBA) at Indiana University, USA, where he also completed a bachelor's degree in business administration (BS). His areas of scientific and research interest include risk, strategic, operations management: human-computer interaction, and decision making.

Dr. Oblakovic has international experience working in logistics and consulting and has worked for corporations such as FedEx, Target, and the United Nations, Indiana University, and a couple of startups. Through seminars and consulting projects in Croatia, and Luxembourg he continues working in the industry for many well-known companies: Cargolux, Ericsson, Kaufland, Sparkasse, Grawe, Novomatic, Croatian Bank for Reconstruction and Development, etc.

Panelists: Mikael Gorsky, PhD

Holon Institute of Technology

Mikael Gorsky is a senior AI researcher at the Holon Institute of Technology (HIT), where he focuses on researching the transformative impact of generative AI on education and knowledge work. His work centers on AI-first solutions for transformation of knowledge work, drawing from decades of experience in technology and business strategy. He has been engaged with knowledge work for many years, starting from software development for 8-bit processors. He co-founded one of the first management consulting firms in new, 'capitalist' Russia and started one of the first economic development think tanks. His work focused on strategies and performance management for the financial sector, retail, real estate and IT in Kazakhstan, Ukraine and Russia. He was also implementing various ERP solutions across countries of the former USSR.

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Traditional roles in research, analysis, writing, and decision-making are being reshaped as AI handles routine cognitive tasks with increasing sophistication. This creates inevitable changes in professions, jobs, and social fabric – some knowledge workers will find their roles eliminated, others will see dramatic productivity gains, and entirely new types of work will emerge. Generative AI may be the most important technology discovered by humans. Nations, firms and individuals have to rethink how they learn, decide and create, and this revolution calls for hard intellectual work to reflect on the new reality, define and implement structures, policies and guidelines for the era of AI.

Panelists: **Metka Tekavčić, PhD**

University of Ljubljana

Prof. Metka Tekavčič was a Dean of the School of Economics and Business (former Faculty of Economics), University of Ljubljana (UL SEB) from October 2013 to September 2023. From 2001 to 2007 professor Tekavčič was Vice-Dean at the UL SEB. As a dean she was a president of the UL SEB's Senate and a member of the Senate of the University of Ljubljana. Currently, she is a member of UL SEB Senate. In 2014 Metka Tekavčič was awarded the Artemida award for Women's Excellence in Management. Her research interest lies in the fields of cost and performance management, as well as public management. Lately, her research focus is in forensic accounting and sustainability management. She has been a member of editorial boards in different prominent journals from her research field. Recently, she has been teaching Accounting for Managers at International Master in Business and MBA courses at UL SEB, both FT ranked. From 2007 to 2010 she was a visiting professor at the University of Greenwich Business School. At the beginning of 2023 she was elected visiting professor at St. Cyril and Methodius University in Skopje. From 1992 till 2013 Metka Tekavčič was a member of the City Council of Ljubljana, Slovenia. She has long been and remains a member of the supervisory boards of many important Slovenian companies and other institutions. Among others, she is board member of the Confucius Institute Ljubljana, member of Steering committee of Alliance of Chinese and European Business Schools (ACE) which he was also chairing from 2020 to 2023, and member of international advisory boards in Solvay Brussels School of Economics and Management, University of Leeds, KEDGE Business School Bordeaux and Faculty of Economics and Business, University of Zagreb, Pforzheim University Business School and Beijing Jiaotong University, School of Economics and Management. From 2016 to 2022 she was a member of the EQUIS Accreditation Board. From 2018 to 2023 she was a member of EFMD Steering Committee member for Executive Leadership. In 2019 she was appointed to the Board of EFMD and re-elected in 2022 for a five years period. From 2017 to 2020 Prof. Tekavčič also served as a member of the AACSB International Initial Accreditation Committee and a member of the European Advisory Council (EAC). Currently, she is back to research and teaching, at the same time responsible for enhancing business education in the region. She intensively serves in different PR teams for both AACSB and EQUIS accreditations.

Panelists: Srdjan Redzepagic, PhD

Luxembourg School of Business

Dr. Srdjan Redzepagic is a full professor of economics at the Luxembourg School of Business and a scientific researcher in economic sciences. He has Diploma ability to conduct researches (HDR – Habilitation à diriger des recherches). His academic career is marked by his work as a scientist at the Université Côte d'Azur in Nice (France) and as a visiting/adjunct professor at several renowned worldwide universities (International University of Monaco – Monaco, Paris 3 Sorbonne Nouvelle – France, Technical University of Košice – Slovakia, University of Coimbra – Portugal, University of Sfax – Tunisia, Belgrade Banking Academy – Serbia, University of Montenegro – Montenegro).

In addition to active involvement in scientific work, he has extensive experience in managing study programs, international projects, and projects funded by the European Union, as he is the coordinator of several European and international projects. In his research work, he uses various research methods, especially in analyzing European integration and the European economy, which are the main research areas. He has about a hundred published scientific papers. He is the editor of more than ten internationally recognized editions of books and monographs of international importance. He is the editor-in-chief of the scientific journal Balkan Economic Review. He manages a large number of international research projects.

PANEL 3

Generative AI & Data-Driven Discovery: The Next Frontier in Research & Education

Moderator: **Andrej Novak, PhD**

University of Vienna,
University of Zagreb

Dr. Andrej Novak is a Research Associate at the Faculty of Mathematics and Economics at the University of Vienna and a Professor at the Faculty of Science, University of Zagreb. He holds both a Master's and a PhD in Applied Mathematics, as well as a medical degree from the University of Zagreb School of Medicine, where he graduated with a thesis on cellular models in neuroscience.

His research focuses on applied mathematics and computer science, with particular interests in partial differential equations, optimization theory, medical image processing, and the use of interpretable predictive analytics in managing cardiac pathologies.

Throughout his academic career, Dr. Novak has led and coordinated more than ten university courses in mathematics, quantitative methods, and computer science at both undergraduate and graduate levels. He has also contributed to curriculum development for several computer science programs and has taught quantitative methods across multiple institutions.

He has been actively involved in numerous national and international projects, serving as both a researcher and a member of advisory boards. As a principal investigator, he has led scientific projects and collaborated with international companies specializing in algorithmic solutions for image processing and computationally intensive problems.

Dr. Novak is also an internationally recognized speaker, having delivered more than twenty invited lectures across Europe, the United States, Brazil, Taiwan, and Indonesia.

Panelists: **Alimshan Faizulayev, PhD**

KIMEP University

Dr. Alimshan Faizulayev is the Director of the ESG Center, Research Director, and Associate Professor of Finance at the Bang College of Business, KIMEP University. He holds a PhD in Finance from the Eastern Mediterranean University and has published over 30 research papers in journals indexed in Scopus and Web of Science, ranked by ABDC and ABS. He is also the co-author of the book Fintech Robotics Advancement for Green Finance and Investment (with Muhammed Arslan), indexed in Scopus and Web of Science.

At KIMEP, dr. Faizulayev received the Teaching Excellence Award (2022–2023) and the Research Excellence Award (2023–2024). His professional background includes roles as Financial Analyst, Investment Advisor, and Project Manager in UK, Cyprus and Turkiye. Since 2021, he has also served as Research Director and Project Manager at the London Center for Development (UK), focusing on investment, research, and fintech innovation.

Internationally, he has taught twice on the Erasmus Exchange Program at the Zagreb School of Economics and Management (Croatia), enriching his global academic perspective.

Panelists: **Monika Sonta, PhD**

Kozminski University

Dr. Monika Sońta is an expert in communication, creativity, and AI in education. A sociologist of technology, she specializes in organizational culture and internal communication. She is a certified facilitator of creative methods including the FORTH Innovation Method, LEGO® SERIOUS PLAY®, PLAYMOBILpro, Design Sprint, and PROSCI. With over 17 years of experience working with international companies in HR and communication, she currently serves as an Assistant Professor at Kozminski University's Department of Management in Networked Society. She is the author of books and articles on innovation culture. Dr Sońta collaborates with the Asia-Europe Foundation (ASEF) and actively participates in projects focused on transforming higher education (Digital Leader, DREAMER, EUon AIR). She is one of the lead authors of the "White Paper on AI in Education," developed during the 5th edition of the ASEF Higher Education Innovation Laboratory (ASEFInnoLab)

Panelists: Isabel Steidell, MSc

Heilbronn University

Isabell Steidel is an entrepreneur, politician and expert on the intersection of sustainability and AI with over eight years of experience in initiating and implementing sustainable projects in the public and private sectors. Elected as one of the youngest city councillors in Heilbronn's history, she served as the top candidate in the 2024 Heilbronn municipal council election. She was the only participant from Germany chosen for the World Bank's Youth to Youth MTE Climate Ambassador program in 2024 and served as one of five official youth delegates of Germany at the G20 and G7 youth summits in 2023 and 2024.

As the co-founder of AdeoAI, she leads the development of SortMate, an innovative AI-powered app that makes recycling accessible to everyone through advanced object recognition technology, multilingual support, and barrier-free design. The app translates complex recycling rules into simple, actionable instructions, helping communities achieve better recycling rates.

Isabell began her public service in the Heilbronn Youth Council and as the founder of the refugee aid initiative "Welcome." She now holds positions on several supervisory boards across the financial, renewable energy, and infrastructure sectors.

Her academic background includes a Master of Science in Business Management from Heilbronn University Graduate School and a Bachelor of Arts in Management and Human Resources from the University of Heilbronn.

Isabell has led various side-events at international conferences, including COP28 and the FAO's World Food Forum. She is a co-founder of the local initiative "German Zero Heilbronn," a member of the German Council on Foreign Relations (DGAP) and a Global Shaper at the World Economic Forum.

She is also the institutional coordinator of the European University Alliance "EUonAIR" , on behalf of the Heilbronn University of Applied Sciences that focuses on the implementation of AI in higher education and research.

PANEL 4

From Vision to Practice: The Experience of Croatian Universities in European Alliances and the Path Ahead

Moderator:	Dubravka Kovačević, PhD

Zagreb School of Economics and Management

Dr. Dubravka Kovačević is the Associate Dean for Project Initiatives and Development at the Zagreb School of Economics and Management (ZSEM), where she teaches courses in Business Communication and European Union Studies.

She earned her PhD from the University of Economics in Bratislava, at the Department of International Trade of the Faculty of Business, with a specific focus on international business and the European Union. She also completed a Master's degree in International Management at the same university, following an earlier Master's degree in Marketing from the Faculty of Economics and Business at the University of Zagreb. During her doctoral studies, she taught courses in cross-cultural communication, European studies, and international migration.

In addition to her strong academic background, she brings extensive professional experience in the banking sector, particularly in retail banking and payment systems. While at ZŠEM, she has actively led and participated in numerous international projects, including MLEA, 4InnoPipe, 4InnoPipe2, EMMIE, and the prestigious European university alliance EUonAIR. Her research interests focus on the European Union, especially in the areas of international business, EU institutions, and policymaking.

Panelists: **Marijana Pećirević, PhD**

University of Dubrovnik

Marijana Pećirević, PhD, completed her primary and secondary school education in Dubrovnik and after enrolled the study program of Biology- Ecology at the Faculty of Science of the University of Zagreb, and earned her PhD in the field of Biotechnology at the doctoral study at the Faculty of Agriculture, University of Zagreb.

She was the Head of the Department of Applied Ecology and Vice Rector for International Relations and Science at University of Dubrovnik. In her scientific and professional work, she addresses the issues of non-indigenous species introduction as well as other anthropogenic impacts on marine ecosystems. She has been contributing as a coordinator and collaborator in over 20 scientific and research projects dealing with above issues.

She has been teaching and holding courses through which she has been transferring her knowledge to students. She is a mentor on several final and graduate theses in the field of Conservation Biology and Protection of Marine Ecosystems. She has been participating in the work of international and national working groups dealing with these issues and guidelines and strategies for the protection of marine environment. She participated in the organizing committees of international scientific conferences and summer schools.

In addition to presenting the results of her work at scientific and professional conferences and publishing in scientific publications, she has also been participating in various activities for the popularization of science as well as cooperating with the real and public sector through studies and professional projects. She is married and is mother of three children.

Panelists:

Anita Pavić Pintarić, PhD

University of Zadar

Anita Pavić Pintarić, PhD, was born in Zadar. She graduated in German and English language and literature from the Faculty of Philosophy in Zadar. At the Faculty of Philosophy in Zagreb, she obtained her master's degree and received her doctorate at the University of Zadar.

In January 2022, she was chosen to the scientific teaching position as full professor in the humanities, the field of philology. Areas of her research include the expression of emotionality, fictive orality, phraseology, translation studies, pragmalinguistics, contrastive and contact linguistics. She was the head of a bilateral research project and a researcher on six scientific projects, five of which were international projects. She also participated in the TEMPUS project for starting translation studies at the University of Zadar. She has published about sixty scientific articles and two scientific monographs, one of which as the author (Deutsche und kroatische Idiome kontrastiv. Eine Analyse von Ausdruck und Funktion, 2015), and one as the co-author (Prostor i kretanje u govorima zadarskoga kraja, 2021). She has edited five books. Professor Pavić Pintarić has taken part in numerous international scientific conferences in Croatia and abroad. She regularly reviews scientific monographs and articles, and is the editor of linguistics section of the journal Germanistica Euromediterrae of the Department of German Studies. She is also a member of the scientific board of the journal Linguistische Treffen in Wroclaw and series Studia Phraseologica et Permiologica (Dr Kovač Verlag, Hamburg). She has been the head and a member of organizing and scientific committees of a number of conferences.

Since 2002 she has been working at the Department of German Studies at the University of Zadar, where she has been teaching mandatory and elective courses. She has supervised about twenty undergraduate and fifty graduate theses. She is a PhD supervisor in the doctoral studies "Humanities" at the University of Zadar, and a coordinator of the international trilateral doctoral school of the universities of Mannheim, Ljubljana and Zadar. Professor Pavić Pintarić is actively involved in the work of the alliance EU-CONEXUS within the working group dedicated to doctoral studies, as well as in the academic council. She regularly participates in the Erasmus+ mobility programme for teachers.

Panelists: Gordana Nikolić, PhD

PAR University College

Associate Professor Gordana Nikolić, PhD is the Dean of PAR University College. She is the only woman in Croatia who is both the owner and dean of a higher education institution. She graduated from the Faculty of Maritime Studies in Rijeka and earned both her Master's degree and PhD at the Faculty of Economics in Rijeka. Over the years, she worked in the business sector in roles related to import–export, international freight forwarding and logistics, and transport organization.

In 2007, she founded the Business Academy Rijeka, and in 2011 she established PAR University College.

Her unique combination of academic and business experience has earned her numerous awards over the years: from being named Entrepreneur of the Year in Croatia, receiving the Primorje-Gorski Kotar County Award for outstanding international achievements, and the City of Rijeka Award for contributions to higher education and entrepreneurship, to international recognition at the Women's Economic Forum in New Delhi in 2018, where she was presented with the "Exceptional Women of Excellence" award. This distinction is given to exceptional women for their excellence in their field and their contributions to the development of the communities in which they live and work.

In 2019, she received the prestigious Business Partner award for her contributions to education and the advancement of managerial knowledge and skills. She was also recognized by the Croatian Chamber of Economy for introducing new study programs and for innovating entrepreneurial knowledge.

Gordana Nikolić serves as the Women's Entrepreneurship Day (WED) Ambassador for Croatia, a Senator in the General Assembly of the World Business Angels Investment Forum (WBAF), and the Vice-President of the WBAF Global Women Leaders Committee. She is also the President of the Rijeka branch of the Croatian Association of Business Women – KRUG.

Keynote speaker

Cognifying Education: Mapping AI's transformative role in emotional, creative, and collaborative learning

Mikael Gorsky[1] and Ilya Levin[2]

[1]Holon Institute of Technology, Holon, Israel, MikaelG@hit.ac.il
[2]Holon Institute of Technology, Holon, Israel, LevinI@hit.ac.il

Abstract

Artificial intelligence (AI) is rapidly reshaping educational practice, challenging long-held assumptions about teaching and learning. This article integrates conceptual perspectives from recent books (Genesis by Kissinger et al., Co-Intelligence by Mollick, and The Inevitable by Kelly) with empirical insights from popular AI podcasts and Anthropic's public releases. We examine seven key domains – emotional support, creativity, contextual understanding, student engagement, problem-solving, ethics and morality, and collaboration. For each domain, we explore AI's capabilities, opportunities for transformative change, and emerging best practices, drawing equally from theoretical analysis and real-world observations. Overall, we find that AI, when used thoughtfully, can complement and enhance human educators in fostering richer learning experiences across cognitive, social, and emotional dimensions. We emphasize an optimistic yet responsible outlook: educators and students should actively shape AI integration to amplify human potential in creativity, ethical reasoning, collaboration, and beyond, while maintaining a focus on human-centric values.

1. Introduction

AI's surge in capability – epitomized by large language models like GPT-4 and Claude – has sparked intense debate in education. Early public opinion often casts AI as either a threat to the teacher's unique role or a mere automator of rote tasks. However, a closer look reveals a more nuanced reality: AI systems, under proper guidance, can extend the reach of educators and enrich student learning in unprecedented ways. We see that AI can have significant impact in seven areas: (1) emotional support, (2) creativity, (3) contextual understanding, (4) student engagement, (5) problem-solving, (6) ethics/morality, and (7) collaboration. These seven themes form the backbone of our inquiry.

ISSN 2991-9371

Recent books by prominent thinkers provide frameworks for understanding how AI might transform human roles and capabilities. Kissinger, Schmidt, and Mundie [2] offer a broad geopolitical and philosophical context for AI's impact on human knowledge and agency. Mollick [3] focuses on practical human-AI collaboration in work and education, envisioning AI as a tutor, coach, and creative partner. Kelly [1] positions AI as an inevitable force driving us to "cognify" every aspect of life, arguing that humans must learn to work *with* intelligent machines rather than against them.

From the empirical side, popular AI-themed podcasts (such as *Hard Fork*, *The Ezra Klein Show*, *Latent Space*, and *The Cognitive Revolution*) and public content from AI research labs provide real-world insights. Teachers and technologists speaking on these platforms describe how AI is *already* being used in classrooms and what challenges and successes are emerging. For example, on *Hard Fork*, Wharton professor Ethan Mollick discussed how he integrated generative AI into his teaching, requiring students to use AI for certain assignments rather than banning it [7]. Such firsthand accounts complement data-driven reports like Anthropic's large-scale studies of AI usage by students [4], and Anthropic's technical blogs on aligning AI to human values [6]. Taken together, these sources paint an exploratory yet optimistic picture of AI's transformative potential in education – provided we approach integration thoughtfully and ethically.

In the sections that follow, we examine each of the seven themes in turn. For each domain, we contrast common initial assumptions with the emerging reality of AI-augmented education. We draw on conceptual arguments from thought leaders, empirical findings from research and practice, and examples that illustrate how AI can be harnessed in service of deeper learning. Throughout, we maintain an optimistic tone, highlighting opportunities and effective strategies while acknowledging the need for ongoing vigilance (especially regarding ethics and equity). Finally, we synthesize these insights to discuss how educators can proactively shape an AI-enhanced future of learning, rather than passively respond to technological change.

2. AI and Emotional Support

One oft-repeated belief is that only human teachers can provide the empathic, emotionally supportive presence students need, whereas AI would be "cold" or uncomprehending. Indeed, emotional intelligence and genuine empathy are deeply human traits. However, early implementations and studies suggest that AI, while not conscious or emotional itself, can simulate empathic support in ways that meaningfully help students. By analyzing textual cues, voice tone, and even facial expressions, AI can detect subtle emotional states and respond with relevant emotional messages. For example, an AI tutor might notice frustration or confusion in a student's queries and interject with encouraging feedback or a clarifying question in a gentle tone. While the AI does not feel empathy, it can generate empathetic responses appropriate to the situation. In some respects, this approach can even surpass human consistency – an AI will not become impatient or burned-out, and it can offer 24/7 support with endless patience, which is valuable for students who need steady reassurance or a nonjudgmental listener. Moreover, AI systems can track a student's emotional patterns over time, potentially flagging declines in engagement or signs of distress that a busy teacher might miss. This capability to monitor well-being longitudinally and objectively could enable earlier interventions for struggling students.

Recent evidence from 2024-2025 strongly validates AI's competency in emotional support. A comprehensive study involving 401 Chinese university students found that students perceive AI as having the potential to positively influence mental well-being, with researchers emphasizing the potential of AI in strengthening mental health support systems because AI-powered chatbots and virtual assistants provide immediate support and essential information, making mental health services more accessible to a wider audience [23]. Most remarkably, the first-ever randomized controlled trial of a generative AI-powered therapy chatbot demonstrated significant clinical improvements, with participants showing significantly greater reductions in symptoms of MDD (mean changes: −6.13 vs. −2.63 at 4 weeks), GAD (mean changes: −2.32 vs. −0.13 at 4 weeks), and CHR-FED (mean changes: −9.83 vs. −1.66 at 4 weeks) relative to controls [24]. Crucially, Therabot was well utilized (average use >6 hours), and participants rated the therapeutic alliance as comparable to that of human therapists [24]. Additional evidence comes from real-world usage studies of nineteen individuals using generative AI chatbots for mental health, which revealed high engagement and positive impacts, including better relationships and healing from trauma and loss, with participants developing four key themes including a sense of 'emotional sanctuary', 'insightful guidance', particularly about relationships, the 'joy of connection', and comparisons between the 'AI therapist' and human therapy [25].

Recent empirical evidence supports the notion that students (and people in general) are beginning to use AI as a form of on-demand emotional support. Anthropic reported that although the majority of AI usage is task-oriented, a small but meaningful fraction (about 2.9%) of interactions with their model Claude are what they term "affective conversations" – users seeking advice, counseling, or companionship from the AI [6]. Within those supportive dialogues, people commonly discuss personal challenges (relationships, loneliness, anxiety) and receive advice or coaching. Notably, researchers found that human sentiment tends to become more positive over the course of a counseling or coaching conversation with Claude, suggesting that the AI's responses often help improve the user's mood during the interaction [20]. This aligns with anecdotal reports from podcasts: for instance, guests on The Ezra Klein Show and others have described teens chatting with AI "friend" apps late at night when they feel they have no one else to talk to – illustrating both the opportunity and the concern in this domain [8]. On the one hand, an AI companion can reduce feelings of loneliness by being an ever-available conversational partner; on the other hand, as technologists caution, over-reliance on AI for companionship could introduce new forms of social isolation or blurred reality [21]. Mollick [3] imagines a future scenario in which "AI companions become far more compelling to speak with than most other people, and … loneliness becomes less of an issue" even as "some people would rather interact with AIs than with humans," leading to tricky societal questions [3].

ISSN 2991-9371

2.1 What makes AI emotionally competent: technical mechanisms

Understanding why AI systems demonstrate such competency in emotional support requires examining the underlying technical mechanisms that enable this capability. Recent research reveals that large language models have achieved remarkable proficiency in emotional intelligence tasks, with ChatGPT-4, ChatGPT-o1, Gemini 1.5 flash, Copilot 365, Claude 3.5 Haiku, and DeepSeek V3 outperformed humans on five standard emotional intelligence tests, achieving an average accuracy of 81%, compared to the 56% human average reported in the original validation studies [26]. This superiority extends to sophisticated emotional understanding, as demonstrated by research showing GPT-4 is capable of emotion identification and managing emotions, but it lacks deep reflexive analysis of emotional experience and the motivational aspect of emotions [27], indicating that while AI may not experience emotions, it can recognize and respond to them effectively.

The foundation of AI's emotional competency lies in the transformer architecture and its attention mechanisms. The transformer's self-attention mechanism allows it to examine an entire sequence simultaneously and make decisions about how and when to focus on specific time steps of that sequence [28], enabling the AI to identify emotional cues across different parts of a conversation and understand their relationships. The self-attention mechanism in Transformers has significantly enhanced their capacity to capture complex long-range dependencies within and across various modalities [29], which proves crucial for understanding emotional context that may span multiple exchanges. When applied to emotional recognition, Transformers offer several advantages. Firstly, their self-attention mechanism enables them to dynamically focus on relevant parts within each modality-specific representation. This mechanism allows Transformers to effectively weigh the importance of different features within the input data, therefore capturing subtle emotional nuances that may be essential for accurate recognition [29].

The training methodology known as Reinforcement Learning from Human Feedback (RLHF) plays a critical role in developing AI's emotional competency. RLHF incorporates human feedback in the rewards function, so the ML model can perform tasks more aligned with human goals, wants, and needs [30], particularly important for emotional support where the score can be based on innately human qualities, such as friendliness, the right degree of contextualization, and mood [30]. As one technical overview explains, ChatGPT's technical foundation, including its Transformer architecture and RLHF (Reinforcement Learning from Human Feedback) process, enabling it to generate human-like responses [31], demonstrates how these combined approaches result in emotionally responsive AI systems. This training process enables AI to learn subtle patterns of emotional interaction that would be difficult to program explicitly, allowing models to develop what researchers describe as elements of cognitive empathy, recognizing emotions and providing emotionally supportive responses in various contexts [32].

Overall, the optimistic view is that AI can augment emotional support in education by providing individualized encouragement, empathy simulations, and coaching that supplement (not replace) human care. For example, an AI-guided learning app might cheer on a student who is struggling ("I know this is tough, but I believe you can do it!") and suggest a short break if it senses frustration. It might help a shy student practice social skills by role-playing difficult conversations in a safe setting. Educators are already experimenting with these uses: some counseling centers have tested AI chatbots for cognitive-behavioral therapy exercises or mood tracking with college students. Crucially, however, such AI tools must be designed and monitored carefully – ethical guidelines are needed to ensure the AI remains supportive and does not produce harmful advice. Anthropic's work on AI safety emphasizes aligning models with human values so that they behave as a "good citizen" – for instance, refusing to exploit users' emotions or feed delusions [22]. In practice, the best outcome may be achieved by human-AI collaboration in pastoral care: teachers and counselors could use AI to identify students in need of help and to scale up support, while humans provide the authentic empathy and judgment that machines lack. If approached in this balanced way, AI's tireless presence and pattern-recognition could bolster the emotional safety net for students, ensuring no one slips through the cracks unnoticed.

3. AI and Creativity

Another common belief is that AI, being fundamentally computational, excels at repetitive or analytical tasks but cannot foster human creativity and imagination. Creativity in education has traditionally been nurtured by inspiring teachers who encourage students to think divergently, explore art and play, and take intellectual risks. It might seem counterintuitive that a software program could enhance these creative processes. Yet emerging evidence suggests that AI can be a powerful catalyst for creativity, both by generating novel ideas itself and by stimulating greater creativity in students. AI fosters creativity by processing and recombining vast amounts of information in novel ways. Because modern AI models are trained on enormous datasets encompassing literature, art, history, science and more, they effectively serve as "connection machines" (to use Mollick's term) that can link ideas across domains in unexpected ways. Where a human might be limited by personal experience or conventional thinking, an AI can produce an unusual analogy, an offbeat suggestion, or a hybrid concept that spurs a human learner's imagination. For example, a student brainstorming a story might ask an AI for ideas, and it could propose a plot combining elements of, say, ancient mythology and futuristic science – a combination the student hadn't considered. These AI-generated surprises can "present unexpected ideas or challenge norms, potentially sparking human creativity" [24]. Far from merely copying existing material, a well-designed AI can create genuinely new combinations and concepts from the knowledge it has absorbed [25]. In fact, AI's ability to quickly generate and evaluate multiple scenarios promotes divergent thinking in students [26][27]. By rapidly proposing many variations or solutions to a problem, the AI encourages students to move beyond their first idea and consider alternatives, thereby expanding their creative comfort zones [26][28].

3.1 Recent evidence of AI's creative competency

Extensive recent research from 2024-2025 provides compelling evidence that AI demonstrates significant creative competency across multiple domains. A landmark study analyzing over 4 million artworks from more than 50,000 unique users found that text-to-image AI significantly enhances human creative productivity by 25% and increases the value as measured by the likelihood of receiving a favorite per view by 50% [33]. While peak artwork Content Novelty increased over time, this research revealed that the artists who successfully explore novel ideas and filter model outputs for coherence benefit the most from AI tools, underscoring the pivotal role of human ideation and artistic filtering in determining an artist's success with generative AI tools [33].

In educational contexts specifically, a 2024 study involving college students found that 100% of participants found AI helpful for brainstorming, with students generating more diverse and detailed ideas when using AI [34]. AI served as a useful brainstorming tool for kick-starting creative sessions and acted as a nonjudgmental partner for idea generation, allowing students to explore concepts they might normally withhold in group settings [34]. Furthermore, a comprehensive study published in 2025 reported that 91 percent of educators observe enhanced learning when their students utilize creative AI [35], indicating widespread recognition of AI's positive impact on student creativity.

Recent research has also demonstrated AI's ability to match and sometimes exceed human creative performance in standardized tests. In psychological tests of creativity, such as evaluating ChatGPT-4's performance on creative interpretation tasks using the Figural Interpretation Quest (FIQ), results indicated that while AI on average demonstrated higher flexibility in generating creative interpretations, the evaluation revealed nuanced differences in how creativity manifests between human and artificial systems [36]. Perhaps most remarkably, a controlled experiment involving short story creation found that access to generative AI ideas causes stories to be evaluated as more creative, better written, and more enjoyable, especially among less creative writers [37], though this same study noted important implications for collective diversity that we discuss further below.

Empirical results back up these conceptual claims. In psychological tests of creativity, such as the Alternative Uses Test (which measures how many different uses for a common object someone can propose), advanced AI systems have scored remarkably well. Ethan Mollick reports that GPT-4 outperformed over 90% of human test-takers in generating creative ideas for novel uses of everyday items, as judged by human evaluators [3]. While such tests have limitations (AI might have seen examples during training), they indicate that AI can produce a breadth of imaginative outputs comparable to very creative humans [3]. Moreover, AI's "creativity" isn't limited to text – generative models in visual art and music (e.g. DALL-E, Midjourney, MuseNet) can produce original images and compositions. Teachers on podcasts have shared anecdotes of students using AI art generators to visualize their ideas, which then inspires them to further refine or re-imagine their projects. Rather than make students passive, these tools often motivate them to iterate and experiment more boldly. For instance, Latent Space podcast guests noted how generative AI allows even novice programmers or designers to prototype creative projects (like video games or animations) quickly, thereby lowering the barrier to entry for creative expression. This democratization of creativity – giving every student a tireless creative assistant – is a theme echoed by Kevin Kelly: "It's not a race against the machines. You'll be paid in the future based on how well you work with robots... Robots will do jobs we have been doing, and do them much better... And they will help us discover new jobs... They will let us focus on becoming more human than we were." [1]. In the context of the classroom, "becoming more human" means focusing on the uniquely human aspects of creativity: defining the problems, infusing work with empathy and values, and making aesthetic or ethical choices – while the AI handles tedious details or generates raw material for inspiration.

3.2 Technical mechanisms enabling AI Creativity

Understanding why AI demonstrates such remarkable creative capabilities requires examining the underlying computational mechanisms that enable this performance. The foundation of AI creativity lies in the transformer architecture, which utilizes self-attention mechanisms to process input text and identify relationships between different elements across vast distances in the data [38]. This architecture enables what researchers describe as combinatorial creativity, where AI systems identify, retrieve, and recombine relevant concepts from multiple domains through structured processes [39].

At its core, AI creativity operates through what computational creativity researchers call "a search process through the space of possible combinations" [40]. The combinations can arise from composition or concatenation of different representations, or through rule-based or stochastic transformation of initial and intermediate representations [40]. Large language models achieve this through several key mechanisms: first, their stochastic nature and the variety of prompts that are usually provided commonly lead to novel outcomes [41]; second, their training on all available data allows them to access and recombine elements from across the entire knowledge spectrum they've been exposed to [41].

Recent advances in understanding LLM creativity reveal that these systems can realize combinatorial creativity by generating creative ideas through structured combinatorial processes [42]. Research demonstrates that LLMs can systematically explore and combine ideas from existing literature by analyzing conceptual relationships across papers and identifying novel research opportunities [42]. This process involves cross-domain connections by embedding and comparing ideas at multiple abstraction levels, allowing the system to connect ideas from unrelated fields while preserving traceability through structured formats that capture relationships between retrieved innovations and problem abstractions [39].

The attention mechanism plays a crucial role in enabling creativity by allowing the model to examine an entire sequence simultaneously and make decisions about how and when to focus on specific time steps of that sequence [38]. This mechanism enables LLMs to identify patterns and relationships that span long distances in text, facilitating the kind of unexpected connections that characterize creative thinking. Furthermore, the multi-head attention mechanism allows transformers to focus on different aspects of the input simultaneously, enabling them to capture multiple types of relationships and patterns that contribute to creative output [38].

Training methodologies also contribute significantly to AI's creative capabilities. Reinforcement Learning from Human Feedback (RLHF) enables models to be fine-tuned to maximize human preferences and values, including creative preferences [43]. This training approach helps AI systems learn not just what is statistically probable based on training data, but what humans actually find creative, valuable, and engaging. Additionally, techniques like diffusion models and generative adversarial networks contribute to creative generation by enabling the production of novel content that maintains coherence while exploring new possibilities [43].

Practical classroom implementations of AI to boost creativity are already underway. Some educators use AI as a creative brainstorming partner for students: for example, asking a language model to act as a "wild idea generator" in a group project ideation session. One teacher described having students' critique and build on AI-generated solutions to a design challenge; the offbeat AI suggestions pushed students to think outside the box and eventually led to more innovative student-designed solutions than in previous semesters. Mollick [3] has even made "use of AI mandatory" in certain entrepreneurship assignments – he instructs students to attempt projects far beyond their normal capability, explicitly because AI is available to help [3]. One prompt read: "Make what you are planning on doing ambitious to the point of impossible; you are going to be using AI... I won't penalize you for failing if you are too ambitious." [3]. The result is that students aim higher (e.g. attempting to create a working app or write a business plan in a week) and often achieve more than they originally thought they could, learning a great deal in the process about creative problem-solving. AI provides the scaffolding – writing code snippets, generating marketing copy, simulating user feedback – but students remain the directors of these projects, exercising higher-level creativity in selecting, refining, and integrating the AI's contributions. In this sense, AI can act like a creative muse or apprentice: it multiplies the range of ideas on the table and handles low-level execution, freeing students to focus on imaginative and integrative thinking [32][33].

Of course, using AI for creativity in education requires thoughtful guidance. Teachers must ensure students are not simply taking AI outputs at face value or plagiarizing creative work. As Mollick notes, there is a paradox in AI creativity: the same randomness that lets AIs generate novel ideas can also produce misinformation or unfiltered content [3]. Therefore, educators play a crucial role in coaching students to critically evaluate and iterate on AI-generated content. When harnessed properly, AI can become a powerful amplifier of creativity in the classroom – expanding the horizons of what students can imagine and make and preparing them for a future where human-AI creative collaboration is the norm.

4. AI and Contextual Understanding

Teachers are often lauded for their ability to understand the personal, social, and cultural context of each student – the myriad factors outside of test scores that affect learning. A common sentiment is that AI lacks this holistic understanding and therefore cannot truly personalize learning or respond to individual needs the way a human teacher can. Indeed, human educators draw on intuition and experience to pick up on subtle cues (a student's body language, community background, current events affecting the student, etc.). However, advanced AI systems are increasingly capable of analyzing vast and varied data streams to construct a rich picture of a learner's context. The "truth" here, as articulated in the user's framework, is that AI's contextual understanding comes from its ability to process and integrate multiple data streams simultaneously. An AI tutor could, in principle, ingest a student's academic records, responses to past homework, data from educational games, and even biometric or environmental data (if available and ethically obtained) to continuously assess the student's state and needs. For example, consider an AI-driven learning platform that monitors which topics a student struggles with, how quickly they answer questions at different times of day, which concepts excite them (based on engagement patterns), and perhaps input from the student's wearable fitness tracker indicating sleep or stress levels. By synthesizing these diverse inputs, the AI can form a far more detailed and up-to-date model of the student's context than any one teacher managing 30 students might have time for. As the user's article notes, AI can analyze academic performance, social interactions, physiological data, and environmental factors together. This enables nuanced interpretations of student behavior and performance that might escape human observation. For instance, an AI might correlate that a student performs better on math exercises in the morning and struggles after 2pm, which, combined with knowledge that the student has afternoon sports practice (physical fatigue), leads to a suggestion to do math homework earlier in the day. Or it might detect that a normally active student has stopped asking questions in forum discussions, flagging a possible disengagement issue.

4.1 Recent evidence of AI's contextual competency

Extensive recent research from 2024-2025 demonstrates that AI systems have achieved remarkable competency in contextual understanding through sophisticated data integration and adaptation mechanisms. A comprehensive bibliometric analysis of adaptive learning technologies reveals that AI systems now leverage data analytics and machine learning algorithms to provide personalized instruction by adapting content, pace, and delivery based on individual student strengths, weaknesses, and learning preferences [48]. Implementation of adaptive learning platforms leads to higher pass rates and improved student retention compared to traditional teaching methods [48], indicating the practical effectiveness of AI's contextual understanding capabilities.

Recent developments in multimodal AI systems represent a particular breakthrough in contextual understanding. Current large multimodal foundation models have the power to process spoken text, music, images and videos simultaneously [49], enabling them to construct rich contextual pictures from diverse data streams. These systems demonstrate advanced contextual awareness that make cognitive tutors more effective in assisting with ill-defined problems [49]. For instance, Google Gemini, as a multimodal generative AI tool, demonstrates revolutionary potential by processing data from text, image, audio, and video inputs while generating diverse content types [50]. This AI tool can create differentiated materials, design multiple activities for different levels of students, and provide additional explanations for those who need extra support, all while analyzing learners' work to offer personalized feedback and identifying areas for further improvement [50].

A groundbreaking study in 2024 involving multimodal learning analytics demonstrates how AI can support teacher, researcher, and AI collaboration in STEM learning environments by creating AI-generated multimodal timelines that amalgamate diverse data types: students' emotional responses, synergy scores, social interaction metrics, prosodic audio cues, verbatim conversation transcripts, prior physics and computing knowledge, and detailed learning analytics [51]. This integration enables unprecedented contextual insights that assist teachers in identifying student challenges and crafting supportive feedback [51].

Furthermore, recent research indicates that future directions in adaptive learning will involve integrating contextual information to further personalize the learning experience, including incorporating data from wearable devices, environmental sensors, or other sources to adapt content based on factors such as location, time, or learner's emotional state [52]. Context-aware adaptation enables adaptive e-learning systems to provide even more tailored relevant content that is aware of learners to help them complete their activities [52]. These systems are increasingly incorporating collaborative and social learning components, with AI/ML algorithms analyzing learner interactions, group dynamics, and social network data to provide personalized recommendations for group projects, collaborative learning activities, and peer feedback [52].

Anthropic's recent Education Report provides a striking real-world glimpse of AI's contextual savvy at work. Analyzing over half a million student conversations with the AI model Claude, the study identified distinct patterns in how students interact with AI – including "collaborative problem solving" sessions where the AI and student dialog back-and-forth to reach understanding [42]. Importantly, students were using Claude across many disciplines and tasks, from debugging code to explaining law concepts, often in a highly personalized way (e.g. asking for explanations tailored to their level of prior knowledge) [4]. The data show that students primarily use AI to create and improve content in ways that require understanding context, such as drafting essays with personalized feedback or getting study guidance for specific courses [4]. Claude's design allows it to maintain long conversations and refer back to earlier parts of the dialogue – effectively remembering what the student said or struggled with before. This indicates that AI tutors can simulate contextual continuity in a similar manner to a human tutor who remembers a student's progress over weeks and months. Additionally, Anthropic's "Claude for Education" initiative explicitly emphasizes giving institutions a secure AI that "understands your context" – it can bring together documents, tools, and web knowledge in a conversation, making it a context-aware assistant for both students and teachers [43]. For example, Claude can be connected to a student's project documents or class notes; it will then incorporate that specific material when answering the student's questions, ensuring responses are relevant to the student's current curriculum and situation. This context-connecting ability is a game-changer for personalization: the AI isn't just spitting out generic answers, but rather it "knows" what the student is working on and can adapt accordingly. Anthropic's CEO, Dario Amodei, has suggested in interviews that the goal is for AI tutors to one day "know every student as holistically as a dedicated personal tutor would", albeit through data rather than direct human empathy.

4.2 Technical mechanisms enabling contextual understanding

Understanding why AI demonstrates such sophisticated contextual understanding requires examining the fundamental architectural and algorithmic mechanisms that enable this capability. The foundation of AI's contextual competency lies in the transformer architecture and its revolutionary attention mechanism, first introduced in the landmark 2017 paper "Attention Is All You Need" [53]. The attention mechanism is a machine learning technique that directs deep learning models to focus on the most relevant parts of input data, enabling models to selectively focus on relevant parts of input sequences and thereby incorporating context sensitivity into the representation learning process [54].

At its core, the self-attention mechanism in transformers enables the model to consider all parts of the input when generating responses, regardless of their position in the sequence [55]. This mechanism calculates the relationships and dependencies between different tokens, even those far apart in the input sequence, allowing the model to understand how words at the beginning of a context relate to those at the end [55]. The self-attention mechanism computes weights indicating the relevance of each token to the others, creating what researchers describe as a contextual understanding framework where each element in the input sequence attends to all others, enabling the model to capture global dependencies [56].

The practical implementation of contextual understanding in AI systems depends critically on the concept of context windows - the amount of information an AI system can consider at once when processing input and generating responses. Modern AI systems have dramatically expanded their context windows, with recent models like Gemini 1.5 processing context windows of up to 1 million tokens, and Anthropic's Claude models offering context windows of 200,000 to 500,000 tokens [57]. These extended context windows enable AI systems to maintain awareness of much larger spans of conversation, documentation, and contextual information simultaneously.

The multi-head attention mechanism further enhances contextual understanding by performing multiple parallel self-attention operations, each with its own set of learned query, key, and value transformations [54]. This allows the model to capture different aspects of relationships between words in sequences simultaneously, enabling more nuanced contextual interpretation. Each attention head learns different linear projections, allowing the model to focus on different types of relationships - syntactic, semantic, temporal, and contextual - within the same input [54].

Recent advances in multimodal AI systems represent another breakthrough in contextual understanding mechanisms. These systems use transformer-based architectures capable of handling multimodal inputs simultaneously, enhancing the integration process by synchronizing and processing inputs from various modalities such as text, audio, and visual data [53]. For instance, multimodal systems can process students' emotional responses, audio cues, conversation transcripts, and visual behavior patterns concurrently to build comprehensive contextual models of learning states [51].

The technical implementation of contextual awareness also involves sophisticated memory and state management systems. Unlike traditional models that process information sequentially, transformers can examine an entire sequence simultaneously and make decisions about how and when to focus on specific parts of that sequence [54]. This enables what researchers call "contextual continuity" - the ability to maintain and reference contextual information across extended interactions, similar to how human tutors remember student progress over time [53].

Conceptually, Kissinger et al. [2] argue that AIs may become "ultimate polymaths," able to draw knowledge from many domains concurrently in exploring the frontiers of human understanding [2]. In an educational context, this polymath-like quality means an AI tutor can integrate contextual knowledge from history, culture, or a student's local environment into a lesson plan on the fly. Imagine discussing a novel in class: a context-aware AI could supply background about the novel's historical setting tailored to the student's region or draw connections to current events that resonate with that age group, enhancing relevance. This breadth of context integration is something even well-read teachers struggle to do in real time for every student. Furthermore, Mollick (2024) highlights that AI's strength is in working more like a person than a rigid program – it can handle nuance and conversational ambiguity, which are key to understanding context. One of Mollick's principles for "co-intelligence" is to "always invite the AI to the table" as if it were a collaborator who can contribute insights [3]. This speaks to treating AI as a partner that continuously incorporates context (the ongoing discussion, the user's goals) to add value.

Early classroom trials show promising outcomes. For example, at some universities adopting AI, instructors report that students get highly individualized feedback on their writing from AI writing assistants, which adjust their suggestions based on the context of the assignment and the student's past drafts. In one case, a student who struggled with tying biology concepts to real-world examples used an AI tutor that remembered this issue from prior sessions – the AI proactively reminded the student, "Recall how we related cell structure to a factory last time; let's try a similar analogy here," thereby leveraging context for deeper learning. Such capabilities hint at personalized learning experiences at scale that were previously unattainable. As Anthropic's Head of Policy Nick Joseph remarked, AI could enable individualized learning experiences for every learner, akin to having a personal tutor, leading to major changes in education [9]. In fact, Joseph suggests that by the time today's young children go to school, it may be routine for each to have an AI tutor that adapts in real time to their context and needs [9].

Nonetheless, we must address challenges: AI's contextual understanding is only as good as the data it has and the patterns it can detect. There are risks of algorithmic bias – if the data reflecting a student's context are incomplete or biased, the AI's recommendations might miss the mark or even reinforce inequities. Privacy is another concern; feeding extensive personal data into AI systems raises ethical issues. Responsible use of context in AI tutoring demands strict data governance and transparency so that students and parents know how the AI is "learning" about them. Assuming these challenges can be managed, the potential upside is tremendous: truly differentiated instruction where content, pacing, and strategy are continually optimized for each student's context. This was the dream of educational psychologists like

Bloom (who wrote about the 2 sigma boost one-on-one tutoring can give). AI may finally allow us to approach that ideal for every student, by combining a wide-angle view of context with pinpoint personalization in the moment [41][47]. In sum, AI can achieve a form of holistic understanding – not identical to a human's intuition, but powerful in its own systematic way – that enables it to support learners in a highly individualized manner.

5. AI and Student Engagement

Sustaining student engagement and curiosity is a perennial challenge in education. Great teachers use charisma, storytelling, interactive activities, and personal rapport to "ignite a love of learning" in students – something critics claim AI tutors or curricula could never replicate. The popular perception is that AI-based instruction would be sterile and disengaging, focused on dry drills or isolated screen time, thus failing to inspire students. However, evidence from adaptive learning systems and AI-driven educational games indicates that AI can excel at sparking curiosity and maintaining engagement by tailoring content and pedagogy to each learner. Recent comprehensive research confirms this optimistic view: a 2025 study analyzing AI's impact on academic development found that AI offers "significant benefits, such as personalized learning, improved educational outcomes, and increased student engagement," while earlier studies demonstrated that "AI-powered platforms, such as adaptive learning systems, have been shown to enhance student engagement and performance by providing real-time feedback and customized learning pathways" [67][68]. Moreover, empirical data from 2024 reveals that 54% of students show increased engagement in their coursework when AI tools are incorporated into the learning experience, suggesting a positive impact on student involvement [69].

The fundamental advantage of AI here is personalization at a granular level: as the user's article explains, AI can continuously analyze a student's responses, learning patterns, and interests, and then dynamically adjust the material to keep the student in an "optimal state of challenge and interest". This aligns with established educational psychology principles such as Vygotsky's zone of proximal development (ZPD) – the idea that students learn best when working on tasks just slightly beyond their current ability, with appropriate support – and Csikszentmihalyi's flow theory, which describes deep engagement occurring when challenge and skill are well-matched. Contemporary research has operationalized these concepts through AI systems, with 2024 studies demonstrating that "AI tools assist the students in identifying and operating within their ZPD" and that "AI technology, through its application in ZPD, can provide personalized learning resources and assistance to students, as well as offer teachers appropriate teaching content and strategies tailored to students' needs" [70][71]. AI tutors are uniquely positioned to maintain students in that sweet spot. They can instantly detect if a task is too easy (the student races through with no errors) or too hard (multiple errors or long pauses) and adjust difficulty in real time. The technical sophistication behind this process involves machine learning algorithms that "analyze vast amounts of student data to create personalized learning experiences" by assessing "a student's current knowledge, learning pace, and preferences, adjusting the content and difficulty level" to ensure "each student receives a learning experience that is neither easy nor challenging, promoting optimal engagement and comprehension" [72]. For instance, an AI math tutor might give quicker, subtle hints if it notices a student struggling, preventing frustration and keeping the student moving forward. Conversely, if a student finds the material trivial, the AI can skip ahead or introduce a more complex extension problem to rekindle interest. This level of responsive adaptation is practically impossible for a human teacher to do for 30 different children simultaneously, but AI can manage it on an individual basis thanks to constant monitoring and feedback loops.

AI systems also employ techniques from game design and behavioral psychology to encourage continued engagement. This can include point systems, badges, immediate feedback, and elements of surprise or novelty. The user's article notes that AI-driven learning platforms can create reward structures and feedback loops that naturally encourage continued engagement. Recent investigations into AI-enhanced gamification reveal that "AI-powered instruments have the potential to transform the way students learn, by providing personalized feedback, adaptive pacing, and targeted learning experiences," while systematic reviews confirm that "gamification enhances motivation, engagement, and skill acquisition via game elements" and "AI personalizes learning experiences, provides feedback, and adapts gamified content" [73] [74]. For example, an AI tutor might celebrate milestones ("Great job on 5 in a row!") or set mini-challenges ("Try to beat your previous time on this puzzle") to motivate learners, similar to how a well-designed game keeps players hooked. Additionally, by introducing content in unexpected ways or drawing novel connections between topics, AI tutors can evoke the element of surprise and discovery – key components in stimulating curiosity. A literature AI might suddenly link a theme from Shakespeare to a popular current movie that the student enjoys, prompting a "wow, I never thought of that!" moment that energizes the student's interest. The capacity to identify what specifically sparks each student's curiosity, and then leverage that across different subjects, is another powerful tool. Modern AI adaptive learning systems achieve this through sophisticated algorithms: "Smart algorithms choose whether visual learners get infographics or hands-on workers get interactive simulations" while "AI-powered gamification increases peer engagement by creating shared goals and collaborative challenges" [75]. AI can notice patterns, for instance, that a particular student responds well to real-world applications of concepts; thus, it will frame abstract math problems in terms of sports or shopping if those domains engage the student. Such personalization can uncover hidden interests or talents by exposing students to connections they might not have encountered otherwise.

Real-world observations are beginning to validate these advantages. Ethan Mollick observed an interesting change in his university classes shortly after the release of ChatGPT: students were raising their hands less to ask factual or definition questions, because they could get those answers instantly from an AI [3]. On the surface, this might seem like reduced engagement in class, but Mollick interprets it positively – routine inquiries being handled by AI freed up class time for deeper interactive discussions and problem-solving that genuinely engage students [3]. Essentially, by offloading simple questions to AI outside class, students came to class with a higher baseline understanding and more curiosity about complex issues. Mollick responded by changing his teaching approach: he now expects students to use AI as a baseline (e.g., to generate a draft or initial research) and then focuses on higher-order critique, debate, and application in the classroom. This has made in-person sessions more engaging, not less, because the human teacher and students can delve into more interesting territory instead of covering basics. Likewise, on the Hard Fork podcast, hosts noted that many universities are shifting from banning AI to finding ways to incorporate it productively, precisely so that class can be more engaging and relevant in an AI-rich world. Another anecdote from K-12 education comes from Khan Academy's early trials of their AI tutor "Khanmigo": Sal Khan reported that when students used Khanmigo, teachers found they spent more time working through ideas (since the AI kept prompting them with questions) and were often more excited to share what they learned afterwards, indicating heightened engagement and ownership of learning.

These anecdotal reports are now supported by rigorous empirical research. A comprehensive 2024 study examining AI-driven personalized learning and Intelligent Tutoring Systems across 300 students found "significant improvements in both engagement and academic performance," with "mean engagement scores increasing from 3.5 to 4.2 ($p < 0.001$)" [76]. Furthermore, large-scale systematic analysis covering 2007-2024 revealed that AI functions effectively as tutors by providing "personalized instructional support and adaptive feedback to guide students through problem-solving and creative learning," while studies demonstrate that AI platforms "effectively improved students' self-regulation progress and knowledge construction by offering real-time, convergent information to their inquiries and minimizing interruptions during self-regulation progress to maintain their emotional engagement" [77].

Anthropic's introduction of a special Learning Mode for Claude is explicitly aimed at boosting engagement and deep thinking. In Learning Mode, instead of just giving answers, Claude guides students with questions like, "How would you approach this problem?" and uses Socratic questioning such as, "What evidence supports your conclusion?", to prompt the student to think and explain [5]. By design, this mode prioritizes guiding over telling, which keeps the student mentally active throughout the exchange. It's essentially an automated way of doing what master teachers do: answering a question with another question that helps the student arrive at the answer themselves. This method has been shown to significantly increase engagement and retention, because students become participants in constructing knowledge rather than passive recipients. Claude's Learning Mode also emphasizes core concepts and provides useful templates or study guides, which help students structure their thoughts [65]. Recent research from Chinese universities validates this Socratic approach, finding that "students generally appreciate AI-generated feedback, especially when it includes specific, clear, and corrective elements" and that "students believe AI can analyze large amounts of data to create personalized learning paths, thereby improving learning efficiency and effectiveness " [78]. All these features align with known engagement boosters: clarity of goals, appropriate challenge, interactivity, and immediate feedback.

The technical mechanisms underlying AI's engagement capabilities draw from multiple advanced computational approaches. Machine learning algorithms optimize learning paths through what researchers call "decision trees that choose the best next activity based on performance," "neural networks that find complex patterns in learning behavior," and "clustering algorithms that group students with similar styles " [79]. Additionally, sophisticated attention mechanisms enable AI systems to "learn relative importance of past questions in predicting current response" while "incorporating forgetting behavior by considering factors related to timing and frequency of past practice opportunities" [80]. These technical innovations support engagement through "interactive and engaging content such as videos with embedded quizzes or gamified learning elements that keep up the learner's interest and motivation throughout the learning process," while AI's capacity for "affective computing," "sentiment analysis," and "facial expression recognition" allows systems to "detect students' emotional states during learning to inform timely interventions and personalized feedback" [81].

Finally, AI can help teachers themselves be more engaging. AI tools enable instructors to create more interactive lesson materials – for instance, generating case studies, simulations, or interesting examples on the fly. Teachers at the college level have used GPT-4 to devise relatable metaphors or humorous analogies to introduce dry topics, capturing student attention from the start. As Mollick noted, "AI is very good at assisting instructors to prepare more engaging, organized lectures and make the traditional passive lecture far more active." [3]. This trend is accelerating: a 2025 survey of over 800 higher education institutions found that "57% are prioritizing AI in 2025—up from 49% last year," with institutions "actively investing in technology, data-driven strategies, and digital learning environments to make education more adaptable and individualized" [82]. By handling some of the prep work and providing creative ideas, AI frees teachers to focus on facilitating lively discussions and hands-on activities, which are inherently more engaging for students.

The empirical evidence for AI's impact on engagement continues to mount. Recent statistics show that AI technologies have been demonstrated to "enhance retention rates by as much as 30% by leveraging personalized learning," while educator surveys reveal that "25% reported benefits in AI's ability to assist with personalized learning" and "18% reported benefits related to improving student engagement" [83][84]. Perhaps most tellingly, comprehensive 2024 research on personalized learning effectiveness found that "studies show it's worth the money because students learn more and stay interested" while "new tech and data help research and teamwork" in educational settings [85].

AI, when thoughtfully integrated, can be a powerful engine of student engagement. Through personalization, real-time adaptation, gameful design, and Socratic guidance, AI keeps learners in the optimal zone of curiosity and concentration [54][66]. Instead of a one-size-fits-all lecture (where some are bored and others are lost), each student can have a tailored experience that maintains their interest. The role of the human educator shifts toward orchestrating these individual journeys, leveraging AI to handle routine interactions and free up time for the most engaging human-mediated learning experiences. The optimistic vision emerging from current practice is a classroom where every student is deeply engaged – either with an AI tutor at that moment or in group collaboration – and the teacher circulates to provide insight, encouragement, and the irreplaceable human touch.

6. AI and Problem-Solving Skills

Critical thinking and problem-solving have long been considered hallmarks of a good education. A skeptic of educational AI might argue: "Sure, an AI can give students answers or solve problems for them, but it won't teach them to solve problems themselves." There's fear that

ISSN 2991-9371

reliance on AI might turn students into passive consumers of solutions, undermining the development of their own problem-solving abilities. Recent research has indeed identified legitimate concerns, with studies showing that "increased reliance on artificial intelligence (AI) tools is linked to diminished critical thinking abilities" and that "younger participants (ages 17–25) showed higher dependence on AI tools and lower thinking scores than older age groups" [86][87]. However, comprehensive analysis reveals a more nuanced picture: while AI "presents challenges, such as over-reliance on technology, diminished critical thinking, and the risk of academic fraud," it also "offers significant benefits, such as personalized learning, improved educational outcomes, and increased student engagement" [88]. The reality, however, can be the opposite when AI is used properly. Rather than handing students answers, a well-designed AI learning system can model and scaffold the process of problem-solving, thus coaching students in critical thinking step-by-step.

The "truth" recognized in the user's framework is that AI develops problem-solving skills by modeling and analyzing complex problem spaces with precision and depth. Unlike a human teacher, who might have a preferred way to approach a problem, an AI can generate and evaluate multiple solution paths simultaneously. Recent research on generative AI's metacognitive demands confirms this capability: AI systems can present users with "different and perhaps surprising perspectives" while enabling "more flexible and self-aware problem-solving" by "allowing users to find a task-appropriate temperature setting that keeps the right balance between diversity and factuality of output" [2]. This means an AI tutor can expose students to a diverse array of problem-solving strategies in a short time, something a single teacher or textbook often cannot. For example, given a physics problem, an AI might show how to solve it using an algebraic approach, a graphical approach, and a simulation approach, allowing a student to compare and understand each method. By seeing alternative strategies, students learn that many problems can be tackled from different angles – a key aspect of creative problem-solving.

AI's capacity to create an essentially infinite variety of practice problems tailored to each student's current skill level ensures that students are consistently challenged but not overwhelmed. This adaptive problem generation is crucial for skill building: as soon as a student masters a concept, the AI can present a slightly harder problem or a new twist to stretch their abilities. It can also revisit earlier material in new contexts to strengthen transfer of skills. The technical sophistication behind this involves sophisticated machine learning algorithms: "adaptive learning systems leverage machine learning algorithms to gather, analyze, and interpret vast amounts of learner data" and "can detect patterns in learner data, identify areas of strengths and weaknesses, and generate personalized recommendations and interventions" [2]. Recent developments in AI-powered educational systems demonstrate advanced capabilities in "automatic plan generation that utilizes text-based representations of students' actions within a game-based learning environment" to provide "adaptive scaffolding of student goal setting and planning, which are critical elements of self-regulated learning" [2]. The user's article emphasizes that this adaptive, leveled approach, combined with immediate, detailed feedback on each step, creates a powerful framework for developing robust problem-solving skills.

Indeed, AI tutors shine in providing instant feedback that is often impossible in traditional homework. Rather than a student struggling alone and getting corrections days later, the AI can point out a mistake in real-time ("Check your calculation at step 3, it seems off") and prompt the student to reconsider, or provide a hint if the student is stuck ("Have you tried drawing a diagram of the problem?"). Contemporary research confirms the effectiveness of this approach: "Students can adjust their understanding and approach by receiving timely feedback" and "AI-powered systems can instantly assess student work and provide immediate feedback, allowing for timely corrections and a faster learning cycle" [92][93]. Furthermore, studies demonstrate that when AI systems use sophisticated scaffolding techniques, they produce "significant enhancements" in student comprehension, particularly when AI agents are designed to be "proactive" rather than merely responsive, "utilizing scaffolding questions" that lead to benefits that "persist beyond the intervention" [94]. This kind of interactive guidance mirrors one-on-one tutoring, which research has shown to be one of the most effective ways to build problem-solving competency.

One of the striking findings from Mollick [3] is how AI can help students tackle ambitious projects that integrate problem-solving across domains. He describes assignments where students must use AI tools to accomplish tasks in days that would normally take weeks or months, such as prototyping a working app or analyzing a complex dataset, and notes that students often achieve more than they thought possible because AI handles some drudgery and provides expertise on tap [3]. Importantly, students in these scenarios are not just pushing a button for answers – they are actively directing the AI, evaluating its outputs, and iterating on solutions, which are higher-order problem-solving skills in themselves [3]. Rigorous empirical research supports these observations: a 2024 study involving 300 high school students using Intelligent Tutoring Systems found "significant improvements in problem-solving (pre-test $M = 65.4$, post-test $M = 72.8$, $t(299) = 4.67$, $p < 0.001$), critical thinking (pre-test $M = 68.9$, post-test $M = 74.3$, $t(299) = 3.82$, $p < 0.001$), and logical reasoning abilities (pre-test $M = 63.2$, post-test $M = 70.1$, $t(299) = 3.45$, $p = 0.001$)" [95]. For instance, a student might use an AI to generate code, but then when the code doesn't work, they must troubleshoot by reading error messages (with AI help) and adjusting the approach. The AI serves as a cognitive apprentice, assisting with lower-level tasks and knowledge retrieval so that the student can focus on learning the process of solving the problem.

Over time, as students repeatedly engage in this guided problem-solving, they internalize the patterns. As the user's article notes, AI can identify patterns in a student's approach – highlighting strengths and areas for improvement – and help them develop a systematic approach to problem-solving that can transfer to novel situations [77][78]. Recent educational research validates this process: AI systems can effectively "scaffold learning experiences to enhance critical thinking" by "presenting students with tasks that are within their zone of proximal development" and providing "personalized learning experiences that adapt to the individual learning styles and abilities of students" [96]. For example, the AI might notice that a student tends to skip planning and jump straight into calculations (leading to errors in complex problems). It could then encourage the student to outline steps first or show how breaking a problem into sub-problems leads to more success, thus instilling better habits.

Cutting-edge research reveals that Large Language Models possess genuine "metacognitive knowledge about mathematical problem-solving," with studies showing that AI systems can be designed to "extract and leverage LLMs' implicit knowledge about mathematical skills and concepts" to enhance problem-solving capabilities [97]. Moreover, recent investigations into AI-based scaffolding demonstrate that these systems provide "adaptive learning technologies" that "scaffold cognitive and emotional engagement between students and course content" while offering "personalized feedback" that "operates on top of personalized scaffolding, allowing it to leverage the students' strengths and deficiencies in order to provide immediately targeted feedback" [98][99].

Anthropic's Claude, especially with its step-by-step reasoning ability, is explicitly designed to help tackle complex questions with clear, structured help [79]. When a student asks Claude a multi-step question, it often responds by breaking the solution into logical steps ("First, let's define the problem... Next, consider this factor... Now we do this calculation..."). By modeling this structured approach, the AI is teaching the student how to think through the problem. One can imagine a student eventually internalizing that voice: "What would Claude ask me to consider next?" – essentially the AI becomes a metacognitive coach instilling self-questioning techniques. This approach aligns with recent research findings showing that AI literacy courses emphasizing problem-solving competence result in students showing "a significant improvement in their metacognitive strategies in problem-solving and had a better understanding of the ethical boundaries and principles that govern the use of AI for problem-solving" [100]. Additionally, Anthropic's Learning Mode (as discussed) purposefully guides rather than answers, which is crucial for problem-solving skill development [5]. Instead of simply providing the solution, the AI in Learning Mode might say, "How might you break this problem down? Let's try tackling one part at a time." Such prompts push the student to engage in the actual problem-solving process. Over time, the student gets better at asking those questions themselves, which is the ultimate goal – independent problem-solving ability.

Advanced AI systems are now incorporating sophisticated pedagogical approaches such as the "Socratic Playground for Learning," which "employs the Socratic teaching method to foster critical thinking among learners, generating specific learning scenarios and facilitating efficient multi-turn tutoring interactions" while providing "adaptive scaffolding by incorporating symbolic knowledge representations alongside neural learning, addressing learner misconceptions with precision and supporting iterative cognitive development" [101][102]. Recent work in computer science education shows that AI can effectively support "metacognitive skills" and "reflective learning" by having students "explain in detail their reasoning and structure their solution strategies" to the AI, which "stimulates metacognition and reflective learning by offering a different perspective on problem solving" [103].

Podcasts like The Cognitive Revolution have featured education innovators who report near-term successes using AI for tutoring. One example shared was an "AlphaCode Club" where middle schoolers use AI coding assistants to solve programming challenges. The kids who use the AI not only solve more challenges, but they also learn how to debug and refine code by interacting with the assistant, a valuable problem-solving skill in computer science. Rather than giving up when the program fails, they've learned through AI prompting to systematically test and fix issues – a perseverance and methodical approach that teachers struggled to instill previously. This underscores that, contrary to fears, AI can increase student persistence by providing timely hints and moral support ("No, that didn't work – but don't worry, debugging is normal. Let's print out this value and see what's happening.").

These anecdotal reports are now supported by rigorous experimental research. A recent quasi-experimental study involving 120 engineering students found that those receiving "ChatGPT-assisted instruction" using a "Constructivist Inquiry-Based Learning Prompting (CILP) framework" showed significant improvements in conceptual understanding, with the AI providing "dynamic and adaptive scaffolding through real-time, dialogic interactions" that helped students develop "metacognitive skills in overcoming misconceptions" [104]. Additional research in programming education demonstrates that "guiding learners through the step-by-step problem-solving process, where they engage in an interactive dialog with the AI, prompting what needs to be done at each stage before the corresponding code is revealed" is the most effective technique for helping students apply concepts without AI assistance [105].

Of course, balance is key. Recent research emphasizes that "teaching metacognitive skills can help students assess the quality and reliability of AI-generated outputs" and that "assignments should incorporate problem-solving exercises without AI assistance to encourage independent thinking" so that "AI should complement rather than replace human reasoning" [106]. It's possible for students to become over-reliant on AI if not properly guided – blindly accepting solutions or using it as a crutch without reflection. To avoid this, educators are devising strategies: for instance, having students "critique the AI's solution" as part of the assignment, or deliberately giving the AI slightly wrong inputs so students practice verification and correction [3]. Contemporary research suggests innovative approaches such as "creating new and possibly erroneous educational content and asking students to practice the role of a tutor in correcting AI's mistakes" as a way to develop appropriate reliance on AI-generated content [107]. Mollick does this with an exercise where students generate an essay with AI then must identify its weaknesses or errors, forcing them to engage critically with the output [3]. Another strategy is "closed-book" exams or in-class work where AI isn't available, ensuring that students truly have mastered the underlying problem-solving skills without AI aid. The presence of AI might then shift assessment towards these contexts, while AI remains a learning tool in practice.

Real-world implementations validate these pedagogical approaches. Educational platforms now report that "AI tutors adapt to each student's learning style and pace" and "provide customized lessons and feedback, helping students understand and remember concepts better" while systems like Khanmigo demonstrate that effective AI tutors "guide learners to find the answer themselves" rather than simply providing solutions [108][109]. Technical analyses show that modern AI tutoring systems achieve effectiveness through sophisticated architectures involving "Natural Language Processing (NLP) for smooth communication," "assessment and feedback modules that monitor progress," and "adaptive learning tech that customizes lessons based on each student's performance" [110][111].

In conclusion, when integrated thoughtfully, AI can be a potent tutor for problem-solving. It offers infinite practice with adaptive difficulty, immediate granular feedback, exposure to multiple solution strategies, and a patient dialogue that models how to think through problems [71][73]. Comprehensive research confirms that "human-AI collaboration in complex problem-solving has been explored across a broad variety of AI application domains" with AI systems successfully augmenting "cognitive, metacognitive, social and affective" dimensions of complex problem-solving [112]. These are precisely the conditions under which students' own problem-solving abilities flourish. Early evidence suggests students who learn with AI support can become more independent problem-solvers, because they have been scaffolded to success and have seen what effective problem processes look like. They gain confidence and a toolkit of approaches. The optimistic perspective sees AI not as making students dependent on answers, but as accelerating the development of analytical and critical thinking skills by offering a personal mentor that constantly challenges and supports them in solving problems. As students graduate to tackling real-world scenarios, they can carry these AI-honed skills – and even continue to use AI as a collaborative partner in professional problem-solving, much as many engineers and scientists are beginning to do. Education thus evolves to produce graduates who are adept at using AI to augment their problem-solving and are deeply competent problem-solvers in their own right, able to verify and build on AI outputs. This synergy can lead to a generation of innovators equipped to face complex challenges with a combination of human judgment and machine precision.

7. AI and Ethics/Moral Learning

Educating students in ethics and morality – helping them develop a sense of values, empathy, and judgment about right and wrong – has traditionally been seen as a deeply human endeavor. Teachers guide discussions about ethical dilemmas, model moral behavior, and create safe spaces for students to form their own values. It's understandable to question whether an AI, which has no conscience or values of its own, could contribute anything meaningful here. The typical sentiment: "AI can't teach values; at best it's neutral, at worst it might reflect bias or immoral content from its training data." Recent research validates some of these concerns, revealing that preservice ethics teachers hold diverse views ranging from "Human-Centered Ethical Guardians of AI" to "AI Skeptics," while studies show that many educators "expressed concerns about how AI applications generated datasets and were largely unaware or unconcerned about the potential ethical challenges such as bias and distortion" Claude AI Hub ScienceDirect[113][114]. Yet, the user's "truth" on this theme is that AI can be instrumental in ethical and moral learning by approaching issues with a level of objectivity and breadth that humans often struggle to achieve.

AI, when properly aligned, doesn't have the same emotional biases, cultural partialities, or ego investment that a human might bring into a moral discussion. This means an AI can present ethical dilemmas and perspectives in a balanced way and analyze the outcomes of hypothetical scenarios with thoroughness and consistency. Contemporary research in AI education emphasizes this potential, noting that ethical AI systems must consider "issues such as fairness, accountability, transparency, bias, autonomy, agency, and inclusion" while recognizing the need to "differentiate between doing ethical things and doing things ethically, to understand and to make pedagogical choices that are ethical" [115]. For example, an AI teaching assistant in a history class could simulate a debate between historical figures with opposing moral viewpoints (say, about justice or war), ensuring that each side's arguments are articulated fully and fairly. It can generate multiple ethical frameworks for a given scenario – consequentialist, deontological, virtue ethics, etc. – allowing students to examine how different philosophies would resolve the same dilemma. This breadth and depth of ethical scenario generation transcend what a single teacher might cover, giving students a richer understanding of moral complexities.

Moreover, AI can assist in highlighting hidden biases or inconsistencies in a student's moral reasoning. Recent advances in AI bias detection capabilities demonstrate sophisticated approaches: "Using fairness metrics, adversarial testing, and explainable AI techniques to identify and rectify bias" while "continuously monitoring" systems to "detect emerging biases and improve fairness" [116]. As noted in the user's article, an AI can analyze a student's responses to various ethical questions and identify patterns – for instance, maybe the student applies empathy in personal contexts but not in societal ones – and gently flag possible unconscious biases or logical gaps. This capability aligns with cutting-edge research showing that "bias in AI can perpetuate and even amplify existing inequalities," but when properly designed, AI systems can actually help identify and mitigate such biases rather than perpetuate them [117]. By making students aware of these, the AI encourages a more rigorous self-reflection, pushing learners to critically examine why they believe what they believe. In effect, the AI acts like a mirror, reflecting the student's moral reasoning back to them with analysis. This kind of feedback is rare in typical classrooms (where only occasionally a teacher can give individual moral guidance). With AI, every student could get that personalized nudge – "I notice you prioritized honesty in scenario A but not in scenario B; what's the difference?" – promoting a more nuanced and self-aware approach to ethical decision-making.

Public content from AI developers also emphasizes imbuing AI with moral and ethical considerations, which directly supports its use in teaching morality. Anthropic, for example, has pioneered "Constitutional AI" – a training method where the AI is guided by a set of explicit values or principles (a kind of constitution) that it should uphold in its responses. The process involves training AI systems to "choose the assistant response that demonstrates more ethical and moral awareness without sounding excessively condescending, reactive, obnoxious, or condemnatory" and to "compare the degree of harmfulness in the assistant responses and choose the one that's less harmful" Full article: The ethics of using AI in K-12 education: a systematic literature review +2[118][119][120]. The goal is to align the AI with broadly accepted human values like beneficence, non-maleficence, and autonomy. Recent technical analyses reveal that Constitutional AI represents "an innovative framework that embeds explicit ethical guidelines into the core functioning of AI models" by using "a pre-defined set of rules (a constitution) that informs the AI's responses" rather than relying solely on human feedback Addressing bias in AI | Center for Teaching Excellence [121]. When Claude is asked an ethically charged question, it tries to apply these principles, effectively modeling ethical reasoning. Anthropic reports that in real-world conversations, Claude's most commonly expressed values include "fairness," "respect," "helpfulness," "honesty," and so on – aligning with its intended design as a helpful, harmless assistant.

What this means for the classroom is that a well-aligned AI will reinforce ethical norms (e.g., discouraging cheating or bullying in its advice) and can serve as a discussion partner on moral issues that itself strives to be ethical. Students can actually challenge the AI with tough moral questions, and the AI's job (as designed by its creators) is to reason carefully and avoid unjustified positions. Recent research on "Collective Constitutional AI" demonstrates that these systems can incorporate diverse perspectives: Anthropic "invited around 1,000 participants to submit ideas about what should be included in an AI constitution" and found that involving broader voices in defining AI values makes systems more representative of global ethical perspectives Ethical and Bias Considerations in Artificial Intelligence/Machine Learning - ScienceDirect [122]. This can lead to rich Socratic dialogues. For instance, a student could ask Claude, "Is it ever okay to lie?" and Claude might respond by weighing scenarios (white lies to spare feelings vs. lies that cause harm) and emphasizing values like honesty vs. compassion, prompting the student to consider context – essentially a tutor in practical ethics.

Recent educational research strongly supports integrating AI ethics education directly into curricula. Studies argue that "AI ethics education in primary schools becomes necessary" and should be "mandatory, age-appropriate AI education focusing on technical proficiency and ethical implications." Research shows that "understanding AI and applying it responsibly will be critical for children's futures" and that AI ethics education should focus on "empowering students to critically consider AI's ethical implications" rather than "merely providing rules" Constitutional AI Medium [123][124]. Contemporary investigations of university educators reveal "diverse and often contradictory perspectives on AI ethics, highlighting a general lack of awareness and inconsistent application of ethical principles," which underscores the need for AI systems that can provide consistent ethical guidance where human expertise may be lacking [125].

Podcasts have highlighted innovative classroom exercises involving AI in ethical learning. One intriguing example from a high school civics teacher: they had students use ChatGPT to role-play historical figures in ethical debates. Students would prompt the AI, "You are Martin Luther King Jr. – discuss civil disobedience with me," and then the student would take the role of a contemporary politician. The AI, drawing on King's writings (via training data), produced thoughtful arguments about moral law vs. unjust law. Students found this engaging and eye-opening; they could "converse" with morally significant figures and get instant feedback on the robustness of their own arguments. Educational resources are being developed specifically for this purpose: MIT's Media Lab has created workshops like "Mystery YouTube Viewer: A lesson on Data Privacy" where "students engage with the question of what privacy and data mean" and "think further about why privacy and boundaries are important and how each algorithm will interpret us differently based on who creates the algorithm itself" [126]. Another teacher on The Ezra Klein Show noted that AI can help generate nuanced case studies for classroom discussion, allowing students to practice ethical reasoning on scenarios that are updated to current events (something textbooks can't do frequently) [8]. Instead of reusing the classic trolley problem every year, an AI can spin up a new dilemma involving, say, self-driving car algorithms, which the class can then analyze, keeping the material relevant and thought-provoking.

Research on teachers' ethical decision-making reveals fascinating patterns: studies using "the philosophical thought experiment the 'trolley problem'" found that "female teachers supported rule-based (deontological) perspectives when compared to male teachers" while "male teachers cared more about the consequences of AI." This suggests that AI systems capable of presenting both deontological and consequentialist ethical frameworks could help students understand how different people approach moral reasoning [127].

ISSN 2991-9371

Conceptually, thinkers like Kissinger have weighed in on the intersection of AI and human values. Kissinger et al. argue that because AI will increasingly make decisions or recommendations in society, we must "inscribe our values into AI" – a monumental task of curating and inputting the diversity of human moral systems [2]. They highlight that no single culture's morality should dominate, implying AI needs to understand globally inclusive moralities [2]. Contemporary research aligns with this vision, arguing that "instead of trying to eliminate biases in generative AI, we should work toward fairness and an alignment with human values" while recognizing that "the terms fairness and bias are ambiguous in their own right, given the wide range of perspectives and beliefs in societies" [128]. This viewpoint underscores an educational opportunity: AI can expose students to a plurality of moral perspectives beyond their local or cultural viewpoint, fostering global ethical awareness. For example, an AI might present how a community in another part of the world approaches an ethical issue (based on its knowledge of that culture's values), broadening a student's moral imagination. Kissinger also suggests that humans and AIs will become complementary partners in moral reasoning – humans providing the "strategic" guidance on values, and AIs providing "tactical" consistency and breadth [2]. In a classroom setting, this could translate to teachers and AI working in tandem: the teacher sets the tone for respectful, empathetic discourse (the strategic values), and the AI supplements by ensuring all arguments are fleshed out and checking consistency in application of principles (the tactical enforcement of logic and fairness). An illustrative quote from Kissinger et al.: "Human morality as a form of strategic control, while relinquishing tactical control to ... complex systems, is likely – eventually – the way forward for AI safety", meaning we humans decide the moral goals and let AI figure out the details [2]. In teaching, similarly, the educator defines the moral learning objectives, and AI helps operationalize them through interactive activities and constant feedback.

Systematic research on AI ethics education reveals that efforts are successfully "utilizing progressive pedagogies like case studies and group projects that aim to meaningfully challenge students' ethical reasoning skills in applied practices." However, researchers note that "the complexity of AI ethics makes it hard to pin down what to teach, how to teach it, and how to assess its effectiveness" Research \ Anthropic [129]. Studies of K-12 AI ethics guidelines identify four unique principles essential for educational contexts: "Pedagogical Appropriateness; Children's Rights; AI Literacy; and Teacher Well-being," showing that AI ethics education must be specifically tailored to the educational environment Striking a Balance: Navigating the Ethical Dilemmas of AI in Higher Education | EDUCAUSE Review [130].

It's worth noting that using AI in moral education comes with cautions. One is that students might attribute too much authority to AI's moral pronouncements. It should be made clear that AI provides perspectives and analysis, not absolute truths. Another risk is AI reflecting any biases from its training data – for example, if not properly aligned, it might have had biases or blind spots about certain social issues. Research shows that addressing this requires "subjecting the algorithm to rigorous testing" and "always asking: Will we leave some groups of people worse off as a result of the algorithm's design or its unintended consequences?" [131][132]. Contemporary studies on "Fairness, Accountability, Transparency, and Ethics (FATE) in Artificial Intelligence" emphasize that educational institutions must actively work to ensure AI systems meet ethical standards, particularly given "the morality of AI programs is being questioned" as their use rises in education [133]. Ongoing oversight and "red-teaming" of AI responses in sensitive topics is needed (Anthropic and others do this as part of their safety research [93][94]). Researchers propose adopting approaches similar to pharmaceutical industry standards, suggesting that "tech companies cannot conduct their businesses in a similar manner to mitigate bias" through "applied Ethics in the AI industry moral sphere" and "incorporate ethics at the heart of designing any ML model" [134]. Encouragingly, early research by Anthropic found that Claude generally adheres to prosocial values in the wild, but occasional anomalies (like a cluster of responses showing "amorality" when users jailbreak the model) can actually serve as teachable moments for students too, in discussing how technology can be misused or go wrong [95][96].

Educational institutions are actively working to balance these concerns with AI's benefits. Recent research from centers for teaching and learning emphasizes the need to "harness the transformative potential of AI while safeguarding the well-being of students, faculty, and society" through "balanced and intentional tools and resources" that "prioritize human-centered approaches to AI use" Policy advice and best practices on bias and fairness in AI | Ethics and Information Technology [135]. Systematic reviews of responsible AI in education identify key themes including the importance of "human-centered AI practices" and the need for frameworks that address "ethical and/or responsible AI in educational contexts" Android PoliceNIST [136][137].

AI has the potential to be a powerful aid in moral and ethical education, not by dictating values, but by enriching the conversation. It can generate richer dilemmas, ensure all sides are considered, identify biases, and maintain an objective stance that challenges students to articulate and justify their moral views [83][82]. As researchers note, ethical AI implementation requires addressing "key ethical issues associated with AI: Bias and Fairness," "Privacy," and "Transparency and Accountability," but when properly designed, AI can actually help students understand and navigate these very challenges [138]. It offers a kind of laboratory for ethical reasoning: students can safely explore "what-if" scenarios with the AI, testing the consequences of different choices virtually. By weaving AI into ethics lessons, educators can leverage its breadth and neutrality to push students toward deeper reflection and more global, nuanced understanding of ethics. The optimistic take is that tomorrow's citizens, educated with the help of AI, will be more ethically literate – comfortable navigating complex moral landscapes with an analytical yet empathetic mindset – precisely because they had the chance to practice with an ever-patient, well-informed AI mentor alongside their human teachers.

8. AI and Collaboration

Collaboration is at the heart of learning and working in the 21st century. In classrooms, we value group projects, discussions, and peer learning as ways students develop communication skills and collective intelligence. A common critique has been that AI is inherently a solo experience – one student interacting with a screen – and thus undermines the social aspect of learning. Additionally, skeptics doubt that AI could contribute to teamwork dynamics or teach interpersonal skills. However, the reality unfolding is that AI can enhance collaborative learning in multiple dimensions: by optimizing human-human collaboration and by becoming a collaborative partner itself.

First, AI can function as a sort of "team tutor" or mediator that observes and improves group work among students. Recent research from 2024 demonstrates that AI systems can analyze and optimize group dynamics in real time through sophisticated attention mechanisms and multi-modal processing capabilities. Imagine an AI embedded in a virtual collaboration platform: it could monitor how often each team member contributes, detect if one student's ideas are consistently overlooked, or notice if the group goes off-task. Based on this, the AI could gently intervene – for example, privately suggesting to a quieter student, "You have a great idea, try sharing it now," or prompting the group, "Have you considered hearing from all team members before deciding?"

The technical foundation for this capability lies in transformer architectures that enable AI to simultaneously attend to multiple aspects of group interactions – processing both verbal contributions and behavioral patterns through attention mechanisms that can focus on different parts of the conversation dynamically. By processing verbal and non-verbal communication cues (in settings where it has those inputs) and tracking interaction patterns, AI can provide insights into team functioning that a teacher might miss, especially when managing many groups simultaneously. It's like having a facilitator in each group that encourages balanced participation and clarifies misunderstandings. The user's article gives the example that AI's natural language processing can allow it to act as a mediator, clarifying miscommunications and suggesting alternative phrasings to improve group understanding. This is a powerful support: often student collaborations falter due to simple miscommunications or hesitancy to speak up. AI assistance can help smooth these issues, ensuring more inclusive and effective collaboration.

Furthermore, recent studies from 2025 reveal that AI systems equipped with Theory of Mind (ToM) capabilities can model individual student's knowledge states and adapt their communication accordingly – much like how a skilled human facilitator adjusts their language based on each team member's expertise level. By analyzing idea flow and contributions, AI can recommend optimal team compositions for projects. For instance, it might identify that certain students complement each other's skills and suggest they work together or conversely advise splitting a group that isn't synergizing. Over time, this can teach students about the principles of good collaboration – they get feedback on what worked well in their teamwork and what to improve (e.g., "Team Alpha asked each member to summarize their view – which improved coordination."). This reflective aspect, facilitated by AI's observations, can build students' collaborative competencies for the future.

Secondly, AI can serve as a collaborative partner itself, both in academic tasks and creative endeavors. In professional worlds, we already see "human-AI teams" tackling problems (a scenario often called "centaur" work, like human plus AI in chess). Large-scale studies from 2024 show that about a quarter of student conversations with AI systems like Claude involve collaborative problem-solving or collaborative output creation, suggesting students naturally gravitate toward treating AI as a thinking partner rather than just an information source. In the classroom, students can learn to collaborate with AI in much the same way they collaborate with a human peer – by sharing ideas, divvying up subtasks, critiquing each other's contributions (with the student always in charge of final decisions). For example, a pair of students might together interact with an AI to brainstorm a science project. The AI throws out ideas; the students discuss them and ask the AI to elaborate or refine; the students then build on the augmented ideas. Here, the AI is a brainstorming collaborator, boosting the group's collective creativity. Or consider writing: one student can be drafting text while another student asks an AI for factual research or vocabulary suggestions to support the draft. The AI essentially becomes an extra member of the group that can take on tasks like information gathering, checking the group's work for errors, or even playing devil's advocate in a debate. In doing so, it actually enhances the collaboration among the human students by freeing them from mundane tasks and injecting new perspectives.

What makes this collaboration technically possible is AI's sophisticated natural language processing combined with multi-agent system architectures. Modern AI systems employ attention mechanisms that can track relationships between words and concepts across extended conversations, while specialized neural networks process different types of information simultaneously – enabling the AI to understand context, maintain conversation continuity, and adapt its communication style to match human collaborators.

Kevin Kelly's vision of future work is that "90% of your co-workers will be unseen machines" and success will depend on "how well you work with robots" [1]. Translating that to education: a key skill for students to learn now is co-working with AI – treating the AI as a collaborator whose strengths (memory, speed, knowledge) complement human strengths (intuition, values, creativity). We see early evidence of this in programming classes where students jointly code with AI pair-programmers (like GitHub's Copilot). Students report that they still discuss logic and strategy with each other, but they let the AI write boilerplate code or suggest improvements, then together they assess those suggestions. This three-way collaboration (student-student-AI) often yields better results and learning than student pairs alone, because the AI can surface solutions neither student thought of, which then become learning opportunities for the whole team.

Anthropic's usage study mentioned earlier revealed that about a quarter of student conversations with Claude fell into "collaborative problem-solving" or "collaborative output creation" categories [4]. In these cases, students weren't simply asking the AI for an answer; they were engaging in a back-and-forth, effectively using Claude as a collaborative partner to work through problems or create something. This suggests students naturally gravitate to a collaboration mode with AI when the interface allows it. They treat Claude not just as an oracle but as a thinking partner: for example, a student might say, "Here's my approach to this proof, Claude – do you see any gaps?" and then iteratively refine their approach with Claude's input. Such experiences teach students a meta-skill: collaborative dialogue – how to articulate your thoughts clearly to an AI/human, how to ask good questions, how to build on suggestions – which applies equally in human teamwork.

Recent research in 2025 on hybrid intelligence learning environments confirms this collaborative potential, with studies showing that human-AI collaboration maintains moderate to good "synergy degrees" – a measure of how well the combined system performs compared to either component alone. The key finding is that AI systems can dynamically adapt their collaborative strategies based on real-time feedback from human partners.

Furthermore, AI can facilitate collaboration at scale. Consider large class discussions: not every student gets to speak or contribute each time. Some teachers have experimented with an AI-moderated online forum alongside live class. The AI poses questions related to the lesson and all students respond in the chat; the AI then summarizes common themes or notable unique points and feeds them back into the live discussion for the teacher to address. This way, every student's voice is processed, and the overall quality of the discussion is enriched with inputs that otherwise might remain untapped. It's an augmentation of the collaborative space that ensures inclusivity and comprehensiveness.

It's also worth noting how AI might help form communities of learning across boundaries. For instance, language translation AI tools can facilitate collaboration between students in different countries who speak different languages, by translating messages in real time and even explaining cultural nuances when misunderstandings arise. This is a very concrete way AI boosts collaboration: enabling global peer-to-peer learning experiences that develop cross-cultural communication skills.

Looking ahead to 2025, researchers predict a significant shift toward multi-agent collaborative systems where specialized AI agents with different expertise work together – and with humans – to tackle complex educational challenges. These systems represent the next evolution in collaborative AI, moving beyond single-agent interactions to orchestrated teams of AI specialists.

From a conceptual standpoint, Mollick's idea of "co-intelligence" is that the combination of human plus AI yields something greater than either alone – a genuinely collaborative intelligence. He encourages always inviting the AI into the process and treating it like a colleague [3]. Students trained with this mindset might, when facing any challenge, think to themselves: how can I collaborate with AI to solve this? That doesn't diminish their own role – rather it adds a powerful tool to their collaborative toolkit. They also learn that leadership in mixed human-AI teams is a skill – knowing when to rely on AI, when to question it, and how to integrate its contributions effectively. These are likely to be critical competencies in their future workplaces.

The effectiveness of this collaboration stems from AI's ability to maintain what researchers call "Theory of Mind" – an understanding of human knowledge states, goals, and communication preferences. When AI systems can model what individual students know and don't know, they can tailor their collaborative contributions to be most helpful, much like how effective human collaborators adjust their communication to their teammates' expertise levels.

Importantly, AI enhancing collaboration does not reduce the importance of human-to-human interaction – in fact, it can strengthen it. By handling certain tasks and providing insight, AI frees human collaborators to focus on higher-level coordination, creative brainstorming, and relational aspects. For instance, if AI handles note-taking in a group meeting, the students can maintain eye contact and better listen to each other instead of frantically scribbling notes. If AI suggests a plan, the group can spend time discussing its merits and aligning it with their shared goals, an inherently human negotiation process. Thus, AI can take away some transactional burdens and amplify the interpersonal engagement among students.

Recent empirical studies confirm this pattern: teachers using AI collaboration tools report spending less time on administrative tasks and more time on meaningful student engagement, with 60% of educators already integrating AI into their collaborative teaching practices by 2024.

Naturally, we must be mindful that AI doesn't inadvertently introduce negative effects on collaboration, such as one student retreating into AI usage and not communicating with teammates. Educators should set norms: e.g., if a group uses AI, they should do it together and discuss the outputs, rather than individually in silos. When used as a group tool, AI becomes part of the collective process rather than a distraction from it.

Rather than isolating students, AI – when thoughtfully integrated – can become a catalyst for richer collaboration. It can improve how students collaborate with each other by mediating and optimizing group interactions. It can also collaborate directly with students, teaching them how to partner with AI systems – a key skill for the future workforce [1]. The optimistic outlook is a classroom humming with various forms of collaboration: student-to-student, student-to-AI, and even multi-party collaborations where AI helps link many minds together. Classrooms become more networked, leveraging human and artificial agents in concert. As the president of a university partnering with Anthropic put it, "we are in a unique position to understand and shape how AI can positively transform education and society" [103], implying that by engaging collaboratively with AI in education, we're also modeling how humans can collaborate with AI for social good in the broader society. In sum, AI is not the enemy of collaboration; it is a new collaborator – one that, if embraced wisely, can elevate the collective intelligence and learning of everyone in the group.

9. Conclusion

Across these seven domains – emotional support, creativity, contextual understanding, engagement, problem-solving, ethics, and collaboration – our exploration finds that AI has the capacity to profoundly enhance education in ways that complement and empower human educators rather than replace them. Each "truth" about AI in education reveals a pattern: initial skepticism gives way to evidence that AI can extend the reach of teachers and personalize learning experiences far beyond traditional limitations. AI offers consistency, vast knowledge, and real-time adaptivity, while human teachers provide the irreplaceable elements of inspiration, ethical grounding, and emotional connection. Together, they form a powerful alliance.

The conceptual analyses from Kissinger, Mollick, Kelly and others underscore that we are entering a new era of *co-evolution* with AI, where learning to work *with* intelligent machines is critical [1]. In education, this means integrating AI into classrooms not as a gimmick or threat, but as a deeply embedded resource – much like the internet or textbooks – albeit one that interacts with students in dialogue. The empirical insights from podcasts and Anthropic's research reinforce that this integration is already happening organically: students are enthusiastically using AI for help and creative exploration, and teachers are adapting by guiding that usage toward learning outcomes. Notably, major educational institutions have begun formally adopting AI. Anthropic's partnerships with universities, providing *Claude for Education* campus-wide, indicate confidence that with proper tooling and policy, AI can be rolled out at scale to benefit entire learning communities [5]. Early feedback from these initiatives shows AI can help generate individualized learning resources, facilitate feedback, and ensure equitable access to support for all students – aligning with the optimistic themes of this article. As President Larry Kramer of LSE remarked in the context of their partnership, *understanding and shaping how AI can positively transform education is now part of the mission* of forward-looking institutions [5].

One recurring point throughout our analysis is the importance of active human involvement in shaping AI's role. Whether it's aligning AI ethically (so that it upholds our values in moral education), or teachers setting guidelines for AI-assisted assignments (to ensure students still learn fundamental skills), the outcomes depend on us making intentional choices. The technology by itself is a tool – it can just as easily enable cheating or misinformation if used carelessly, as much as it can enable deeper learning. The encouraging insight is that when educators proactively engage with AI – as Ethan Mollick and many others have – they tend to discover *innovative pedagogical strategies* that were previously not possible. For example, splitting an essay assignment into two parts: one where the student "cheats" with AI to produce a draft, and a second where the student must critique and improve that draft, turns the presence of AI into a teachable moment rather than a liability [3]. Likewise, in collaborative projects, explicitly assigning someone the role of "AI liaison" (responsible for querying the AI and bringing its input to the group) can make AI a constructive team member rather than a clandestine cheat. These kinds of pedagogical innovations will likely proliferate as we collectively learn what works best. It will be crucial for educators to share best practices, much like open-source software communities do – iterating and improving on how we harness AI for learning.

The transformative potential of AI in education comes with the need for continuous evaluation and alignment with our core educational goals. We must ask: Are we using AI to foster student agency, or to shortcut it? The scenarios we've highlighted aim for the former – using AI to push students to higher levels of Bloom's taxonomy (analysis, creation, evaluation) by automating some of the lower-level work (recall, basic practice) and by providing stimuli that provoke deeper thinking. In an ideal future, an AI-augmented education system produces graduates who are more creative, more collaborative, and more adept at lifelong learning than ever before. These students would view AI not as a crutch or an oracle, but as a powerful assistant – one that they know how to question, leverage, and even improve upon. They would excel in the uniquely human qualities (creativity, empathy, moral judgment, strategic thinking) precisely because their education system, enhanced by AI, gave them maximal opportunity to develop those qualities, freed from some mundane constraints and one-size-fits-all teaching.

Our review is exploratory and optimistic by design. Challenges undoubtedly remain and were noted along the way: ensuring equity of AI access, guarding against biases, maintaining human connection, updating assessment and accountability in an AI-rich world, and preparing teachers for new roles. Each of these could merit its own systematic study. Yet the overall trajectory indicated by current research and practice is encouraging. When carefully implemented, AI tutoring systems can dramatically improve learning outcomes – early studies on intelligent tutoring systems (pre-LLMs) already showed effect sizes equivalent to making a mediocre student into a good student. With the far greater capabilities of today's AI, we might finally approach Bloom's "2 sigma" tutoring effect for the majority of students, essentially fulfilling the dream of one-on-one quality education for all. AI-driven tools can also help reduce teachers' administrative burdens (grading, lesson planning), potentially addressing burnout and allowing teachers to focus on the interpersonal and creative aspects of teaching that AI cannot replace.

In closing, the marriage of systematic review and conceptual analysis in this article leads to a clear implication: educators, students, and AI developers must collaborate closely in shaping the future of AI in education. Public content from AI companies like Anthropic emphasizes partnership with educators – for example, Anthropic's program training college "Claude Ambassadors" and working with LMS companies to embed AI responsibly [4]. This kind of multi-stakeholder approach will be key. By involving teachers and learners in the design process, we can ensure that AI tools truly meet classroom needs and uphold pedagogical values. The tone of the conversation is already shifting from fear to opportunity. As one podcast commentator put it, *the question is no longer "Will AI enter our classrooms?" but "How will we guide AI's entry to maximize the good it can do?"* The seven themes we examined are guideposts for where that "good" can happen.

Ultimately, the transformative potential of AI in education lies in its ability to amplify what is best in human teaching and learning. It offers the chance to make education more student-centered, mastery-oriented, and relevant to the complex world students will enter. By weaving together conceptual insight and empirical evidence, we see a future where AI is seamlessly integrated into educational practice: a quiet engine behind personalized curricula, a tireless tutor and collaborator available to every student, and a mirror reflecting our own thinking to help us grow. It is a future where the roles of teacher and technology are redefined – not with one displacing the other, but with both elevating each other. As educators, embracing this future with optimism and vigilance will allow us to unlock new frontiers of learning, ensuring that the next generation is not just AI-literate or AI-augmented, but truly AI-empowered – capable of achieving more, together with their intelligent tools, than we might presently imagine.

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AI and Digital Transformation in Higher Education

SESSION CHAIR:

Karmela Aleksić-Maslać

Digital Transformation in Higher Education – Student's Angle

Tomislav Kesić[1], Denis Alajbeg[2], Luka Kučer[3]

[1]Zagreb School of Economics and Management, Zagreb, Croatia, tkesic@zsem.hr
[2]Zagreb School of Economics and Management, Zagreb, Croatia, dalajbeg@zsem.hr
[3]Zagreb School of Economics and Management, Zagreb, Croatia, lkucer@zsem.hr

Abstract

Digital transformation has been one of the key topics among the academic community over the last few decades and is one of the major forces shaping the behavior of both private individuals and legal entities. Digital transformation in higher education, especially involving artificial intelligence, will have significant consequences for higher education, just as it has already had for other sectors and economic participants. The goal of this paper was to provide insight in the use of generative AI from the students perspective mainly connected to their academic AI usage, and its benefits and downsides. In order to accomplish this goal, an extensive survey involving 92 students at the Zagreb School of Economics and Management regarding the use of generative AI was conducted. The study further confirmed that there are multiple areas where generative AI can assist students with their academic progress and teaching, while also stressing some of the apparent limitations of these tools. These results additionally highlight the need for thoughtful integration of AI into university education and policies.

Keywords: *Digital transformation, higher education, digitalization, students, ChatGPT, generative AI.*

1. Introduction

Digital transformation has been one of the key topics among the academic community over the last few decades and is one of the major forces shaping the behavior of both private individuals and legal entities. Digital transformation in higher education, especially that involving artificial intelligence, will have significant consequences for higher education, just as it has already had for other sectors and economic participants.

The goal of this paper was to provide insight in the use of generative AI from the students' perspective mainly connected to their academic AI usage, and its benefits and downsides. Various benefits and potential drawbacks of this transformation will be investigated. More specifically, the paper focuses on literature concerning digital transformation, which has taken another significant step forward following the emergence of ChatGPT. The advent of generative AI technology has enabled higher education institutions to approach student education in entirely new ways, aiming to achieve better learning outcomes using these technological advances.

2. Review of the Scientific Literature

As a variety of businesses are undergoing digital transformation through Industry 4.0 (Fourth Industrial Revolution – the integration of advanced digital technologies into industrial processes), the same process seems inevitable for higher education institutions. Although the applications of AI in this sector are immense, many benefits may be forfeited if faculty engagement in adopting AI is inadequate [1]. The education and beliefs of AI educators should also be strengthened to enable faculty to fully benefit from the new technology [2]. According to these authors, AI technology has also introduced challenges, such as issues with student academic integrity and potential future employment concerns arising from the emergence of new technologies.

A balanced approach to AI usage is generally considered the best way to maximize the apparent benefits while mitigating some of the disruptive effects of new technology. One issue raised by Farrelly and Baker [3] is the occurrence of false positives in AI detection software, which could disproportionately affect certain student groups, such as international students or students with disabilities. While AI generators are advancing daily, another potential challenge is that the generated text may be inaccurate or even false. The issue of errors and hallucinations in AI generated content remains a significant challenge [4]. Although chatbots are improving rapidly, their ability to confidently provide false information is concerning, especially since one might expect false information to be limited to human-driven interactions.

In addition to the aforementioned issues, other shortcomings of AI usage in higher education institutions include the potential displacement of employees, concerns about educational quality, and privacy breaches [5]. Although the role of AI in higher education can be questioned in some respects, it is clear that recommendations, rulebooks, and regulatory frameworks for its application are almost non-existent. There is a pressing need for the introduction of institutional policies to help higher education institutions adopt a consistent approach to AI usage. According to Spivakovsky et al. [6], AI can be utilized in various segments of higher education, including classroom support, learning analytics, simulation-based learning, meeting individual student needs, and providing active learning experiences through simulations.

Individualization in learning can be achieved by recognizing and tailoring the learning needs of each student, using customized materials, and receiving feedback from students [7]. The key to realizing these benefits and incorporating them into policymaking is understanding that a transformation of this magnitude cannot occur in isolation. All stakeholders-including industry sectors, educational institutions, and regulators-must collaborate to guide this transformation in the right direction [8].

A potential alternative to the lack of sufficient regulatory infrastructure could be the introduction of AI generator technology through the curriculum. Although this may seem like a bottom-up approach, AI generators could be utilized in two main areas: omitting irrelevant content and extending curricular experiences through AI [9]. The authors further divide the omission of irrelevant content into curriculum streamlining and relevance, which enhances student engagement and supports personalized teaching approaches. Extended curricular experiences via AI are categorized into curriculum enhancement through AI, creative and engaging learning with ChatGPT, and personalized, dynamic learning strategies.

One important stakeholder to consider in the digitalization process is the student. Student perceptions of AI are generally positive. Major benefits from the student perspective include personalized learning, increased engagement, and the promotion of critical thinking. However, students were less positive about the impact of AI on practical, handson learning [10].

3. Methodology

The data for this study was collected through a student survey that examined the use, attitudes, and perceptions of artificial intelligence (AI) systems among students participating in various courses at ZSEM. Each figure presented corresponds to a specific aspect of the survey, with interpretations provided in an integrated, narrative academic style inspired by Walczak and Cellary [4], emphasizing context, implications, and potential consequences for educational practice and policy. The survey consisted of 18 closed-ended questions with multiple-choice options, allowing respondents to select from predefined answers.

The participants were surveyed between December 2024 and April 2025 among the students of the Zagreb School of Economics and Management. In total, 92 students participated: 52 (56,52%) were undergraduate students in their second, third, or fourth year, while the remaining 40 (43,48%) were enrolled in MBA programs at ZSEM.

Most respondents were enrolled in the Financial Institutions and Markets course (33 participants, 35,9%) and the Financial Management course (23 participants, 25%), together accounting for over 60% of the sample. Other courses represented included Public Finance (19 participants, 20,65%), Principles of Finance (9 participants, 9,78%), and Corporate Finance (8 participants, 8,7%). This concentration reflects a strong representation of students from fields typically characterized by exposure to data-driven and analytical content.

Of the 92 participants, 55 identified as male (59,78%), 36 as female (39,13%), and one as non-binary/other (1,09%).

4. Generative AI Survey Results

The aim of the survey was to determine the basic attitudes towards the use of AI chatbots among students in Croatia, based on a sample of 92 students at the Zagreb School of Economics and Management. According to the study the vast majority of students were already familiar with the use of AI technology, indicating that younger generations are highly receptive to adopting new technologies. Almost 95,65% of respondents had used AI systems before, while only 4,35% had not. When asked for what purpose they had used ChatGPT or other generative AI, students provided the following answers, listed from most to least common: To search for information (19,34%), To find a solution to a problem (16,98%), To understand a difficult subject (14,86%), To generate a summary of a text/book (12,03%), Out of curiosity (11,08%), To translate a text into another language (9,67%), To generate an essay on a topic assigned at university (8,96%), For programming/coding/excel (7,08%). Over 50% of responses were concentrated in the first three categories, indicating that students primarily use artificial intelligence for additional clarification, to refine their understanding of complex topics, and to gain new insights (Figure 1).

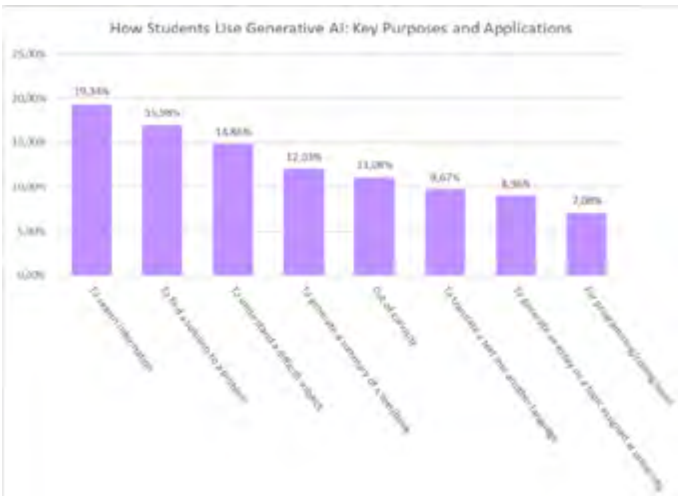

Figure 1 How Students Use Generative AI: Key Purposes and Applications (*source: Authors' calculation 2025*)

As shown in the Figure 2, besides the aforementioned points, most students use AI tools equally for academic, personal, and professional purposes. However, there is a clear bias toward academic use, as the majority of students are not full-time employees.

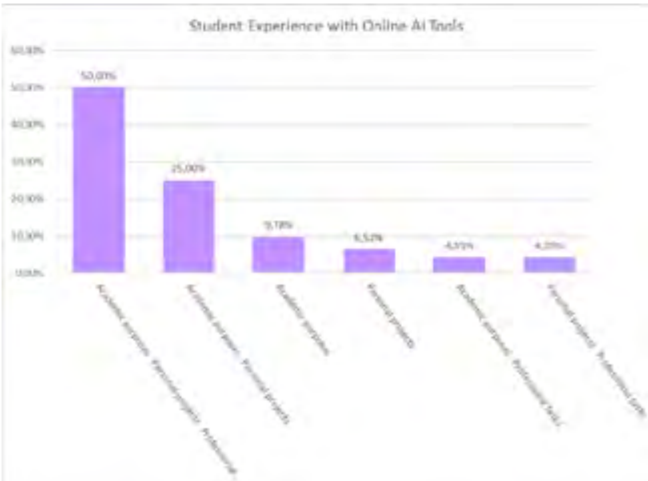

Figure 2 Student Experience with Online AI Tools
(*source: Authors' calculations 2025*)

Students use AI generators for a variety of academic purposes, from completing homework to preparing for classes, with usage distributed evenly across these activities. Additionally, 32,61% of students reported using generative AI tools even when specifically instructed not to, while the remaining 67,39% respected the restriction. As shown in Figure 3, within academic contexts, AI was most commonly used to solve homework assignments and complete projects, and somewhat less frequently to provide explanations needed for understanding classes and tests. Tools available to professors were successful in detecting prohibited AI usage for assignment completion in only 53,26% of cases. This suggests that detection tools are still lagging behind AI generators, indicating there is significant room for improvement in software designed to identify AI-assisted work

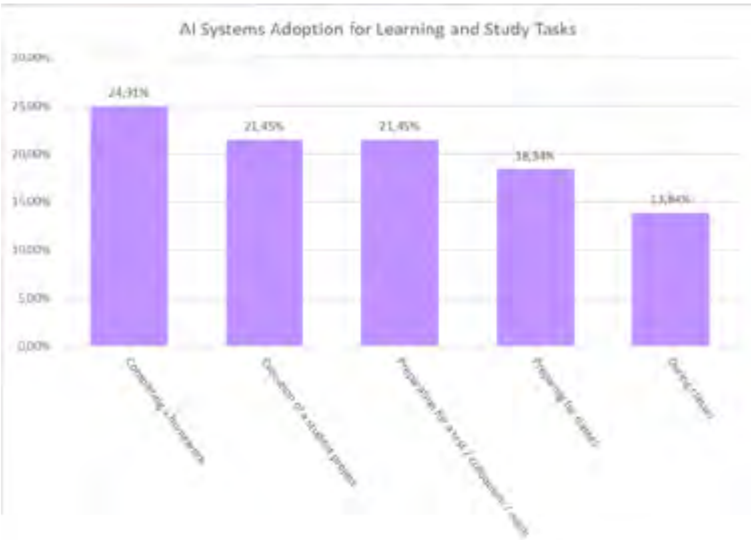

Figure 3 AI Systems Adoption for Learning and Study Tasks
(*source: Authors' calculations 2025*)

According to the responses to the question, "Why didn't you use generative AI to create files such as PowerPoint (pptx) and Excel (xlsx)?", shown in Figure 4, this appears to be an area where improvements can be expected in the future. It seems that generative AI is not yet sufficiently developed to handle more complex tasks at the desired quality, and, in part, students may not yet be skilled enough in prompting the AI to achieve the desired output. The results in Figure 4 show that over 60% of students believe AI is still not up to the task-either because the output did not meet their standards (29,35%), they were unaware of this functionality (22,83%), or it was only available in the paid version (9,78%). Additionally, 38,08% of students indicated that they preferred to maintain full control over the output.

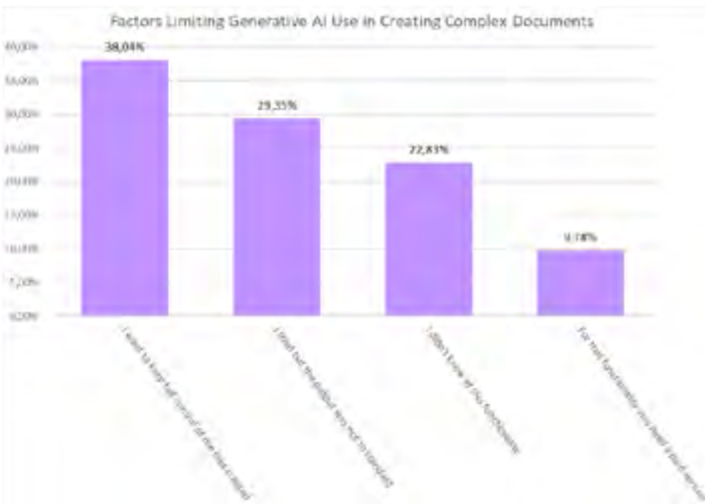

Figure 4 Factors Limiting Generative AI Use in Creating Complex Documents
(*source: Authors' calculation 2025*)

ISSN 2991-9371

Around 55% of students individually refined the output generated by AI tools, while another 35% used the AI tool itself to further refine the initial output (Figure 5). As shown in Figure 5, only 10% of participants considered the initial version of the documents to be sufficiently well done from the start. This suggests that AI tools still require oversight and a "human touch." However, it is notable that almost half of the students did not contribute their own effort to editing the original AI-generated work, aside from providing additional prompts. Additionally, nearly 10% of students felt there was no need to intervene in the generative AI output at all.

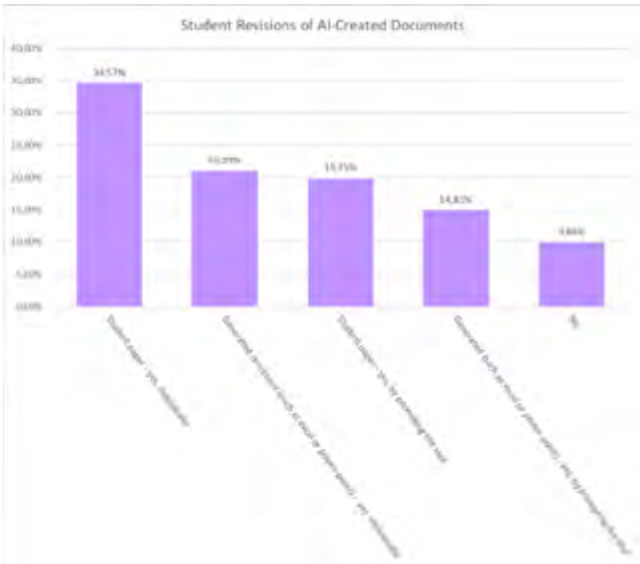

Figure 5 Student Revisions of AI-Created Documents
(*source: Authors' calculation 2025*)

Even more students – 60,87% of participants-were satisfied with the final output when it came to quantitative or visual documents, while 39,13% were not satisfied with the AI-generated files. This is particularly interesting in the context of questions about the need to learn about generative AI at universities. Nine out of ten students believe that generative AI should be taught at universities, and the same proportion (91,3%) think that generative AI skills will be sought after by their future employers. Surprisingly, although 91,3% of participants consider generative AI usage a necessary skill, a much lower number – 66,3% believe that the mandatory use of AI in their studies was a worthwhile endeavour. When all factors are considered, over 90% of students prefer predominantly human interaction in teaching, while less than 10% would prefer primarily AI-based learning (Figure 6).

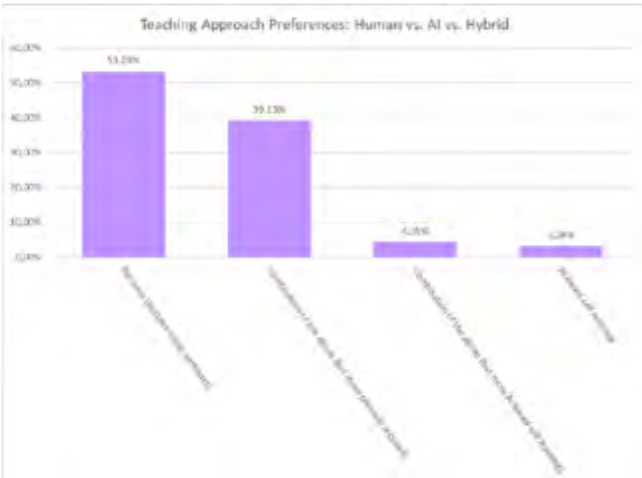

Figure 6 Teaching Approach Preferences: Human vs. AI vs. Hybrid
(*source: Authors' calculation 2025*)

An interesting finding is that at least part of the teaching could be replaced by AI, according to 60,87% of students, and students fully expect this to happen (Figure 7). On the other hand, students are not as enthusiastic about having their personal achievements graded by AI, with 60,87% indicating they would not want AI to grade their exams (Figure 8). This is notable, as one might expect generative AI to be more consistent in grading compared to human teachers.

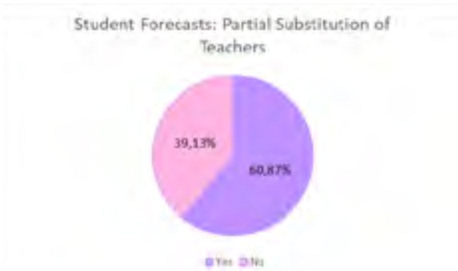

Figure 7 Student Forecasts: Partial Substitution of Teachers
(*source: Authors' calculation 2025*)

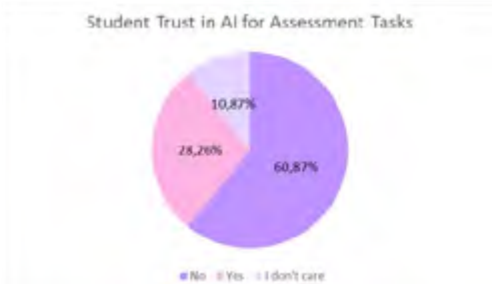

Figure 8 Student Trust in AI for Assessment Tasks
(*source: Authors' calculation 2025*)

The answers regarding outdated skills attained at the university based on the developed AI tools are sorted below (Figure 9): Writing short texts in native language (18,48%), Other skills (17,06%), Writing short texts in foreign language (17,06%), Writing long texts in native language (14,22%), Preparing presentations on a given topic (9,95%), Solving mathematical tasks (9,00%), Preparing multimedia content (images, videos, sounds, 3D models, animations) (7,58%), Programming computer applications / making models (6,64%). Most students feel that writing texts at the university level is becoming an obsolete skill, while mathematical tasks, creating multimedia content, and programming or modelling are considered somewhat less obsolete in the context of AI advancements.

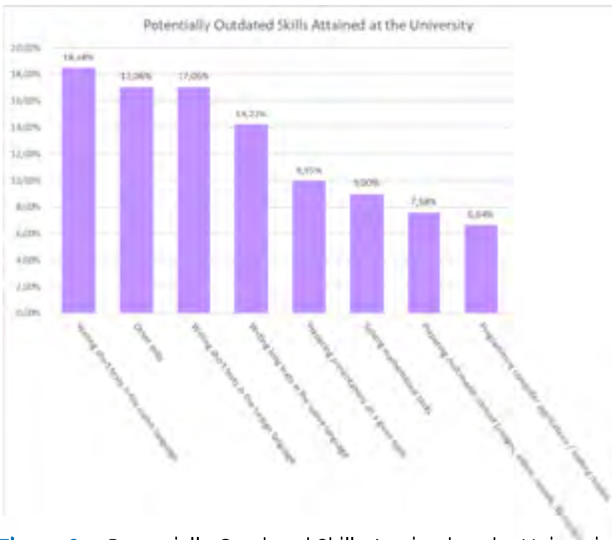

Figure 9 Potentially Outdated Skills Attained at the University
(*source: Authors' calculation 2025*)

The majority of open-ended responses in Table 1 given by students at the end of the survey indicate that AI is a great tool, useful in its own way, but it cannot fully replace the human mind, personal contact, or the personal touch. In addition, students emphasized that the use of AI (and modern technologies in general) should be properly incorporated and encouraged at universities, as this is seen as a very important skill for future professionals.

ISSN 2991-9371

Open Question Answers	
1	Effect of AI predictions of the stock market and other markets? Effect of AI on conducting analysis in work environment? Effect of AI on human knowledge? Is AI making us idiots that are too lazy to find the answers on our own?
2	I love AI and like any great technology with great power comes great responsibility
3	AI is good but it can't replace humans
4	It would be interesting to study deeper the possible ways in which AI could evolve in the future.
5	Make them available for school projects, but teach us how to use it the correct way
6	Teaching about proper Generative AI use should be included in curriculum
7	I personally feel that generative AI is more of a guiding tool for students, as it helps them solve queries and generate answers for any assignment. Although downsides like total dependency might occur.
8	The proper use of AI should be taught in school, for one of my internships, I was taught how to prompt AI to create emails for reaching out to clients and potential clients, and it was extremely useful for that role.
9	AI is definitely here to stay and education should incorporate it into its studies to teach students how to use it in a proper way because it can be a exceptional tool for self education in many different topics
10	I believe that education about artificial intelligence and how to use it properly should be introduced into compulsory high school education, as well as in colleges. It is certainly necessary to educate the general public about how artificial intelligence is used and how much it can help on a daily basis. Of course, with the mandatory emphasis on the importance of learning and developing one's own competences, which could then be used when using artificial intelligence.
11	Everything in AI are good
12	AI can be included in some courses in which it has capacity to help
13	Well there are a lot of very thought provoking questions regarding AI and i would argue one of the most interesting would be how AI can solve a lot of issues and problems but is optimism blinding us when it come to what the world will look like after AI. What i mean by this is a lot of people have a lot of predictions about AI its capabilities and how its going to interact with real world. Should we calm down and reanalyze our optimism and along with the AI hype should their be revaluation to more pressing issues that cannot be solved with AI.
14	I think that Generative AI is becoming more and more an important tool among the people. I believe that would be better if it would act more as human.
15	I think professor should adopt to it and not tell us not to use it because we are all using it so it's better to promote the usage and teach us how to do it rather than punish us. At my work I am encouraged to use it so that I can focus on other more important things like learning a new skill.

16	Education needs to adapt quickly to AI opportunities. Projects and tests can be done in seconds if the student does not mind cheating.
17	AI is sometimes good at explaining math, wish it were more accurate on the solutions though.
18	I believe that AI is still in its early stages and that were are seeing it grow very rapidly because of how low we had started. I am not necessarily afraid of what AI will do but what AI will not have us do, that we will become lazier and perhaps rely on it too much due to how convenient it is. I think it is a good tool for learning and perhaps aiding in certain tasks when it comes to homework such as research as the later versions (paying) of AI's such as Chat GPT or Perplexity cite their sources and you can double check what they have just told you.
19	I think that generative AI is still a work in progress but it will have serious implications in the future regarding to its use in academics and everyday life.
20	I think a course to know better AI in the future is very importante because AI will take a big place in our life
21	probably some researches based on why Generative AI cannot replace human, because a lot of research has been done on why it can replace

Table 1 Open Answers
(*source: Authors' compilation 2025*)

5. Discussion

The findings of this study align with previous research highlighting the growing integration of AI technologies in higher education and the openness of students and faculty toward adopting such tools [1,10]. Similar to Walczak and Cellary [4], our results underscore both the opportunities and challenges posed by generative AI. While students demonstrate strong engagement and recognize the benefits of AI for academic tasks, concerns regarding academic integrity and the accuracy of AI-generated content remain prevalent. This duality reflects an ongoing tension between embracing innovation and maintaining rigorous educational standards.

For professors and university policy makers, these insights emphasize the importance of developing balanced strategies that integrate AI proficiency into curricula without compromising ethical standards. Formal instruction on generative AI skills appears essential, given students' consensus on its future career relevance. However, voluntary and thoughtful adoption, supported by clear guidelines and improved detection mechanisms, will be crucial to address concerns about misuse and preserve the value of human oversight. Universities should thus aim to foster digital literacy, promote responsible AI usage, and encourage faculty engagement to navigate the complexities of digital transformation effectively.

6. Conclusion

The survey results demonstrate strong familiarity and engagement with AI technologies among ZSEM students, particularly with generative AI chatbots like ChatGPT. Nearly all respondents have used AI tools, primarily for academic purposes such as searching for information, solving problems, and clarifying difficult subjects. This reflects the openness and adaptability of younger generations towards emerging technologies and their willingness to incorporate AI into their learning processes.

Despite the widespread use and recognized benefits of AI, students also acknowledge its current limitations. Many reported that AI-generated outputs often require human refinement and oversight to meet academic standards, especially for more complex tasks such as creating presentations or spreadsheets. Additionally, a significant portion of students admitted to using AI tools even when prohibited, highlighting ongoing challenges in academic integrity and the need for more effective detection tools.

Students overwhelmingly prefer human interaction in teaching, with over 90% favoring predominantly human-led education and expressing reluctance to have AI fully replace teachers or grade exams. This preference underscores the value they place on personal contact, nuanced understanding, and the “human touch” in education-elements that AI cannot yet replicate.

At the same time, there is strong consensus that generative AI skills should be formally taught at universities, with more than 90% of students recognizing AI proficiency as a critical skill for their future careers. However, fewer students support mandatory AI use in coursework, suggesting some ambivalence about enforced integration and a desire for balanced, voluntary adoption.

The findings also indicate a shift in perceptions of traditional academic skills. Writing short texts in native and foreign languages is increasingly viewed as less essential, likely due to AI’s ability to assist or automate such tasks. Conversely, skills related to mathematics, multimedia content creation, and programming remain more valued, reflecting areas where human expertise is still crucial.

Students view AI as a powerful and valuable tool that enhances learning and productivity but believe it should complement rather than replace human educators. They emphasize the importance of responsible AI integration in higher education, including the development of digital literacy, ethical guidelines, and effective detection mechanisms. Preparing students to use AI thoughtfully and skilfully will be essential for meeting the demands of the evolving professional landscape and ensuring that technology serves to augment, not diminish, human potential.

Generative AI is poised to significantly reshape higher education, augmenting the learning experience and productivity of students. However, its successful integration hinges not only on technical proficiency but also on the cultivation of responsible use, ethical awareness, and critical thinking. As AI becomes an ever-larger part of academic and professional life, it is crucial for universities to equip students with digital literacy skills and to foster a mindset that goes beyond mastering the tools — one that emphasizes integrity, thoughtful engagement, and adaptability. By doing so, higher education can ensure that technology serves to strengthen, rather than diminish, the essential human qualities at the heart of learning and professional success.

The main limitation of the survey was the relatively small number of participants, all of whom were students at the Zagreb School of Economics and Management. In addition, the students involved in the study were mainly focused on finance programs, and the study might leave out students who are more interested in other areas of business and other sciences altogether. As for recommendations for future research, it appears that the use of AI generators by both educators and students, especially in conjunction with other programs (e.g., MS Excel), remains under-researched and could be a valuable area for scientific investigation.

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Reducing complexity through visual narrative frameworking – designing a multimodal learning experience in the age of AI

Monika Sońta[1], Claudio Andres Rivera[2] and Paula Elksne-Reveliņa[3]

[1]Kozminsky University, Poland, msonta@kozminski.edu.pl
[2]Riga Business School, Latvia, paula.elksne-revelina@rbs.lv
[3]Riga Business School, Latvia, claudio.rivera@rbs.lv

Abstract

This paper explores innovative pedagogical approaches for teaching algorithmic thinking and introducing Artificial Intelligence (AI) concepts without direct technical instruction or reliance on AI tools. Instead, it leverages business and futures-thinking visual frameworks, such as the Business Model Canvas, Scenario Development Canvas, and Anticipatory Tech Canvas, as conversational catalysts for management students and workshop participants. The central thesis posits that these non-technical canvases effectively facilitate discussions on advanced technology-based futures, fostering critical thinking, problem-solving skills, and a deeper understanding of AI's potential impact across various sectors.

The study is grounded in practical experiences gathered by three facilitators during the academic year 2024/25, encompassing 25 workshops with management students and two significant events with over 60 participants each, including a Blended Intensive Program in Poland and the Asia Europe Foundation's InnoLab program. Researchers compared observations from sessions using pre-designed canvases with insights from workshops where students drew canvases from scratch. Additionally, experiences with 81 spontaneously sketched 'Future of Education' canvases were thematically coded using Saldana's methodology [1] to identify challenges and opportunities. Students had access to AI tools of their choice in both cases.

Results indicate that the analysis of group work with pre-defined visual frameworks led to the description of the PIVOT learning approach (Purpose-driven, Imagination-led, Visually-rich, Outcome-focused, Thought-provoking) for designing visual canvases. Thematic analysis revealed key challenges in education, including misalignment with labor market needs, issues with studying experience, erosion of academic integrity, and AI ethical concerns. Opportunities identified include innovation-centricity, personalized and flexible learning, enhanced industry collaboration, and new forms of collective intelligence through AI integration and global

ISSN 2991-9371

accessibility. Furthermore, the study confirmed that social learning, curiosity, and self-discovery, particularly through creative explorations, are pivotal in knowledge and skill acquisition in the age of AI.

As a practical implication, the paper proposes a universal FOLD (Future Oriented Learning Canvas) canvas designed to help students frame problem-solving narratives using future thinking and foresight. This novel, hybrid canvas integrates design thinking, systems thinking, and anticipatory governance to foster deeper engagement with the future of education in an AI-dominated world. The FOLD canvas process involves an "Observatory" phase, "Problem Statement," a scenario development matrix, a"Desired Future" stage visualized through collage, and a "Backcasting" stage to articulate "Value Proposition" and "Sustainable Value Proposition". The canvas serves as a universal tool that requires expert facilitation. The study supports the practical application of Foresight tools, contributing significantly to active teaching methodologies in the AI era.

Keywords: *learning models; future thinking, future of Education, visual frameworks, interactive narratives (IN)*

1. Introduction

The integration of Artificial Intelligence into management education presents a unique opportunity to cultivate algorithmic thinking, not through direct technical training, but through strategic pedagogical designs that emphasize critical discourse and collaborative problem-solving [2-4]. There is a need for sense-making and frameworking combined with hands-on experience [5]. Paradoxically, in the era of screens we need immersive physical experiences and reason to talk, to interact, and to interact with others [6]. The integration of AI into management education necessitates a shift towards algorithmic thinking through pedagogical interventions that emphasize critical discourse and collaborative problem-solving. The need for sense-making and frameworking, combined with hands-on experience, becomes increasingly crucial in this tech-context [4]. In the age of AI, we should aim at a conversation about the future, based on data from the past collected, and interpreted in the present. Future scenarios and vision enable space for social learning and engaging group conversations.

2. Theoretical background

2.1 New learning models: agility, curiosity & playfulness

Not only in the age of artificial intelligence, but individuals also acquire knowledge and skills through self-discovery, creative exploration, and the intrinsic reward of creation [7]. While we value curiosity-driven models that embrace serendipity and emergent realities, prioritizing agility and playfulness, the capacity to navigate paradox and ambiguity with speed and precision is essential for managing complexity introduced by the emerging technologies. Conversely, the human cognitive system seeks closure. In the pursuit of models applicable to technology-driven learning, constructivism and connectivism emerge as pertinent theoretical frameworks.

Seymour Papert [8], a seminal figure in both artificial intelligence and the creation of engaging, playful learning environments, serves as a prime example of this pedagogical orientation. We should also notice the changes in the approach to the learning curve with notions such as: collective intelligence, social networks, open communities, and swarm learning. The collective learning curve signifies the progression of a group's comprehension, abilities, or effectiveness over time, driven by shared experiences, knowledge dissemination, and joint problem-solving. This concept is closely related to connectivism, which asserts that learning emerges from a variety of connections and networks, enabling knowledge to be distributed and continuously updated through interpersonal interactions. When groups participate in active learning and knowledge construction, consistent with constructivist tenets, the mutual process of investigation, experimentation, and rigorous analysis fosters a collective enhancement of understanding. In the current era of artificial intelligence, sophisticated tools can markedly improve this collective trajectory by streamlining information exchange, facilitating the collaborative development of products and solutions, and offering platforms for responsive feedback and adjustments [9]. A critical reflection on current trends and future directions remains at the center of attention [10,11]. This cultivates an atmosphere where inquisitiveness propels not only individual but also group-level discovery, and the collective capacity for creation reinforces a more extensive and resilient shared understanding. In this context, curiosity acts as the engine that drives learners to explore, experiment, and discover new relationships between concepts, while the power of creation allows them to solidify their understanding by building and sharing their own artifacts and knowledge [12]. AI tools are capable of augmenting constructivist learning experiences, empowering learners to critically analyze information, arrive at well-reasoned conclusions, and dynamically adjust their plans as needed [13], but they are just tools that should be incorporated into socio-emotional learning process. Crucially, the focus extends beyond mere coding skills; it encompasses the broader act of creation [14]. Constructivism, with its emphasis on active learning and knowledge construction, finds a powerful ally in connectivism, a theory that emphasizes the importance of networks and connections in the learning process [15]. Constructivist and connectivist learning experiences are enhanced through AI-powered tools, enabling critical evaluation of information, informed decision-making, and dynamic adaptation in an interactive process [16].

Furthermore, to continue seeking engaging learning frameworks in tech-related environments, we can explore agility and SCRUM behavioral patterns, using exploration as a method to understand reality and employability as the ultimate goal. The most recent World Economic Forum's promoted CLASS model [17] with elements such as: Creativity, Learner scaffolds, Agency, Scope, Sandboxes emphasizes adaptability, knowledge application, and continuous learning as crucial for navigating the Fourth Industrial Revolution [18]. The CLASS model's comprehensive approach ensures that education is not only relevant but also engaging and adaptive, preparing students for the complexities of the modern world. Agility promotes flexibility and the ability to adjust to new information and challenges, and Skilling ensures students acquire practical skills relevant to the current job market [19].

Moreover, the new agile learning models emerged rapidly [20] and are focused on either on social learning and playful experiences or better-to-say: on agility and social competences acquired through play. The LEGO Foundation's model of playful learning [21] represents a significant contribution to the field of education, advocating for a pedagogical shift that emphasizes the intrinsic value of play in fostering holistic child development. This model is not merely about incorporating games or recreational activities into the classroom; rather, it entails a fundamental rethinking of how learning occurs, recognizing play as a primary vehicle for knowledge acquisition, skill development, and the cultivation of essential life competencies [22]. The LEGO Foundation's playful learning model, emphasizing child-centric, hands-on experiences, offers a potent framework for adapting education to the burgeoning age of artificial intelligence. Playful learning, characterized by active engagement, iterative experimentation, and collaborative problem-solving, cultivates crucial skills that complement AI's capabilities [23]. This approach diverges from traditional rote learning, instead fostering a dynamic environment where learners develop critical thinking, creativity, and adaptability—skills vital for navigating an AI-driven world. The integration of AI in education offers unprecedented opportunities for personalization and efficiency, yet it simultaneously necessitates a re-evaluation of pedagogical strategies to ensure holistic cognitive development [24].

2.2 Interactive Narratives (IN) as an example of proactive pedagogies

The proliferation of technology in educational settings has spurred a significant shift in learning paradigms, moving away from conventional, rigid methodologies towards more flexible, adaptive frameworks [25] and variety of modalities. In response to the AI-driven evolution of higher education, strategic planning and proactive methodologies are essential for educators and administrators [26]. Educational approaches must prioritize the development of problem-solving abilities, creative ideation, and ethical reasoning, even in the absence of advanced technical proficiency, by employing visual tools such as the Business Model Canvas to enhance comprehension and engagement with AI-related discourse [27]. Interactive Digital Narratives represent sophisticated expressive modalities where meaning emerges from the synthesis of multiple layers of information, interacting to form a complex system presented as a unified experience [27]. These narratives leverage multimodality, engaging various senses and cognitive processes to enhance understanding and memory [28]. Consequently, our focus is directed towards novel learning strategies, particularly those involving Interactive Narratives.

Interactive Digital Narratives offer a rich and multifaceted approach to learning, where meaning is constructed through the interplay of various informational layers modeled by developers to achieve specific expressive outcomes [4]. These updated models, adapted to complex environments, encourage greater interconnectedness and collaboration, departing from traditional, often isolated, learning approaches. Key characteristics of this transformation include the increasing sophistication of personalized learning experiences with artistic aesthetic experience [29]. The Experiential Turn [30], the widespread adoption of AI-powered educational tools, and the convergence of the physical and digital learning environments [31] are just some of the examples of shifts in the paradigm of pedagogies. Moreover, searching for the impactful narrative, the focus on already existing fixed frameworks such as Sustainable Development Goals provides a framework for aligning AI innovation with societal objectives, contributing to a more equitable and sustainable future.

2.3 Visual framework as simplification

Furthermore, in the rapidly evolving landscape of education, particularly within fields grappling with the abstract and multifaceted implications of Artificial Intelligence, the integration of visual frameworks emerges as a pivotal pedagogical strategy [32]. Visual frameworks, such as the Business Model Canvas, Scenario Development Canvas, and Anticipatory Tech Canvas, serve as invaluable conversational artifacts, enabling students to explore the multifaceted dimensions of AI-driven futures without necessitating technical expertise [33]. The deployment of these canvases across diverse educational settings, including workshops and international events, demonstrates their versatility and effectiveness in scaffolding discussions on AI-related topics [34]. This approach equips learners with the ability to navigate the complexities of the contemporary business landscape. These frameworks facilitate a structured dialogue around AI's potential impact on business models, strategic planning, and technological innovation, thereby fostering a deeper understanding of AI's role in shaping organizational strategies and societal outcomes.

Educational methodologies should prioritize the cultivation of problem-solving skills, innovative thinking, and ethical judgment, utilizing visual aids like the Business Model Canvas to deepen understanding and foster engagement with AI-related concepts, irrespective of advanced technical expertise. Our theoretical examination highlighted the significance of adaptability and playful engagement within learning frameworks, asserting that an agile educational methodology fosters capacity for sustainable development. Additionally, the concept of Interactive Narratives was introduced, emphasizing the design of multimodal learning experiences. Lastly, the necessity of concluding educational exchanges by developing a visual artifact to simplify complex discussions was underscored.

3. Research design

All authors are seasoned facilitators of creative methodologies. We structured our experience-sharing session with a more organized framework, subsequently coding the content from the selected canvas thematically, and finally, we designed a new canvas informed by these collective experiences. Firstly, we analyzed 81 canvases that were sketched from scratch by second and third-year bachelor students and educators participating in various International Weeks. These were created in response to the question: “What is the Future of Education?”. After thematic coding, we identified challenges and opportunities regarding the future of education. The outcome of this exercise was also to ascertain whether students' self-generated outputs would be more intensive and insightful compared to when they were required to fit their ideas into pre-prepared canvases. Thematic coding was employed, utilizing Saldana's methodology [1] for qualitative researchers, to identify problems and opportunities related to education. Notably, participants were not explicitly directed to focus on AI; rather, the task was to identify educational challenges and explore solutions using foresight tools independently.

Secondly, we, as the workshop facilitators collected our experiences from 25 sessions where various forms of canvases were utilized, with a comprehensive list of these workshops provided in the accompanying table. Over a 12-month period from June 2024 to June 2025, we conducted 25 distinct workshops. Each participating group, which served as the basis for our data collection, engaged with at least one canvas during their discussions. We define a canvas as a single-page document, which could be related to Futures Thinking, Business Model Generation, Sustainable Innovation, or one of the templates from the "Design Better Business" website [29], such as the Empathy Map.

Finally, drawing upon the gathered insights, we propose the development of a novel canvas titled "FOLD canvas" tailored for workshop facilitation, incorporating feedback from both student and educator cohorts.

4. Research Findings

4.1 Findings from the thematic analysis of the student's sketched canvases

Thematic coding was performed using John Saldana's method [1] that lead the coding procedure through: Data – Code – Category – Concept scheme. Thematic coding from 81 sketched from-scratch canvases resulted in key themes regarding challenges and opportunities in education. An example of coding logic is provided in the appendix (Attachment No. 2). Problems in Higher Education The "Problems" section highlights several critical challenges facing traditional higher education institutions in the age of AI possibilities: The conceptual code map is presented below and the detailed categories with the frequency of mentions can be checked in Attachment No. 3.

Challenges

Code based on the frequency of mentions	Category	Description
Concept 1a: misalignment with today's labor market needs		
Lack of Practicality	Criticism of Education	Ineffectiveness in preparing for the job market; a gap between theory and practice.

Low Return on Investment (ROI)	Value of Education	Minimal difference in pay between undergraduate and graduate degrees; dissatisfaction with financial benefits.
Recruitment Issues	Formal Process Critique	Formal, cliché motivational and reference letters that don't reflect actual skills.
Inadequate Preparation	Educational Shortcomings	Students are not prepared to solve real industry problems, leading to a low employability rate.
Undermining the Degree's Value	Value of Education	Questioning the financial and time investment of a degree.
Cost of Education	Finance	Rising education costs and demographic imbalances.
	Concept 2a: Studying experience	
Lack of Authentic Experience	Quality of Teaching	Shortage of teachers as "masters," and a lack of personal, human-to-human interaction in small groups.
Inequality in Access	Social Issues	Unequal access to education and bias recognition; a lack of equitable access to knowledge.
Cheating and Plagiarism	Academic Ethics	Problems with academic integrity and plagiarism.
AI Ethical Concerns	Technological Impact	Worries about AI's environmental impact and the ethics of replacing instructors.
Teacher Shortage	Faculty Issues	A lack of faculty, who are often reduced to the role of course instructors, instead of the mentors
Mental Health Issues	Student Well-being	Problems with mental health and career pathway uncertainty.

Table 1 Challenges in Education, Based on the authors' own research

Thematic analysis identified two primary concerns: a misalignment between academic curricula and the requirements of the professional sphere, and a diminished perception of the enhanced quality of life afforded by educational pursuits.The challenges facing modern academia are complex and interconnected, forming a multifaceted crisis that questions the very purpose and structure of higher education. A key issue is the erosion of academic integrity, with the rise of AI tools making it easier for students to engage in plagiarism and cheating, thereby compromising the fairness of evaluation. This ethical problem is compounded by a growing skepticism regarding the value of degrees, as students and graduates express dissatisfaction with the financial return on their educational investment. This sentiment is often rooted in the perception that traditional academic programs fail to equip students with the employability skills needed for the modern workforce, leading to a disconnect between a student's qualifications and the demands of the job market. This has, in turn, fueled a fundamental shift in recruitment and credentialing, with employers increasingly valuing a candidate's portfolio of real skills and practical experience over a formal degree. Within the classroom, a concerning trend in faculty roles suggests educators are becoming mere instructors rather than mentors, which hinders the crucial personalized, human-centered interaction essential for genuine learning.

Furthermore, these academic and professional pressures are exacerbated by significant financial strain and student welfare concerns, as rising costs and mental health challenges create a difficult environment for students to thrive. This sense of strain is sometimes perceived as student exploitation, where intellectual contributions are not adequately supported or compensated, further underscoring the gap between academic theory and practical, real-world application. Underlying all these issues are deep-seated problems of access and inequality, which perpetuate uneven opportunities, and an entrenched academic rigidity that resists the necessary changes. The landscape is also being reshaped by evolving learning modalities, with a shift away from traditional postgraduate degrees towards more specialized programs. Finally, the rapid integration of technology introduces new AI ethics dilemmas, from the environmental impact of these tools to the unsettling possibility of replacing human educators, raising profound questions about the future of learning and the role of humanity within it.

On the other hand, the Opportunities in Higher Education identified can be mentioned as the following: The predominant approach emphasized innovation-centricity, positioning AI as a transformative force and a catalyst for institutional adaptation. The dynamism of the startup ecosystem, characterized by rapid change and less hierarchical structures, appears to fuel a wave of educational empowerment. Employability and the degree of novelty introduced into the ecosystem were highlighted in some canvases as crucial metrics for effective education, underscoring the significance of venture design and startup funding for research and development investment, as indicated by the phrase "National investment in R&D ecosystem and startups," which signals a recognition of innovation and entrepreneurship within the educational sphere. This section presents the findings of the thematic content analysis, structured around three core concepts identified from the qualitative data: "The Ways of Learning and Student Lifestyle and Expectations," "Higher Efficiency through Industry Collaboration," and "New Types of Collective Intelligence in Education."

ISSN 2991-9371

Concept 1b: The "Ways of Learning" and student lifestyle and expectations:

Concept	Description
Personalized and Flexible Learning	Tailored to individual needs and delivered in flexible formats, with options like "Designing in educational loops," "More self-paced and personalized learning," and "Offering modular programs."
New alternatives	Learn-as you go "Modular Patchwork" scenario with support on high tech learning platforms
New Types of Learners and Lifelong Learning	Growing market for lifelong learning and education catering to diverse age groups, including "New types of learners – elderly people, silver economy," "Aging population returning to studies," and the idea that "Studying is a lifestyle."
High-Immersive Experiences	Engaging, technology-enhanced learning environments that are crucial for development, blending tech with human experiences.

Concept 2b: Higher efficiency through Industry Collaboration:

Concept	Description
Data-Driven Efficiency	Potential for data to streamline educational processes if managed properly, despite concerns about "Data privacy."
Skills-Based Education and Industry Collaboration	Shift towards "Skills-based recruitment," where employers value "certification, bootcamps more" and "skills over degree," supported by the rise of professional certifications and practical accreditations.
Industry-Led Education and Microcredentials	Bridging the gap between education and employment through "Coursera certifications offered by companies and employers," "Large companies will develop their own education job-ready programs," and "Microcredentials offered by universities." Employer-Sponsored Higher Education: The example of "Employer-sponsored higher education – PwC and McKinsey choose to pay for employee's MA degrees" indicates a growing trend of corporate investment in employee development through formal education.

Concept 3b: New types of collective collaborations:

Concept	Description
AI Integration and Human-AI Collaboration	AI's transformative potential in education through "AI agents: that can be filled with the roles of experts," "Cooperation with AI / Human-AI collaboration / Tech enablement empowerment," and "Rise of AI mentors."
Global Accessibility and Collaboration	Education transcending geographical boundaries through "World-class content = global collaboration / globalization and connection between cultures and workplaces" and "Global accessibility."
Community-Led Learning and "Give Back" Attitude	Opportunities for localized, socially conscious, and community-driven learning models, including "Community schools" and "Forming 'give back to the society' attitude," emphasizing continuous personal and professional development with a focus on student well-being.

Table 2 Opportunities in Education, Based on the author's own research

The thematic analysis of the canvas revealed that the younger generation is confident that the status quo will change, as AI necessitates a new indicator reflecting a shift in perceived value. These concepts encapsulate the evolving landscape of higher education, highlighting a paradigm shift towards more individualized, industry-aligned, and technologically integrated learning environments. The first concept, "The Ways of Learning and Student Lifestyle and Expectations," explores the shift towards personalized and flexible learning, new alternatives for educational delivery, the emergence of new types of learners, and the increasing demand for highly immersive educational experiences. This encompasses the need for educational environments that adapt to individual needs, learning styles, and aspirations through AI-powered platforms that customize content, pacing, and feedback, thereby fostering greater student or better to say "community-driven" ownership of their education. The integration of artificial intelligence is pivotal in this transformation, enabling tailored educational paths and optimizing teaching methodologies to enhance student outcomes This shift towards personalized learning also encompasses the integration of novel pedagogical approaches, such as "Designing in educational loops" and "Modular Patchwork" scenarios, which promote continuous engagement and flexible skill acquisition through cooperation and boosting radical interdependence and collaboration in the networks and communities.

4.2 Findings from the workshop facilitators' observations and reflections

Following the analysis of student-provided content, we summarized observations from workshops using canvases. All workshop details are available in Appendix 1. We gathered and analyzed insights from facilitators' experiences across 25 workshops, with a comprehensive list of these workshops and their characteristics appended to this document. The emergent findings are synthesized into a model we term the PIVOT learning approach, which will be elaborated upon. Broadly, two predominant themes emerged: the tension between technology-focused and human-focused paradigms, and a concept we identify as 'Innovation-centricism.' During the scenario-naming process, a recurrent dichotomy surfaced between human-centered and technology-centered objectives. Scenarios that envisioned human-AI co-teaching presented a counter-narrative to purely automated processes, highlighting a focus on purpose, meaning, and value. The prioritization of innovation, or 'Innovation-centricism,' was a core theme, advocating for collaborative innovation efforts. This involves granting extensive access to specialized education while simultaneously motivating individuals to concentrate on their own creations and inventions, thereby fostering innovation through novel applications of established knowledge. Beyond these two principal narratives, other observations have been categorized and integrated to formulate the PIVOT model that sets directions for designing the canvas that can be used during the workshops:

P	**Purpose-driven**	Emphasizes the focus on value, societal impact, and addressing inequalities. When working with pre-designed canvases, students inquired about the purpose of the exercise and the subsequent use of the results. Observations indicated a tendency for students to bypass certain sections to expedite the process of reaching solutions. Moreover, when independently sketching modules, they incorporated sections labeled 'purpose,' 'objective,' or 'problem statement.' The emphasis on purpose, value, and social impact was evident as students naturally engaged in discussions concerning societal well-being, equity, and the ethical considerations surrounding technology and education. Students prioritize purpose, value, and reducing inequality, discussing how education can either democratize or "elitize" higher education and widen skill divides. They also see opportunities for inclusivity, reintegrating marginalized groups, and view sustainability as key to fostering ethical and environmental awareness. In essence, visual frameworks serve as vital tools in fostering a comprehensive understanding of AI's implications across various dimensions

I	**Imagination-led**	This approach emphasizes creativity, the use of open-ended terminology (naming and vocabulary used on the canvas without limitations), and the design of solutions that extend beyond predetermined boundaries. Within the structured parameters of the pre-defined canvas, students occasionally omitted sections or adapted existing components. For instance, in analytical exercises, a preference for the STEEP framework was observed over the prescribed PESTEL model, despite explicit guidance on the latter's utilization. In exercises involving frameworks such as the Value Proposition Canvas, Customer Journey Map, or Persona canvas, participants tended to follow instructions in a directive manner; however, engagement increased when visionary components were introduced, highlighting a preference for imaginative thinking over imposed limitations. Students demonstrated a greater capacity for engagement when granted autonomy in terminology, naming conventions, and the design of scenario dimensions. The scenario thinking matrix yielded significant insights from a content perspective. This was validated not only through the "drawing from scratch" exercise but also through elements such as matrixes where participants were tasked with designing the titles for the dimensions. Creative exploration thrives in the absence of imposed restrictions, indicating that imagination functions more effectively when not confined by limitations.
V	**Visually-rich**	This approach emphasizes the engagement derived from visual mediums such as drawing, collage, and other artistic methodologies. The inclusion of visual arts, like collage, 3D visualization using tools such as Playmobil.pro figures, fostered more dynamic discussions compared to activities lacking this visual component. Notably, some groups spontaneously visualized personas using Generative AI tools even when not explicitly requested. Interactive and hands-on elements, including activities like 'drawing from scratch,' designing matrix titles, and employing artistic visual methods, proved highly engaging. Interactive elements and visual canvases are crucial for student engagement training. Activities like data analysis with Python, NotebookLM, fact-checking, and using QR codes leading to more advanced sources are recommended. Finally, we found that visual methods like vision boards and collages were popular and engaging elements of the workshop. These approaches not only facilitated a deeper understanding of the subject matter but also empowered students to express their ideas and perspectives effectively [14].

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O	**Outcome-focused**	With focus on outcomes reflects a strong emphasis on employability and the practical application of educational pursuits. Students desired a practical focus for the problem. While utilizing the Design Thinking Canvas, feedback indicated that prototyping, even if time permitted, was perceived as merely a procedural step or was perceived as something for the sake of the exercise. The interesting discussion is on the ownership and control in the educational ecosystem. This highlighted a tension between access and corporatism, with "corporate universities" potentially dominating or partnering with tech companies, leading to industry-led direct result result-oriented education. Industry-driven versus on-demand learning models, encompassing both skills and formal education, represent a shift from traditional, fragmented degree structures. Once again students are convinced that the education need to radically adapt. The proposed scenarios were provocative, suggesting the direction of change in the education: courses should be shorter, more modular and personalized. In each scenarios the indicators were around the employability opportunities after graduation, stating the question of relevance: Will graduate education stay relevant in the future world considering the development of technologies and changes in the job market?
T	**Thought-provoking**	The future thinking canvases were viewed as a mental exercise that fostered a broader perspective for problem-solving. Critical Thinking enables critically analyzing societal divides, integrating technology, and contemplating future scenarios. Observations highlighted this, particularly when using a variety of megatrend cards, which encouraged exploration and the development of selection criteria, rather than simply picking cards. Students actively considered employability, the relevance of education, and AI integration. Thought-provoking is also about discussion on ethical AI and Human Values: Students emphasized the necessity of addressing ethical considerations, such as security, trust, and responsible technology use.

Table 3 Explanation of the PIVOT model's elements.

Proposed PIVOT model encapsulates the core attributes and practices that support effective learning, design, and innovation within interdisciplinary and intercultural contexts, leveraging both human and technological resources and is open to modifications from the teachers which enables co-creation and tailoring the FOLD canvas to various subject-matter, resources and workshop time-scheduling scenarios.

4.3 Implications for facilitators: Designing FOLD – Future Oriented Learning Canvas

To make this research practical and to provide educators with a new tool in response to the evolving landscape of AI in education, we developed of novel pedagogical tools and frameworks – the FOLD canvas, fostering deeper engagement and critical discourse surrounding the futures of education in an AI-dominated world [35]. A novel, hybrid canvas—synthesizing design thinking, systems thinking, and anticipatory governance—holds promise as a mechanism for fostering deeper engagement in the discourse surrounding the futures of education within an AI-dominated world. This hybrid canvas can integrate elements of design thinking to encourage creative problem-solving, 12 systems thinking to promote a holistic understanding of complex interdependencies, and anticipatory governance to facilitate proactive planning and ethical decision-making. The focus on Agile Social Learning framework with participatory IT design, project-based learning is important to develop citizen development approach [14] In the final phase of the research, all observations and thematic analysis insights were synthesized to design a novel canvas. This framework transcends traditional design thinking by emphasizing future-oriented perspectives and incorporating established Foresight frameworks, augmented with visual elements. It is designed to be flexible, moving beyond rigid output definitions, and is dynamic in its physical folding mechanism and its reliance on facilitator-provided QR codes for inspiration. Its universal adaptability allows for seamless integration into various courses and workshop durations. This canvas framework cultivates structured dialogue, enabling students to critically consider AI's influence on business models, strategic planning, and technological innovation.

To describe the flow of the work with FOLD canvas, the process commences with an "Observatory" phase, focusing on the collection and analysis of user experiences, identification of prevailing trends, and exploration of megatrends. This is followed by the "Problem Statement" phase, which defines the central issue under consideration. The third component is a standard scenario development matrix, uniquely enhanced by a separate, dedicated page that requires participants to physically turn it over. This facilitates the transition to the "Desired Future" stage, which is envisioned through visual collage, acknowledged as a highly engaging method. The final stage involves "Backcasting," where the outlined vision's "Value Proposition" and "Sustainable Value Proposition" are articulated. The methodology also incorporates a visual space for documenting indicators and outlining subsequent steps.

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Figure 1 FOLD Canvas

The canvas serves as a universal tool, necessitating expert facilitation by a professional experienced in Future Thinking. This facilitator dictates the scope of each canvas component's application, determines areas of emphasis, and selects supplementary resources. Furthermore, the facilitator is responsible for choosing the visualization methodology for the "Desired Future Board Part." This entails selecting collage materials, curating a compilation of pertinent megatrends and trends, and choosing the methods for synthesizing gathered information, such as employing mind mapping techniques. In essence, this approach ensures a structured and effective exploration of future possibilities and strategic planning [36].

5. Research limitations & Conclusion

In the academic year 2024/25, a summary of workshop facilitation was conducted. This process identified challenges and opportunities within education in the age of AI, drawing from thematic analysis of student-created canvases. Leveraging insights from 25 cross-cultural workshops, the PIVOT model was developed to illustrate the design of a universal canvas that enhances engagement and integrates advanced AI knowledge into practice. This versatile canvas is applicable across various contexts. Although it requires real-world validation and continued post-workshop observation, its universal nature supports scalability. Potential future improvements include minimizing self-reported feedback and integrating quantitative physiological data. This paper supports practical applications of Foresight tools, referencing the ACTVOD workshop scenario [37] as a readily applicable framework that significantly contributes to active teaching methodologies in the AI era.

The collected material from the workshops revealed the richness of facilitated creative sessions that incorporated elements of creative pedagogies and socio-emotional facilitation. While measuring student engagement directly was challenging due to the diverse nature of the workshops, it presents a potential avenue for future research, possibly employing non-declarative methods such as emotion recognition software. The authors hope this universal framework will be adopted as a practical tool, freely available for use, modification, and adaptation to individual teaching materials and facilitation styles.

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Attachment No. 2

Frequency	Theme
High	Skills-Based & Alternative Credentials
	Lack of Personalized Learning
	Lack of Value of Degree because better perceived new institutional business alternatives
	Lack of Practicality
Medium	AI Integration & Technology
	Lack of global collaboration skills (technology and tool oriented approach instead of meaningful connection and social learning process)
	Quality of Teaching & Experience
Low	
	Recruitment & Skills Mismatch
	Multigenerational workplaces challenges
	Financial & Social Issues
	Academic & Ethical Issues
	Ethical & Social Development

Attachment No. 3 Challenges of Education: Frequency of mentions in the thematic coding

Competence in Minutes: How Non-Expert Individuals Become Educators – A Live Experiment with AI-Powered Avatar Didactics

Thanh Vivien Le-Vu[1], Arnim Spengler[2], Rischert Enes[3], Khaoula Benmaarouf[4] and Felix Meckmann[5]

[1]Ruhr West University of Applied Sciences, Muelheim a. d. Ruhr, Germany, vivien.le-vu@hs-ruhrwest.de
[2]Ruhr West University of Applied Sciences, Muelheim a. d. Ruhr, Germany, postfach@arnim-spengler.de
[3]Ruhr West University of Applied Sciences, Muelheim a. d. Ruhr, Germany, rischert.enes@hs-ruhrwest.de
[4]Ruhr West University of Applied Sciences, Muelheim a. d. Ruhr, Germany, khaoula.benmaarouf@hs-ruhrwest.de
[5]Ruhr West University of Applied Sciences, Muelheim a. d. Ruhr, Germany, felix.meckmann@hs-ruhrwest.de

Abstract

This paper investigates the integration of Artificial Intelligence (AI) in higher education, exemplified by the KI4Edu project. It responds to students' growing expectations for digital, flexible, and personalized learning, alongside increasing institutional challenges such as staff shortages and rising demand. Large Language Models (LLMs) offer transformative potential but also introduce risks, including hallucinations, opacity, and limited contextual accuracy. This study presents a pedagogical framework and technical architecture for responsible AI deployment. Educators assume the role of mentors, ensuring quality assurance, critical reflection, and content curation, while AI supports knowledge accessibility, structuring, and scalability. The approach is implemented through a Retrieval-Augmented-Generation (RAG) system that consolidates verified teaching materials within a knowledge database, with an avatar serving as an interactive interface for personalized learning pathways.

Key contributions include: (1) a systematic analysis of challenges in AI-assisted education, (2) a pedagogical model redefining educators' roles, and (3) a technical concept for avatar-based knowledge transfer. The paper discusses limitations, such as LLM output variability and social risks like "AI Psychosis," and highlights the need for monitoring mechanisms, scalable system architectures, and a balanced integration of technological innovation with human responsibility in teaching.

Keywords: *Artificial Intelligence in Higher Education; Role of Educators as Mentors; Didactic Guiding Principles in Digital Learning; Personalized Learning Paths; Large Language Models (LLM) in Education*

1. Introduction and Project Context

This paper presents current project results of the KI4Edu research project and provides an outlook on how these can be further developed.

The ongoing digitalization opens up new opportunities for the education sector but simultaneously poses major challenges for universities. Students increasingly expect location-independent, digitally accessible content and the use of modern technologies. Especially the use of Artificial Intelligence (AI) requires an adjustment of roles, methods, and processes [1]. Traditional attendance models are reaching their limits in view of staff shortages and growing demand for individualization of teaching. AI can support here by making content available faster, scaling interactions, and enabling personalized learning paths [2]. Nevertheless, the role of educators remains indispensable: didactic guidance, reflection, and securing specialized knowledge are still central tasks [3-5]. Against this background, the collaborative project KI4Edu of Ruhr-West University of Applied Sciences (HRW) and the University of Duisburg-Essen (UDE), funded by the Foundation for Innovation in University Teaching, investigates the responsible use of AI in teaching. The goal is to develop practical concepts that support educators in organization and mediation and simultaneously enable students to use AI reflectively. The focus is on changing roles of educators and learners as well as the didactic potentials and limitations of Large Language Models (LLM).

The article presents a case study on the development of an AI-supported system that makes teaching content digitally available and addresses weaknesses of current LLMs. Educators take on the role of knowledge providers and mentors who ensure the quality of content and guide didactic decisions. Students interact with a digital agent, prospectively with an avatar-based system, which serves as a low-threshold interface to complex knowledge. This creates a balance between technological scalability and pedagogical responsibility.

The paper provides three contributions: (1) a systematic analysis of the challenges of using AI in teaching, (2) a didactic guiding principle for redefining the role of educators, and (3) a technical concept that combines AI- supported data preparation with avatar-based mediation. Finally, limitations and perspectives for further development are discussed.

2. Challenges of Increased AI Use in Teaching

The increasing use of Artificial Intelligence in higher education and its acceptance opens up new possibilities but is also associated with a number of challenges. These concern didactic and epistemological questions as well as social and psychological dimensions, which are listed below and then discussed [6,7]:

- Student expectations
- Problematic dimensions of AI knowledge
- Unreliability of AI knowledge
- Unknown knowledge sources
- Hallucinations
- Not exactly the knowledge to be conveyed
- Missing individual knowledge and focus
- Missing real-world knowledge of specialists
- Didactic guidance by specialists
- Black-box problem
- Social and psychological challenges: "AI Psychosis" [8]

A central tension arises from the growing expectation of students to take digital and AI-supported offerings for granted and to actively use them privately. Universities are thus under innovation pressure, while educators often lack the necessary technical and didactic competencies. Moreover, the behavior and outputs of LLMs are difficult to assess. The lack of transparency of AI-generated knowledge is problematic. Origin and sources often remain unclear or lack academic character, which contradicts the academic demand for traceability. In addition, there is the susceptibility to "hallucinations" and the tendency to deliver only generic knowledge. Subject-specific "real-world knowledge" – practical examples, research experiences, or critical reflections – remains irreplaceable and cannot currently be mapped by LLMs, or only incompletely.

Didactic limitations also emerge: AI conveys content but can only limitedly control learning processes or make pedagogical decisions. Educators are more than mere knowledge transmitters – they set learning goals, promote motivation, and reflect on learning progress, which remains essential for sustainable competence acquisition [9].

Another problem is the black-box nature of AI systems. Educators often do not know which content is conveyed and by what criteria it is selected. Moreover, outputs can vary greatly and improve or worsen with each new LLM generation. These varying responses from language models raise questions about reproducibility and reliability, which contradict scientific standards. Instructions to the LLM do not offer an adequate means to address this challenge.

Furthermore, social and psychological risks exist. Phenomena such as "AI Psychosis" – the perception of AI as a friend or authority – can promote social isolation and loss of reality. Universities therefore bear a special responsibility to train students in the reflective use of AI and to ensure real interactions [10].

Even if these challenges are not exhaustive, it is clear that the use of AI in teaching must be reflected not only technically but also in terms of content, didactics, ethics, social aspects, and psychology. Only in this way can potentials be utilized without compromising quality, reliability, and responsibility. AI systems currently cannot do this, and humans can only do so to a limited extent.

3. Consequences and Needs for Action

From the described challenges and the didactic guiding principle, consequences for university teaching and needs for action at institutional and individual levels arise. The integration of AI must not be understood only as a technological task but requires pedagogical, organizational, and societal rethinking. Central is the development of new didactic concepts that consider the strengths and weaknesses of AI. While AI supports the provision and structuring of information, reflection, categorization, and discussion remain inextricably linked to the role of educators. In addition, information and source criticism must be systematically strengthened. Students should learn to critically examine AI-generated content and classify it scientifically. Finally, the role of educators changes: instead of pure knowledge transfer, they increasingly assume control and moderation tasks to ensure that AI content is used reflectively and embedded in scientific discourses.

The following table summarizes central needs for action and clarifies their relation to the previously mentioned challenges:

Challenge	Need for Action	Brief Explanation
Student Expectations	Development of new didactic concepts	Combination of AI-supported learning phases with human supervision (e.g., blended learning).
Unreliability & Hallucinations	Strengthening information and source criticism	Development of media literacy for examining and verifying AI content.

Missing Didactic Guidance	Higher responsibility of educators	Teachers become instances of reflection and orientation, not just knowledge transmitters.
Black-Box Problem	Transparency & Regulation of AI systems	Institutional guidelines, transparent data spaces, and logging of AI interactions.
Missing Real-World Knowledge	Integration of subject-specific and experiential knowledge	Lecturers specifically incorporate practical and research experiences into teaching.
Social Risks (“AI Psychosis”)	Prevention & Education	Creation of discourse spaces and education about psychological dangers.
Different Competence Levels among Educators	Further training programs	Training in didactics, technology, and critical use of AI.

Table 1 Challenges and approaches to AI-supported teaching
(*Source: own illustration*)

The following matrix estimates the risks of the mentioned challenges. It aims to show to what extent the challenge can be controlled or compensated.

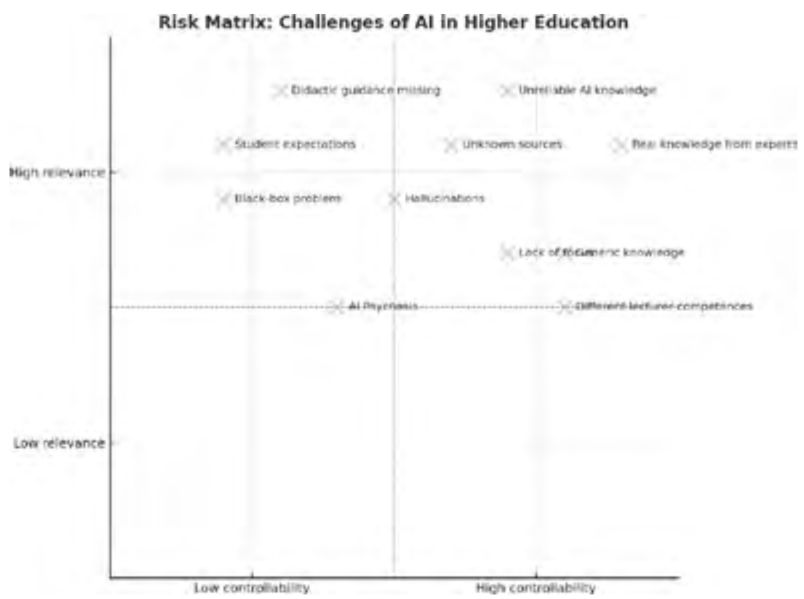

Figure 1 Risk Matrix: Challenges of AI in Higher Education,
(*Source: Own illustration, created with ChatGPT (OpenAI, 2025).*)

Risk Matrix:

- Y-axis (Relevance): How strongly the challenge influences the quality of teaching.
- X-axis (Controllability): How well the challenge can be controlled or compensated.

The risk matrix shows which problems are highly relevant but difficult to control (e.g., black-box problem, student expectations) – these are the most critical areas for action.

Overall, it is clear that AI does not lead to the displacement of traditional university teaching but to its transformation. Educators remain the central authority, but their role changes towards didactic steering and quality assurance. This requires, on the one hand, institutional support through guidelines, infrastructures, and further training programs, and on the other hand, a stronger anchoring of reflection, transparency, and media literacy in the students' learning process.

4. Technical Implementation

The technical implementation of the concept is based on procedures developed in the KI4Edu project for the systematic preparation and use of teaching content. The goal is to create a verifiable knowledge base that feeds the avatar as a didactic interface and reduces the risks of generic AI outputs.

A first step is data preparation: materials such as audio and video recordings, presentations, or scripts are automatically collected, standardized, and transferred into a consistent structure. This creates a solid foundation for the further technical components.

The core component is the Retrieval-Augmented Generation (RAG) system [10]. Instead of generating answers exclusively from a generic language model, it first accesses a project-specific knowledge database. For this purpose, the teaching materials are broken down into smaller semantic units, provided with vectors (embeddings), and stored in a vector database. This approach enables:

- a fact-based search that ensures the relevance of content,
- the linking with metadata (e.g., slides, video clips, transcripts),
- the reduction of hallucinations and content deviations.

User Prompt Template (Server-Assembled)

Listing 3: User message template (assembled with query + hints).

```
user_prompt = f"""
    ## Carefully review the above checklist. YOU MUST include and
        explain each formula and image listed.
    <check>{checklist}</check>


    ##  Question: <query>{query}</query>

    ## Context
    <context>
    {build_context_for_generation(retrieved_docs)}
    </context>
    The generated HTML should be well formated ensure the closing tags
        are right and that they respect the rules.
    Generate clean HTML response in German:
"""
```

Figure 2 Code example for inserting a user message
(Source: KI4Edu [1])

Based on this system, the generation and testing of answers take place. Every AI-generated output is validated with regard to three central criteria:

- content accuracy,
- coherence in the technical context,
- didactic suitability.

Validation is carried out by specialists who, in their role as mentors, retain curation authority and thus ensure the alignment of AI outputs with learning objectives and quality standards. After successful testing, specific learning LLMs for individual courses or topics can be released. They form the basis for avatar-based teaching scenarios and enable individualized, asynchronous student support. Continuous monitoring and feedback integration ensure the ongoing development of the systems.

Figure 3 System – Frontend
(*Source: Benmaarouf* [10])

At the same time, the technical implementation brings its own challenges. These include:

- the reproducibility of answers, as language models can vary depending on prompting,
- the scalability of the system, especially with large and heterogeneous data volumes,
- the integration into an avatar interface that not only reproduces text but also communicates in a didactically meaningful way.

Thus, the technical implementation represents a central building block for integrating AI-supported didactics into university teaching in a practical and reliable manner. It creates the prerequisites for supplying the avatar system developed in the project with reliable and quality-assured content and simultaneously mitigating the black- box problem [10].

5. Mentor as a Central Authority

The system concept combines technological innovation with a clear didactic framework. At its center is the educator as a mentor, who takes over didactic control and ensures the quality of learning processes. An avatar could be used as a human-computer interface. The avatar fulfills several functions: On the one hand, it marks curated content and prepares and presents content in an accessible, interactive form. In addition to knowledge transfer, it can also take on didactic tasks, such as asking comprehension questions, explaining content at different levels of complexity, or moderating short interaction sequences.

The educator in the role of a mentor, however, remains the central authority of the system. Their tasks can be divided into three core areas:

- Curation Authority: Educators determine which content flows into the knowledge pool and which learning objectives are pursued.
- Command Post: Through a monitoring interface, educators can view the avatar's interactions with students to create transparency regarding the didactic concept chosen by the AI.
- Didactic Intervention: Educators intervene specifically when misunderstandings arise, additional motivation is required, or learning objectives need to be adjusted.

The concept also enables the involvement of non-experts in teaching. Through the presented concept, tutors or other persons without comprehensive expertise can control the avatar, which is supervised by the mentors in the background. Since this avatar exclusively accesses verified content from the RAG system and is curated by

the mentor, the professional quality is maintained while educators are relieved of routine tasks. At the same time, the system supports both the scaling and individualization of teaching. The avatar addresses large student groups, while AI-supported learning paths open up personalized support. Educators, in their mentor role, retain the ability to provide individual feedback and guide reflection processes.

6. Discussion, Limitations & Outlook

A promising approach lies in further developing a mentoring system. This opens up three central areas of action for educators:

- Curation authority over the knowledge corpus and the definition of learning objectives,
- Live insight into avatar interactions to create transparency regarding the black-box problem,
- Didactic intervention to clarify misunderstandings, promote motivation, and adequately support performance.

In addition to these opportunities, risks and limitations remain. These include:

- limited reproducibility of LLM responses and the risk of invalid or inconsistent content,
- potential security risks such as prompt injection attacks that can undermine the system's functionality,

- the still existing black-box problem, even if it is partially mitigated by monitoring,
- social risks such as the phenomenon of "AI Psychosis," where students view AI systems as social reference persons and neglect real interactions.

Several future perspectives emerge for further development:

- Establishment of command posts and monitoring systems for educators to increase transparency and controllability,
- Stronger scaling of teaching by relieving routine tasks, allowing educators more time for support and reflection,
- In-depth research on the balance between technical efficiency and the preservation of human responsibility in educational processes.

Overall, it is clear that the presented methodology can make an important contribution to the further development of AI-supported teaching. At the same time, it makes clear that responsible integration can only succeed if technological innovations are combined with clear didactic guidelines and a strong role for educators.

7. Acknowledgements

The authors would like to acknowledge the "Stiftung Innovation in der Hochschullehre" (Foundation for Innovation in Higher Education) for funding the KI4Edu project, which provided the empirical data for this paper.

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AI-Enhanced Teaching Tools in Higher Education: A Literature and Requirements Analysis

Luca Bauer, Angelina Slatvitskaya, Timo Steegmüller, Yannik Langer, Carsten Lanquillon

Heilbronn University of Applied Sciences, Germany, carsten.lanquillon}@hs-heilbronn.de

Abstract

This paper presents a comprehensive literature and requirements analysis of AI-enhanced teaching tools in higher education. Through systematic review of recent publications, we examine current AI applications in university teaching including chatbots, virtual teaching assistants, intelligent tutoring systems, and adaptive learning platforms. While these tools are increasingly deployed, the literature reveals a critical gap: implementation requirements remain largely unspecified. We address this by deriving essential requirements across technological, ethical, organizational, and pedagogical dimensions, alongside necessary metadata standards. Our analysis demonstrates that successful AI adoption demands holistic institutional transformation encompassing governance frameworks, professional development, and standardized data schemas, not merely technological deployment. This study provides universities with an evidence-based implementation roadmap while establishing foundations for future empirical research on AI-enhanced teaching effectiveness.

Keywords: *AI-Enhanced Teaching Tools, Chatbots, Virtual Teaching Assistants, Intelligent Tutoring Systems, Implementation Requirements, Educational Metadata*

1. Introduction

The integration of artificial intelligence (AI) in higher education institutions has accelerated rapidly and gained considerable importance, promising to transform traditional pedagogical approaches whose limitations are particularly evident in providing personalized feedback—through adaptive, individualized learning experiences [1]. However, successful implementation requires meeting various prerequisites. Many universities currently lack standardized guidelines, complicating practical deployment. An analysis of US universities reveals that generative

AI use remains inconsistently regulated, leaving instructors to navigate substantial adaptation challenges independently [2].

Current literature extensively documents various AI applications in educational settings yet fails to systematically address the prerequisites for effective implementation. This gap is particularly problematic as institutions struggle with inconsistent adoption strategies, inadequate infrastructure, and unclear governance frameworks—issues that risk undermining the transformative potential of these technologies.

This paper addresses this gap through a systematic literature and requirements analysis. The central research question to be answered in this academic paper is:

What is required to successfully develop AI-supported teaching systems and thus support and improve university teaching?

Furthermore, the following sub-question is to be answered:

What metadata is required to enable the use of AI-supported teaching systems?

Through comprehensive analysis of recent literature (2023-2025) using Webster & Watson's systematic approach [3], we identify and categorize implementation requirements across technological, ethical, organizational, and pedagogical dimensions. Furthermore, we derive essential metadata specifications necessary for AI tool functionality. This analysis provides universities with an evidence-based framework for AI adoption while highlighting critical areas requiring further empirical investigation.

2. Background

The theoretical background forms the basis of this research work and serve to define relevant terms that are essential for understanding the research project.

2.1 Artificial Intelligence

Artificial Intelligence represents a transformative technology characterized by systems capable of interpreting data, learning from patterns, and adapting behavior autonomously [4]. Recent advances in AI, particularly through large language models (LLMs) and deep learning architectures, have expanded possibilities for educational applications beyond traditional rule-based systems. These technologies enable machines to process natural language, recognize complex patterns, and generate contextually appropriate responses which are capabilities particularly relevant for educational interactions [5].

2.2 AI-Enhanced Teaching

The emergence of generative AI and LLMs marks a paradigm shift in educational technology. Unlike earlier systems limited to predefined responses, modern AI can engage in sophisticated dialogue, create original content, and provide nuanced feedback: approaching human-like tutoring capabilities while operating at unprecedented scale. AI-enhanced teaching encompasses the integration of artificial intelligence technologies to augment, support, and transform educational processes in higher education. This approach extends beyond digitization to fundamentally reimagine how teaching and learning occur [6].

Central to this transformation is AI's potential to address Bloom's "2 sigma problem", the finding that one-on-one tutoring produces learning outcomes two standard deviations better than conventional classroom instruction [7]. While individual tutoring remains economically unfeasible at scale, AI-enhanced tools offer a promising solution by providing personalized, mastery-based learning experiences to multiple students simultaneously.

The promise of AI-enhanced teaching lies in democratizing high-quality, personalized education previously available only through individual tutoring. By providing each student with responsive, adaptive support, these technologies address persistent challenges in higher education while creating more engaging learning experiences [8]. However, realizing this potential requires careful consideration of implementation requirements: a gap this research addresses through systematic analysis.

3. Methodology

The systematic literature review followed Webster & Watson's methodology [3], searching seven major databases (IEEE Xplore, AIS Electronic Library, ACM Digital Library, ArXiv, Google Scholar, SpringerLink, and ScienceDirect). Search terms included combinations of "artificial intelligence," "AI-enhanced," "teaching tools," "higher education," "university," "implementation," and "requirements" with Boolean operators. Publications were limited to 2023 onwards to capture current AI developments. Forward and backward searches identified additional relevant sources. After removing duplicates and screening abstracts for relevance, 16 articles met the inclusion criteria. Through this process, we identified both the current landscape of AI-enhanced teaching tools and the requirements necessary for their successful implementation.

4. Results

The concept matrix analysis reveals the current landscape of AI-enhanced teaching tools and their implementation requirements in higher education (see Table 1). Column characteristics were systematically derived from the analyzed literature, with crosses marking when sources addressed specific characteristics. The analysis identified four primary categories of AI-enhanced tools, and four essential requirement dimensions as described below.

Sources	Tool Category				Requirement Category			
	CB	VTA	ITS	ALS	TR	ER	OR	PR
[10] – Alawneh et al., 2024				X				
[11] – Conklin et al., 2024	X							
[12] – Dhasarathan et al., 2025	X	X	X	X				
[13] – Kostikova et al., 2024	X							
[14] – Liu et al., 2024	X							
[9] – Maiti & Goel, 2024		X						
[15] – Maphalala & Ajani, 2025					X	X	X	X
[16] – Meron & Araci, 2023	X							
[17] – Nagy et al., 2023	X							
[5] – Pisica et al., 2023					X	X		
[8] – Rouabhia, 2024	X							
[18] – Shchaveleva et al., 2024	X	X	X	X				
[19] – Thangasamy et al., 2025		X	X	X	X	X		X
[20] – Thiyagarajan & Vijayalakshmi, 2025		X						
[21] – Tran et al., 2024	X							
[22] – Zhou, 2024			X					
Number in total	**9**	**5**	**4**	**4**	**3**	**3**	**1**	**2**

Table 1 Concept matrix [3] showing the distribution of tool and requirement categories among the 16 articles identified.

4.1 AI-Enhanced Teaching Tools

AI-enhanced teaching tools represent a category of educational technologies that leverage artificial intelligence to augment traditional pedagogical practices. These tools employ various AI methods including machine learning, natural language processing, and predictive analytics to create dynamic, responsive learning environments [6].

Unlike conventional educational software, AI-enhanced tools adapt to individual learners, analyze learning patterns in real-time, and provide personalized interventions [9]. The primary categories of AI-enhanced teaching tools identified in educational settings include:

Chatbots and Conversational Agents (CB)

Chatbots emerged as the most prevalent tool category with nine occurrences, indicating exceptional prominence in current research. These AI-based systems interact with users through natural dialogue, simulating human-like conversations while generating content autonomously [10, 11]. In educational contexts, chatbots serve multiple functions: motivating task completion, personalizing learning experiences, conducting assessments, and generating educational content [11].

They facilitate human-like dialogues, deliver individualized language exercises, and provide immediate feedback [8, 11]. Instructors leverage chatbots for creating lesson plans, quizzes, and instructional materials [8, 21]. Notable implementations include ChatGPT as a "knowledge colleague" supporting idea generation and text quality improvement [21], and as a collaborative partner in course creation [17].

Virtual Teaching Assistants (VTAs)

With five occurrences, VTAs demonstrate significant relevance in the analyzed literature. These AI-powered conversational assistants answer questions using instructor-provided course materials and engage in content-based dialogues [9]. VTAs support diverse cognitive demands, encouraging students to engage in sophisticated thinking processes and promoting active classroom participation [9, 20]. They provide comprehensive didactic support through definitions, examples, comparisons, and content summaries, substantially reducing instructor workload [9]. A practical implementation example includes a specialized VTA for Java programming instruction, enabling instructors to delegate real-time coding feedback [20].

Intelligent Tutoring Systems (ITS)

Four publications addressed ITS, highlighting their role as AI-controlled tools that emulate human tutors and moderators [22]. These systems enable targeted learning process monitoring while automatically providing personalized feedback and content based on individual proficiency levels [19]. Through machine learning algorithms, ITS analyze student strengths and weaknesses, generating data-driven insights for targeted instructional support [19]. Additionally, ITS facilitate collaborative learning by enabling instructors to form groups based on complementary student abilities [19]. The Cognitive Tutor for mathematics exemplifies successful ITS implementation [19].

Adaptive Learning Systems (ALS)

Also appearing in four sources, ALS represent transformative solutions that integrate AI to create flexible, responsive curricula. These systems enable dynamic adaptation of content, pacing, and assessment methods according to individual learning patterns [10]. Based on unique learning trajectories, instructors use ALS to provide differentiated opportunities tailored to learner needs and preferences [19]. ALS foster engaging, effective learning experiences while enabling real-time progress monitoring for timely interventions and customized support [10]. Implementation examples include collaborative filtering algorithms for peer-based resource recommendations [10]. EdX's personalized learning paths with real-time feedback [19] and ALOHA (Adaptive Learning with Online Hints and Assessments) providing adaptive instructional formats [10].

These tools share common objectives: enhancing learning personalization, automating routine instructional tasks, providing data-driven insights, and enabling scalable educational support. Their implementation promises to address persistent challenges in higher education, particularly the provision of individualized feedback and support at scale [1].

4.2 Requirements for Successful Implementation

The analysis of the identified literature reveals that successful AI-enhanced tool implementation demands attention to multiple dimensions beyond technical deployment. Following Maphalala and Ajani [15], requirements span technological, ethical, organizational, and pedagogical domains.

Technological Requirements

Dhasarathan et al. emphasize that successful implementation requires seamless integration of hardware, software, and network components [12]. Essential infrastructure includes high-capacity storage and high-speed internet connectivity. This position receives support from Zhou [22] and Thangasamy et al. [19], who confirm that robust technological infrastructure forms the foundation for implementation success. Maphalala and Ajani extend these requirements to include support systems, interoperability, and scalability [15]. Effective data management emerges as another crucial requirement, encompassing the complete data lifecycle from collection through storage to analysis, enabling personalized learning and predictive analytics [19]. Therefore, scalable core infrastructure with powerful computing and network resources represents a fundamental technological prerequisite. Additionally, interoperability through open interfaces ensures seamless integration between AI-enhanced tools and existing learning management systems.

Ethical Requirements

Beyond technical considerations, Maphalala and Ajani argue that institutions must ensure accessibility and inclusion for all users [15]. Both these authors and Rouabhia [8] warn against algorithmic bias, as AI systems may contain unintentional biases leading to discriminatory outcomes in performance assessments or admissions. Consequently, institutions must implement continuous algorithm analysis and bias mitigation procedures to prevent discrimination.

Academic integrity concerns feature prominently in the literature, with Tran et al. [21] and Meron and Araci [16] highlighting plagiarism risks. This necessitates maintaining academic integrity through binding guidelines and examination formats incorporating originality verification. Data privacy represents another critical consideration, as Pisica et al. [5] and Shchaveleva et al. [18] note extensive student data collection and analysis. Strict policies and governance frameworks must ensure trustworthy, ethical implementation.

Organizational Requirements

Successful implementation also depends on organizational readiness. Pisica et al. attribute implementation costs to lacking strategic vision, arguing that institutions often misunderstand the implications and processes of AI-enhanced tool deployment [5]. Given the substantial computing and network resources required [12], institutions must develop clear strategic visions with integrated financing plans.

Zhou emphasizes instructor involvement in design and implementation processes to ensure tools meet their needs and preferences, thereby promoting acceptance [22]. Both Dhasarathan [12] and Maphalala and Ajani [15] stress the importance of continuous professional development through training programs and workshops for smooth classroom integration.

Pedagogical Requirements

Tran et al. identify connections between technological expertise and pedagogical competence, suggesting that instructor technological proficiency significantly influences digital transformation success [21]. Zhou [22] reinforces this, emphasizing continuous AI-related knowledge expansion for successful implementation. From the student perspective, Dhasarathan et al. argue that implementation success depends heavily on student engagement, requiring tools tailored to promote motivation and learning achievement [12]. Therefore, AI-enhanced tools must be implemented interactively with learner-centered approaches to sustain long-term motivation and success.

4.3 Metadata for AI-Enhanced Teaching

Effective AI implementation in university teaching requires not only the use of AI tools but also the establishment of clear, standardized, and machine-readable metadata. In this context, metadata refers to structured descriptive information about courses, learners, and instructional processes that enables AI systems to retrieve, interpret, and generate relevant outputs in a pedagogically aligned manner. The literature identifies several distinct categories of metadata that are essential for the functionality and effectiveness of AI-enhanced tools.

Educational Metadata: Rouabhia employs ChatGPT to generate course materials based on structured course descriptors, including the course name, program, academic level, target audience, credit points, course content, and learning objectives [8]. Such metadata ensures that AI-generated materials are aligned with curricular requirements and appropriate for the intended audience. Similarly, Thiyagarajan & Vijayalakshmi describe a Virtual Teaching

Assistant that requires teacher-specified subject areas and task parameters to deliver relevant support [20].

Student Data: Alawneh et al. design adaptive learning systems that use user profiles, historical performance records, and identified learning styles, which are analyzed through machine learning algorithms to tailor content delivery [10]. These profiles evolve over time through integrated feedback mechanisms, which refine both the student data and the quality of AI outputs, enabling personalized learning pathways.

Instructional Components: Thiyagarajan & Vijayalakshmi present VTAs requiring teacher-specified subject areas and task parameters [20]. Liu et al. describe chatbots using system prompts, course rules, guidelines, and conversation history to generate pedagogically appropriate responses [14].

The metadata identified encompasses:

- Educational data (course details, objectives, program information)
- Student profiles (performance metrics, interaction patterns, learning styles)
- Formatted assignments and evaluation rubrics
- Feedback data for validation and improvement
- Persona prompts assigning specific roles
- Context-dependent prompts for targeted outputs

Given these requirements, institutions should develop and maintain standardized metadata schemas that incorporate all relevant elements in a consistent, interoperable format. Such schemas should ensure completeness, machine readability, and accessibility for AI systems, thereby facilitating automation, personalization, and adherence to pedagogical goals.

4.4 Research Gap

The concept matrix reveals a significant imbalance: while extensive research documents AI-enhanced tool applications, minimal attention addresses implementation prerequisites. Studies frequently describe tool usage without specifying necessary conditions for success. For instance, Kostikova et al. detail ChatGPT's application in legal English course development without articulating implementation requirements [13]. Similarly, Conklin et al. examine ChatGPT for course creation without identifying specific prerequisites [11]. Only Thangasamy et al. comprehensively address technological, ethical, and pedagogical considerations [19].

This gap proves critical—mere tool deployment cannot guarantee successful implementation. Without comprehensive understanding of prerequisites, institutions risk implementation failure. The following section addresses this gap by systematically deriving requirements from the analyzed literature.

5. Conclusion

The systematic analysis of AI-enhanced teaching tools reveals both promising applications and critical implementation gaps in higher education. While chatbots (CB), VTAs, ITS, and ALS demonstrate diverse educational applications, the literature exhibits a concerning technology-centric bias. Essential prerequisites (ethical frameworks, governance structures, professional development, and metadata standards) receive minimal attention despite their fundamental importance for sustainable adoption.

Our findings show a strong disconnect between technological possibilities and implementation realities. The prevalence of chatbot studies suggests enthusiasm for scalable solutions, yet the path from pilot projects to integrated, ethically responsible systems remains underexplored. This gap is particularly problematic as universities risk implementation failure without comprehensive understanding of multidimensional requirements.

The study makes three key contributions: (1) systematic identification of AI tool categories currently deployed in higher education, (2) a comprehensive requirements framework spanning technological, ethical, organizational, and pedagogical dimensions, and (3) specification of metadata standards essential for AI functionality. This framework transforms AI implementation from isolated technological deployment into holistic institutional transformation requiring strategic planning, continuous professional development, and systematic evaluation.

Several limitations should be noted. The temporal restriction to recent publications may exclude established insights, while the matrix structure potentially oversimplifies complex interdependencies. Most critically, empirical validation of the derived requirements remains pending.

Moving forward, universities must recognize that successful AI integration demands more than tool selection: it requires fundamental institutional adaptation. Critical questions persist regarding institutional readiness, concrete impacts on learning and assessment, and the availability of standardized metadata infrastructures. Future research should pursue empirical validation through case studies and stakeholder interviews, with particular attention to organizational and ethical dimensions crucial for sustainable adoption.

This work contributes to AI in education research by revealing implementation challenges and offering a practical, evidence-based guide for universities adopting these technologies. Only by addressing all requirement dimensions (technological, ethical, organizational, and pedagogical) can AI-enhanced teaching tools achieve their potential to deliver high-quality, personalized education to all students.

ISSN 2991-9371

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Redefining the Role of Higher Education Institutions in the Age of Global Disruption: Strategic Missions, Digital Transformation, and Policy Alignment in the European Context

Stefania Capogna[1]

[1]Link Campus University, Rome, Italy

Abstract

This article employs a multi-perspective and multiple-case study methodology to examine the ongoing transformation of Higher Education Institutions (HEIs), conceptualized as complex and adaptive systems, within the evolving digital and geopolitical landscape of the past two decades. The analysis is framed by the increasing pressures exerted by European Union (EU) policies and global imperatives, particularly concerning digitalisation, inclusive access, and lifelong learning. Drawing from the ECOLHE (Enhancing Competences for Online Learning in Higher Education) research project, the paper highlights how digital transformation is reshaping the values, missions, and organisational configurations of HEIs. Key findings underscore the persistent gaps between policy aspirations and institutional practices, particularly regarding the integration of digital pedagogies and the alignment of curricula with the needs of rapidly evolving labour markets. The paper concludes by proposing a strategic framework to guide HEIs in designing future-oriented, resilient, and inclusive digital ecosystems, rooted in the foundational principles of the European Higher Education Area (EHEA).

Keywords: *Higher Education, digital university, quality assurance, Digitalization*

1. Introduction

Over the past two decades, higher education has undergone profound reshaping due to the intersecting forces of globalization, technological innovation, and recurring global crises. The COVID-19 pandemic served not as the origin of these transformations but as an accelerant, amplifying pre-existing trends already articulated within various European Union (EU) policy frameworks, particularly those concerning digitalisation and educational reform. A key milestone in this trajectory was the European Commission's adoption of the Digital Education Action Plan 2021–2027 in September 2020, which outlined an ambitious agenda to promote high-quality, inclusive, and accessible digital education across EU Member States [1]. However, despite such institutional commitments, the transition to digitally enhanced teaching and learning remains uneven and fragmented. The persistent misalignment between the competences fostered by HEIs and the rapidly evolving requirements of knowledge-based, technology-driven labour markets has been consistently documented [2, 3]. This skills gap not only undermines graduate employability but also calls into question the capacity of universities to serve as engines of innovation and social cohesion in an increasingly uncertain world. [4] Looking ahead, projections estimate that the global student population will surpass 400 million by 2030 [5]. Addressing the learning needs of this heterogeneous and expansive demographic requires a fundamental rethinking of the missions, structures, and pedagogical paradigms of higher education. In this context, the shift toward lifelong learning (LLL) and the recognition of non-formal and informal learning trajectories have emerged as central pillars of educational reform. Data indicate that nearly 90% of jobs created after 2020 necessitate some form of digital competence, reinforcing the imperative for HEIs to develop robust, forward-looking strategies for digital literacy and competence development [3].

Despite successive waves of reform—such as the New Skills for New Jobs initiative [1] and the Modernisation of Higher Education agenda [6, 7]—the systemic integration of innovative Information and Communication Technologies (ICTs) into the core of academic practices remains limited.[8] The High-Level Group on the Modernisation of Higher Education has repeatedly emphasised the importance of integrating digital pedagogies into institutional strategies, not merely as tools of delivery, but as transformative instruments that enhance teaching quality, support learner-centred approaches, and promote inclusive access [9]. Yet, the inertia of institutional structures and the lack of cohesive governance continue to hinder meaningful innovation.

Building on these premises, the present article aims to explore the organizational transformations taking place within HEIs under the pressure of global digital disruption and supranational policy orientations. Drawing on the multiple case studies conducted within the framework of the ECOLHE project—spanning a diverse array of national contexts and institutional models—the research seeks to provide an empirically grounded analysis of how HEIs are responding to these multidimensional challenges. The central research question guiding this investigation concerned the nature and extent of organizational change within HEIs in light of increasing demands for digital transformation, policy compliance, and societal relevance. Rather than offering a descriptive account of policy impacts, the paper seeks to advance a strategic vision for institutional innovation through the articulation of three key objectives:

The consolidation of a coherent European Higher Education E-learning Area, grounded in the values of the Bologna Process and committed to equity, mobility, and academic freedom; The professionalisation of teaching staff, with formal recognition of digital pedagogical competences and the establishment of structured pathways for continuous professional development.

The promotion of sustainable innovation ecosystems within HEIs, capable of ensuring inclusive access, fostering lifelong learning, and leveraging digital infrastructures to enhance academic quality.

The article is structured as follows: Section 1 outlines the theoretical framework informing the research design, with a focus on organizational change and digital transformation in higher education. Section 2 presents the methodological approach and case selection criteria. Section 3 discusses the key findings emerging from the ECOLHE multiple case studies. For this paper, we will summarize the main results emerging from the comparative report analysis based on the HE case studies involved in the research project,[8] considering qualitative analysis (§4.1) and the students' survey (§4.2). Finally, Section 4 offers a set of evidence-based recommendations to support the strategic evolution of HEIs in the face of complex global challenges.

2. Values, Mission, and Goals for the Future of Higher Education Institutions

In the context of the digital and global knowledge economy [10-12], Higher Education Institutions (HEIs) are increasingly operating within a hyper-competitive and dynamic landscape, marked by the growing presence of private technological actors—such as Google, Amazon, and Microsoft—within the educational ecosystem. These global platforms are not merely offering support tools but are actively shaping new credentialing systems and alternative learning pathways that challenge the historical monopoly of universities over knowledge certification and institutional legitimacy [13]). As Raetzsch et al. [14] have noted, the majority of European universities have responded to these challenges with only incremental adaptations, often limited to superficial digital upgrades or the expansion of blended learning options. A systemic transformation toward genuinely student-centred, technology-enhanced education has remained elusive. In this context, redefining the university's social contract becomes imperative—one that aligns not only with the traditional missions of teaching and research but also with broader European Union (EU) objectives, such as social cohesion, employability, and digital innovation.

The ECOLHE research project (Empower Competences for Onlife Learning in Higher Education) situated itself within this evolving scenario by investigating the organisational transformations and policy translation processes that shape digital innovation across HEIs in Europe. Conceptualising universities as complex, adaptive systems [15-17], ECOLHE adopted an epistemological stance rooted in constructivist paradigms [18], acknowledging the multiplicity of actors, logics, and institutional histories that mediate how EU digital strategies are interpreted and implemented at the national and local levels. At the core of the investigation lay the following research question: How do universities foster digital innovation and respond to the challenges posed by European digital education policies in their organisational and pedagogical practices?

To address this question, ECOLHE employed a multi-theoretical framework grounded in the sociology of translation [19, 20], which views policy implementation not as a linear transmission of directives, but as a contested and context-specific process of negotiation, recontextualisation, and local adaptation. This perspective is complemented by the use of a Meta-Macro-Meso-Micro analytical model [21, 22], which allows for a granular examination of how European policies are translated into national frameworks, organisational strategies, and everyday academic practices. Moreover, the research explored the extent to which HEIs are converging towards the model of the "digital university" envisioned by EU policies, a model that entails not merely technological adoption, but a reconfiguration of institutional culture, professional roles, and pedagogical paradigms. By mobilising insights from organisational theory, sociology of education and critical pedagogy, ECOLHE advanced a transdisciplinary understanding of how digital transformation in higher education unfolds at multiple levels and across diverse cultural and policy contexts. Crucially, the research findings position universities not as passive recipients of top-down reforms but as active arenas of policy negotiation, where institutional actors interpret, resist, or transform digital imperatives in line with their strategic priorities, professional identities, and governance structures.

3. Methodology

The ECOLHE research project employed a comparative, multiple case study methodology [23, 24], combining qualitative and quantitative research techniques to capture the complexity of digital transformation across national and institutional contexts. The research design was informed by an interdisciplinary approach that integrated perspectives from education policy, organisational sociology, and digital pedagogy. The empirical investigation was structured according to the Meta-Macro-Meso-Micro framework, which facilitates an analysis of the vertical and horizontal flows of policy translation—from the supranational level of EU directives, through national policy-making, to institutional strategies and micro-level teaching and learning practices.

3.1 Research Components:

Policy and Organisational Analysis. At the meta and macro levels, the project conducted a documentary analysis of European and national higher education policy documents, with particular attention to texts guiding the Bologna Process and promoting the integration of ICTs in teaching and learning. Semi-structured interviews were conducted with national policymakers and ministerial representatives in five countries —Spain, Ireland, Finland, Italy, and Greece—to explore how EU strategies are interpreted and translated into national agendas.

Institutional Case Studies. At the micro level, six university case studies were conducted: two universities in Italy and one in each of the other countries (Spain, Ireland, Finland, and Greece).

The analysis combined Interviews with academic governance bodies (e.g., rectors, digital innovation officers), Focus groups with academic staff to assess faculty engagement and perceptions regarding digital pedagogy, and surveys administered to students to evaluate their experiences with digital learning environments. Each partner organisation elaborated a detailed country report based on the same shared, detailed index, following the initial shared theoretical and methodological framework and tools. The national report presented the fundamental research findings for comparative analysis, which are briefly illustrated in this contribution. Across all cases, the following thematic domains were explored:

- Institutional micro-policies on online and blended learning;
- The integration of digital tools and resources in curriculum design and classroom practices.
- Faculty professional development pathways related to digital competences;
- Mechanisms for the adoption, evaluation, and assurance of e-learning quality standards.

The Students' Perspective survey. A SurveyMonkey system gathered the questionnaire and data. The total number of complete responses is 1.148 collected by the organizational partners. The main goal of the students' survey was to test the questionnaire.

The findings emerging from this research have been synthesised in the ECOLHE final report [8], offering a robust empirical base for cross-national comparison and policy learning. These results provide crucial insights into the structural tensions, enabling conditions, and promising practices that shape the digital transition of European HEIs in the post-pandemic era.

4. Main Results

4.1 Digital Transformation of Higher Education Institutions (HEIs)

The preliminary findings of the comparative analysis, based on the national reports prepared by each university partner, indicated that digital transformation (DT) in Higher Education Institutions (HEIs) involves far-reaching changes across various domains. These encompass not only technological infrastructure and administrative modernization but also pedagogical innovation, curriculum redesign, research digitization, alignment with labour market demands, and institutional visibility through digital communication and marketing strategies. Such transformations are influenced by the widespread adoption of emerging technological components, including advanced computing infrastructures, work management platforms, and integrative digital ecosystems. These technological shifts necessitate a fundamental reassessment of institutional models and operational logics. The comparative analysis of multiple case studies conducted within the ECOLHE consortium led to the identification of the following six critical thematic dimensions that characterise the digital transformation of HEIs.

4.2 The Impact of Digital Innovation

Digital innovation has significantly reshaped institutional practices, support structures, and resource allocation. The ECOLHE national reports [8] illustrate that key enablers of digital transformation include a robust technological infrastructure, integrated pedagogical and technical support services, and an institutional culture conducive to knowledge sharing and interdepartmental collaboration. Conversely, systemic barriers continue to hinder progress, notably insufficient time for pedagogical experimentation, uneven digital competence among academic and administrative personnel, and the persistent undervaluation of digital teaching when compared to traditional in-person modes. These findings align with the European Commission's Digital Education Action Plan 2021–2027 [9], which emphasizes the necessity of sustained investment in digital connectivity, tools, and institutional capacities. Transversal analysis across national reports reveals the following interesting issues. An Effective digital adaptation mandates universal access to high-speed internet, resilient digital infrastructures, and the presence of technical staff capable of ensuring uninterrupted service and rapid troubleshooting. Pedagogical innovation further requires structured faculty development programmes, including mentoring, training workshops, and inter-institutional exchanges. Lastly, interdisciplinary collaboration, particularly between IT specialists and educators, is crucial for the effective integration of digital tools in a contextualized manner. Notably, digital skill levels often vary across disciplines; faculty in engineering and informatics typically report higher digital proficiency, while colleagues in the humanities and social sciences may require targeted support.

4.3 Digital Innovation Strategies

At the meso level—corresponding to institutional and system-wide organisational settings—digital innovation strategies differ markedly across national contexts. These divergences reflect variations in digital maturity, policy frameworks, and governance cultures. The Digital Economy and Society Index (DESI; European Commission, 2023 [25]) identifies countries such as Finland and Ireland as leaders in digital policy integration. Finland prioritises bottom-up strategies rooted in autonomy and self-regulation. At the same time, Ireland exemplifies a balance between strategic alignment and institutional independence through the work of its Department of Further and Higher Education, Research, Innovation, and Science. Transversal analysis across national reports reveals five recurrent strategic priorities in institutional digital innovation strategies.

- Enhancement of digital competencies across academic and administrative staff.
- Institutionalisation of high-quality digital pedagogical frameworks.
- Promotion of innovative teaching methodologies to strengthen students' digital literacy.
- Support for autonomous learning and learners' self-management capacities.

- Protection and valorisation of institutional autonomy as a precondition for pedagogical innovation.

The COVID-19 pandemic operated as a structural stress test, accentuating fragilities in digital infrastructure, strategy, and leadership, while also catalysing strategic shifts in national policy environments and quality assurance frameworks.

4.4 The Digital Learning Process

The digital learning process refers to the interactional and experiential dimensions of teaching and learning in digital environments. The ECOLHE analysis reveals heightened sensitivity to this dimension in countries with lower DESI scores—particularly Italy and Greece—where institutions have had to make rapid adjustments in response to the pandemic. Recommendations derived from cross-national synthesis include:

- the institutionalisation of blended learning modalities, promoting asynchronous learning opportunities to ensure inclusivity and temporal flexibility;
- the adoption of clear quality standards for online education through the implementation of pedagogies grounded in the Symbiotic Learning Paradigm (SLP), which emphasises mutual engagement among students and educators;
- the introduction of robust assessment tools tailored for digital environments;
- and the designation of technical tutors responsible for student support and pedagogical troubleshooting.

These measures not only should contribute to pedagogical resilience but also foster sustainable models of hybrid education.

4.5 Institutional Digital Innovation

Institutional digital innovation dimendìsun pertains to how governance structures internalise and translate national and supranational digital agendas into strategic institutional policies. The ECOLHE findings suggest that in most HEIs, pivotal decisions regarding digital transformation are made by central governance bodies, such as rectorates, academic senates, and digital transition units. Fully digital universities, such as Spain's Universitat Oberta de Catalunya, offer valuable insights into governance models suited to lower-DESI environments, where systemic adaptation is urgent. Successful cases reveal common characteristics, including:

- the establishment of institutional e-learning centres responsible for monitoring, evaluation, and support;

- the organisation of formalised feedback loops to foster iterative innovation oriented to the adoption of a .....human-centered approach in building an online learning environment;

- the promotion of validated digital pedagogies into curricula through accreditation and quality assurance .....protocols.

4.6 The Pandemic's Impact on Teaching and Learning

The COVID-19 pandemic constituted an unprecedented turning point for HEIs, compelling the sudden digitalisation of both academic and administrative operations. The pandemic experience demonstrated the critical importance of strategic foresight and institutional preparedness in digital education. This emergency adaptation revealed deep structural asymmetries as follows: summarised.

- Inadequate capacity of digital infrastructures to handle synchronous delivery at scale.

- Fragmented adoption of learning management systems (LMS)

- Deficits in pedagogical design suited to online learning.

- Underutilisation of digital engagement tools, such as gamification and interactive assessments.

- Increased academic dishonesty due to insufficiently reconfigured assessment systems.

4.7 International Quality Standards

While national frameworks remain central to setting quality benchmarks, their operationalisation occurs at the institutional level via Quality Assurance Units (QAUs). A multi-dimensional QA model is proposed, integrating metrics related to administrative efficiency, teaching innovation, learning outcomes, and labour market alignment. Inclusive governance—incorporating faculty, students, administrators, and external evaluators—is essential for legitimacy and continual improvement. In the context of digital transformation, QA systems must undergo significant evolution. The ECOLHE comparative analysis recommends that HEIs:

- Ensure parity or superiority of learning outcomes in digital formats relative to face-to-face instruction.

- Implement transparent, equitable, and secure digital assessment systems.

- Monitor the reputational and employability impacts of digital offerings.

- The authentic educational interaction between teachers and students will always be ensured in digital environments.

4.8 Digital Technologies in HEIs: The Students' Perspective survey

A distinctive feature of the ECOLHE project is its epistemological focus on students' digital maturity1 conceptualised as the degree to which learners adapt to, engage with, and critically interpret digital learning environments. Data were analysed to answer the following main research questions:

RQ1: Which university partner has the best digital practices? This RQ is addressed to compare universities in terms of digital maturity, so a Principal Component Analysis (PCA) was carried out on a given set of items. PCA has been used for summarising latent concepts underlying a group of variables. Throughout the technique, the dimension of data can be reduced with an insignificant loss of information.

RQ2: Which are the latent factors characterising digital maturity? This RQ is addressed to explore latent dimensions in the questionnaire, so an exploratory factor analysis was applied to investigate how many different latent dimensions underlie the variables through responses.

RQ3. How involved can students be classified? This RQ is addressed to profile students according to latent aspects, so a cluster analysis was adopted to identify groups of units that are meant to be similar to each other with respect to some criteria.

Factor analysis of survey data identified five latent constructs underpinning students' perceptions:

Digital Tuning: Students' familiarity with and navigation of digital platforms, tools, and environments.

Teaching Innovativeness: Perceived novelty, effectiveness, and engagement value of digital teaching .....practices.

Soft Skills: Competencies such as adaptability, communication, and collaboration in virtual settings.

Employability: Perceived relevance of digital learning to career prospects and labour market readiness.

Lifelong Learning Orientation: Disposition towards continuous, self-regulated learning over time.

Cluster analysis delineated seven distinct student typologies, each representing a specific orientation toward .....digital learning:

1 The Digital Maturity Framework for Higher Education Institution, which synthesises the main existing frameworks/models, related to the integration of digital technologies in HE [26] include the following seven sub-dimension of analysis: leadership, planning and management; quality assurance; scientific research work; technology transfer and service to society; learning and teaching; ICT culture; and ICT resources and infrastructure http://archive.ceciis.foi.hr/app/public/conferences/2017/02/CECIIS-2017_paper_58_final.pdf.

Self-realisation Focused (26.7%): Exhibit a comprehensive and integrated engagement with digital learning .....across all dimensions.

Socially Oriented (19.6%): Emphasise relational and collaborative aspects of digital environments.

Teacher-Centred (15.6%): Prioritise pedagogical quality but demonstrate limited interest in peer interaction.

Job-Focused (14.1%): View digital education primarily as instrumental to employability.

Lone Riders (10.2%): Disengaged from both peer and faculty interaction, potentially indicating digital ....alienation.

Task-Oriented (8.9%): Functionally engaged but with limited investment in soft skill development.

Analogically Tuned (4.9%): Show a marked preference for traditional, face-to-face formats and resist digital .....adaptation.

This segmentation illustrates the heterogeneity of student responses to digital transformation, highlighting .....the need for differentiated pedagogical strategies that accommodate diverse digital profiles and learner .....expectations.

5. Discussion and Conclusion

The empirical and comparative findings of the ECOLHE project offer a rich analytical framework through which to interrogate the contemporary dynamics of digital transformation in Higher Education Institutions. Through the triangulation of students' perceptions, institutional practices, and multi-scalar policy infrastructures, several meta-conclusions emerge, offering both theoretical insights and pragmatic implications for academic bodies and policymakers.

5.1 Digital Transformation as a Purposeful, Inclusive, and Systemic Endeavour

One of the most salient themes is that digital transformation must be intentional, inclusive, and systemically embedded within the institutional architecture of HEIs. While technological modernization promises to enhance efficiency, accessibility, and pedagogical innovation, such benefits remain unevenly distributed unless supported by robust equity frameworks. The works of Selwyn [27] and Warschauer [28] have long argued that the digital divide is not merely a function of access but is deeply intertwined with socioeconomic, cultural, and epistemic inequalities. ECOLHE's findings corroborate this, particularly when comparing countries with varying Digital Economy and Society Index (DESI) scores. Therefore, DT must not be conflated with mere digitalization—the substitution of analog tools with digital ones—but must be understood as a paradigmatic shift that affects governance, teaching and learning paradigms, and institutional mission statements.

5.2 Students as Situated and Differentiated Digital Subjects

The identification of seven student clusters in the ECOLHE survey disrupts the monolithic conception of "the student" as a universal and homogenous learner. Instead, the findings underscore the sociotechnical embeddedness of learners, who engage with digital tools based on their prior experiences, disciplinary backgrounds, and aspirations. This reflects a broader theoretical orientation grounded in sociocultural learning theory [29] and contemporary epistemologies of learner identity [30]. The implication for HEIs is the necessity of personalised learning ecologies—modular, adaptable, and inclusive platforms that accommodate different digital maturity levels. One-size-fits-all solutions are increasingly obsolete in the digitally mediated academy.

5.3 Digital Maturity as a Relational Construct

ECOLHE proposes a compelling reconceptualization of digital maturity—not as a purely technological capacity, but as a relational assemblage involving affective, cognitive, and social dimensions. This challenges the instrumental logic often underlying institutional investments in technology (i.e., acquisition of platforms, devices, and connectivity), highlighting the centrality of relational pedagogies and social presence. Emerging interdisciplinary literature from educational psychology, critical pedagogy [31, 32], sociology of education and organization, and human-computer interaction supports the notion that meaningful digital learning environments must foster a sense of community, emotional safety, and shared responsibility.

5.4 Gamification: Potential and Pitfalls

The ECOLHE project also interrogates the dual potential of gamification as both a motivator and a possible trivialiser of academic learning. While gamified environments can boost engagement and retention [33], their success is contingent upon pedagogical intentionality and alignment with learning objectives. Without such alignment, there is a risk of reducing academic tasks to performative or entertainment-based activities, undermining epistemic depth. Hence, any gamification initiative must be scaffolded by targeted faculty training, inter-institutional knowledge exchange, and continuous evaluation of its impact on students' cognitive and socio-emotional development.

To address the complex ecosystem of digital transformation, ECOLHE proposes a multi-level framework for action, distinguishing between macro, meso, and micro levels of governance and intervention.

5.5 Macro-Level (European and National Policy)

Develop Digital Maturity Benchmarks: Introduce pan-European benchmarks rooted in ECOLHE's latent constructs and clusters to assess and compare institutional progress across countries.

Establish Transnational Digital Literacy Frameworks: Facilitate cross-border recognition of competencies to support student mobility and institutional convergence, aligning with the Bologna Process and the European Digital Education Hub.

Reduce DESI-based Disparities: Prioritise targeted investments in countries or institutions with lower digital readiness to ensure structural equity in the distribution of digital innovation capabilities.

5.6 Meso-Level (Institutional Leadership and Curriculum Design)

Use Internal Surveys for Data-Driven Personalisation: HEIs should regularly assess their digital maturity and student clusters, enabling context-sensitive pedagogical strategies.

Implement the Symbiotic Learning Paradigm (SLP): Adopt participatory curriculum co-design involving students as partners in innovation, aligned with the latest ENQA (European Association for Quality Assurance in Higher Education) standards on stakeholder engagement.

Empower Quality Assurance Units (QAUs): Institutional QAUs must play a proactive role in monitoring, evaluating, and legitimising digital pedagogical innovations, ensuring alignment with local needs and international standards.

5.7 Micro-Level (Educators and Students)

Promote Foundational Digital Literacy: Offer preparatory modules and digital literacy courses to build equitable student and staff capacity for engaging with digital platforms.

Establish Peer-to-Peer Mentorship: Leverage digitally adept students as digital ambassadors to facilitate knowledge transfer and peer scaffolding within institutions.

Encourage Educator Communities of Practice: Foster collaborative spaces where educators can experiment with gamification and share pedagogical innovations.

6. Concluding Remarks

The ECOLHE project offers a foundational contribution to understanding the digital transition of higher education from a multi-scalar and transdisciplinary perspective. Its findings affirm that the digital future of HEIs is not a deterministic endpoint but a terrain of negotiated transformation shaped by governance, pedagogical culture, and socio-technical ecologies.

Three structural mediators—national digital readiness, type of institution (online/traditional), and disciplinary field—emerge as crucial variables. For instance:

Students in DESI-leading countries (e.g., Finland, Ireland) display greater confidence in digital learning.

Online university students report higher digital competence due to immersive exposure.

Disciplinary divides persist, with students in the Natural Sciences demonstrating greater digital fluency than those in the Humanities or Social Sciences.

These insights echo Castells' [34] theory of the network society, in which learning, connectivity, and adaptability become the core functions of institutional survival and relevance. HEIs must thus move from reactive adaptation to strategic transformation—technologically agile, pedagogically inclusive, and socially accountable.

Finally, from a theoretical standpoint, the ECOLHE findings intersect with:

Technology Acceptance Models (TAMs) [35] in assessing perceived usefulness and ease of digital tools; Sociotechnical Systems Theory, which underlines the co-evolution of technological and organizational systems; Critical Digital Pedagogy [32[warns against uncritical technologization and advocates for ethically informed, equity-centered innovation.

Regarding the main paper objectives, the research findings help us understand that the adoption of the Bologna Process values and strategy is not a completed process. At the same time, the crucial key to designing the digital university is the professionalization of teaching, technical, and administrative staff, as well as the overcoming of rigid separations among these professional categories.

In conclusion, the digital transformation of higher education is not a question of if, but of how—and more importantly, for whom. Policy responses must therefore be differentiated, evidence-based, and rooted in both pedagogical ethics and institutional realities.

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AI, Ethics, and Policy in Higher Education

SESSION CHAIR:

Karmela Aleksić-Maslać

The Symbiotic Mind: Integrating Generative AI to Reshape University Pedagogy and Cognitive Development

Ralf Dillerup[1] and Isabell Steidel[2]

[1]Hochschule, Heilbronn, Germany, ralf.dillerup@hs-heilbronn.de
[2]Hochschule, Heilbronn, Germany, isabell.steidel@hs-heilbronn.de

Abstract

This paper examines the integration of Generative Artificial Intelligence (GenAI) into higher education, analyzing its potential to foster cognitive development and reshape pedagogical paradigms. It argues that GenAI acts as both a catalyst for constructivist learning and a disruptor of traditional cognitive hierarchies like Bloom's Taxonomy. The paper analyzes the strategic imperative for business faculties, proposes AI-resilient assessment models, and develops an ethical framework for institutional adoption. The central thesis is that the strategic integration of GenAI is a pedagogical necessity to cultivate a new form of "co-intelligence"—a symbiotic partnership between human and artificial cognition that prepares graduates for the future of work.

1. Introduction: The GenAI Paradigm and Its Pedagogical Implications

1.1 Defining GenAI and the Cognitive Paradox

Generative Artificial Intelligence (GenAI) refers to a class of AI models capable of creating novel, original content such as text, images, or code. This capability fundamentally distinguishes it from previous educational technologies, which primarily focused on information access or delivery [1]. At the heart of text-based GenAI tools are Large Language Models (LLMs), which function by predicting the most statistically probable sequence of words. This probabilistic nature is the source of both their impressive fluency and their inherent fallibility, which manifests in phenomena like "hallucinations" and factual inaccuracies [1].

ISSN 2991-9371

This fundamental design creates a cognitive paradox central to its pedagogical integration: the tool designed to reduce cognitive load on generative tasks (e.g., creating a first draft) simultaneously increases the cognitive load on evaluative tasks. To responsibly use the fallible, biased, and potentially illogical outputs of AI, users must engage in a rigorous process of verification, critical evaluation, and refinement [2]. This dynamic shifts the crucial competency in the AI era from technical operation to the metacognitive skill of critical judgment.

1.2 Disruption of Pedagogical Theories

GenAI's integration acts as a transformative force on established pedagogical frameworks, challenging existing models and accelerating the practical implementation of long-held theoretical ideals.

Catalyst for Constructivism: Constructivist learning theory, which views learners as active builders of knowledge, has historically been difficult to scale due to the need for personalized guidance. GenAI overcomes this barrier by providing tools for personalized and adaptive scaffolding, enabling student-centered exploration at scale [1]. By fostering autonomy and collaborative knowledge construction, a broad implementation of constructivist principles becomes feasible for the first time [3].

The Inversion of Bloom's Taxonomy: Bloom's Taxonomy, a hierarchical model of cognitive skills, is fundamentally challenged by GenAI. The model arranges cognitive skills from Lower-Order Thinking Skills (LOTS) like remembering to Higher-Order Thinking Skills (HOTS) like creating. GenAI inverts this hierarchy — a phenomenon termed "Bloom's Inversion" [3]. The AI handles the most cognitively demanding human task of creating effortlessly in seconds, while it fails at the supposedly simple task of reliably remembering facts due to its susceptibility to hallucination [3].

This inversion reveals an implicit, anthropocentric bias in traditional educational models, showing that Bloom's Taxonomy is a specific map of human cognition, not a universal map of intelligence. The most effective pedagogy of the future will not try to force AI into human models but will strategically leverage the asymmetry between human and artificial cognition. This requires revising the taxonomy to integrate new skills like prompt engineering and the critical interrogation of AI responses [4]. Some revised models propose adding a new base level called discover to acknowledge AI's strength in initial topic exploration [4].

The following table summarizes such a revised taxonomy, offering a practical framework for educators.

Cognitive Level & Domain	Definition in an AI Context	Student Actions (Human-Led)	AI-Augmented Actions (Co-pilot Model)
Discover	Exploring a topic broadly, generating initial ideas, and uncovering related concepts [4].	Brainstorming, mind-mapping, initial questioning.	Generating related topics, summarizing fields, acting as a Socratic partner.
Remember	Recalling factual information while actively verifying its accuracy [3].	Memorizing key terms, dates, and formulas.	Generating flashcards and quizzes; using AI for fact-checking [3].
Understand	Explaining ideas or concepts in one's own words, demonstrating comprehension [4].	Summarizing, paraphrasing, classifying, explaining.	Generating analogies, simplifying complex topics from multiple perspectives [4].
Apply	Using knowledge and understanding in new, concrete situations [5].	Implementing, executing, solving problems.	Generating realistic case studies or simulations for the student to address [5].
Analyze	Breaking down information into its constituent parts to explore relationships and structure [6].	Comparing, organizing, deconstructing.	Summarizing large datasets, highlighting patterns and correlations [6].
Evaluate	Making judgments about the value of ideas or materials based on definite criteria [7].	Checking, critiquing, defending a position.	Generating multiple arguments with different stances for the student to critique [7].
Create	Putting elements together to form a coherent whole; reorganizing elements into a new pattern [3].	Designing, constructing, planning, producing original work.	Generating initial ideas, prototypes, or creative constraints; co-writing a first draft [3].
Metacognate & Reflect	Thinking about one's own thinking; planning, monitoring, and assessing one's understanding in a human-AI interaction [4].	Self-assessing, reflecting on the learning process, refining strategies.	Interrogating AI responses for hidden assumptions, articulating precise prompts [4].

Table 1 A Revised Bloom's Taxonomy for AI-Augmented Cognition

2. Reshaping Cognitive Processes and University Teaching

2.1 The Critical Thinking Paradox: Cognitive Enhancement vs. Cognitive Offloading

The central challenge of using GenAI in education is navigating the "critical thinking paradox" [2]. The technology holds the dual potential to either significantly enhance critical thinking or contribute to its atrophy through cognitive offloading. The risk of cognitive offloading is substantial, as students may become overly reliant on AI to bypass the rigorous cognitive processes essential for deep learning [7].

Conversely, when integrated with intentional pedagogical strategies, GenAI can serve as a powerful amplifier for critical thinking. The key is to teach students to interact with AI not as an oracle but as a fallible, biased, and non-comprehending interlocutor [1]. This includes the critical evaluation of AI outputs, the development of effective prompt engineering as an applied form of critical thinking and using AI as a "cognitive mirror" to challenge one's own assumptions and sharpen argumentation [2].

The outcome of AI use is therefore not technologically determined but pedagogically mediated. It is the product of the interplay between the user's intent (to learn vs. to complete a task quickly), their skill (in critical evaluation and prompting), and the design of the learning environment. This implies that an effective institutional strategy must be three-pronged: it must shape student intent through motivating assignments, build their skill through direct instruction in AI literacy, and architect the learning environment to structurally encourage deep cognitive engagement [2].

2.2 AI-Resilient Assessment: Beyond the Traditional Essay

The vulnerability of traditional assessment formats, particularly take-home essays, to AI misuse necessitates a fundamental redesign of assessment methods [6]. This shift is not merely a defensive measure against cheating but a necessary realignment of what universities value, moving toward the competencies most valuable in an AI-augmented economy. The crisis of traditional assessment is a catalyst forcing higher education to measure the skills actually required for future success. AI-resilient strategies include:

- Authentic Assessment: Tasks that mirror complex, real-world challenges, such as developing a marketing plan for a local non-profit. Such context-specific and ill-structured tasks are difficult for a generic AI to replicate [5].

- Process-Oriented Assessment: Evaluating the learning process (e.g., through journals, drafts with reflections) instead of only the final product. This makes student thinking visible and values the iterative nature of learning [8].

ISSN 2991-9371

- Dialogic and Performance-Based Assessment: Methods requiring real-time articulation and defense of understanding, such as oral exams or presentations with spontaneous Q&A, which are difficult to outsource to an AI [6].

2.3 The Evolving Role of the Educator

AI's ability to deliver expert-level information on demand effectively ends the era of the professor as the primary dispenser of knowledge [6]. The educator's role evolves into that of a learning architect, who designs rich, AI-resilient learning experiences, and a facilitator of dialogue, who guides discussions beyond the generic outputs of AI and helps students connect abstract concepts to real-world contexts.[6] This shift allows educators to focus on the uniquely human aspects of education: mentoring, fostering ethical reasoning, and developing students' emotional intelligence [6].

3. Strategic Integration in Business Faculties: A Comparative Analysis

3.1 Evolving Curriculum and the Case Study Method

Business faculties face a strategic imperative not only to teach about GenAI but to fundamentally integrate it into their pedagogy. Curricula in marketing, finance, and entrepreneurship are already being adapted to use AI as a tool for personalized content, complex financial modeling, and accelerating venture creation [9].

The case study method, a cornerstone of MBA education, is not made obsolete by GenAI but is transformed in its pedagogical purpose. Rather than replacing the method, AI can accelerate preparation by helping students summarize facts and generate initial arguments [9]. This elevates the in-class discussion to a higher level of analysis and reinforces the instructor's role as a facilitator who steers the debate beyond probabilistic AI solutions toward nuance, ethics, and contextual judgment—areas where human cognition remains superior [9].

3.2 A Comparative Look at Institutional Strategies

Leading business schools are pursuing diverse but ambitious strategies, revealing a clear shift from a topic-based approach (teaching about AI) to an environment-based approach (learning within an AI-powered ecosystem). They are treating secure, powerful AI access as a fundamental utility, akin to a library or high-speed internet. The quality of a business school's "AI stack" — the security of its platform, the sophistication of its proprietary tools, and the depth of its industry partnerships — is becoming a key competitive differentiator.

Harvard Business School (HBS): Pursues a strategy of mandated use, providing all students with enterprise-level accounts to ensure equity and skill-building [10].

The Wharton School (UPenn): Focuses on in-house R&D through the Wharton Generative AI Labs (GAIL), which prototypes novel AI applications for education like simulations and tutors [11].

MIT Sloan: Champions a model of "action learning" and industry partnership through its GenAI-Lab, where student teams work on real-world business challenges [12].

London Business School (LBS): Prioritizes secure and equitable access by deploying nebulaONE, a campus-wide, secure GenAI gateway providing all community members access to various LLMs in a private cloud environment [13].

The following table provides a comparative overview of these strategies.

Institution	Official Policy Stance	Flagship Initiative(s)	Student Access to Tools	Primary Strategic Goal
Harvard Business School (HBS)	Required use for preparation; prohibited in exams [10].	Course: "Generative AI for Business Leaders"[10].	Enterprise ChatGPT Plus accounts for all first-year MBAs [10].	Workforce Preparation & Leadership
The Wharton School (UPenn)	Professor's discretion; strong emphasis on ethical use [11].	Wharton Generative AI Labs (GAIL); Primer Initiative (simulations) [11].	Access via university-approved tools; focus on secure data handling [11].	Research & Pedagogical Innovation
MIT Sloan	Integrated into action learning; focus on practical application [12].	Generative AI Lab (GenAI-Lab) with industry partners [12].	Access through lab projects and university resources.	Action Learning & Industry Collaboration
London Business School (LBS)	Campus-wide access and encouragement [13].	Deployment of nebulaONE®, a secure, branded GenAI gateway ("LBS AI") [13].	Secure, equitable access to multiple LLMs for all students & staff [13].	Secure Access & Digital Fluency

Table 2 Comparative Analysis of GenAI Integration Strategies at Leading Business Schools

4. Conclusion: Ethics, Policy, and the Pedagogy of Co-Intelligence

4.1 A Values-Based Framework for Institutional Policy

The ethical challenges posed by GenAI — academic dishonesty, algorithmic bias, and data privacy violations — are not isolated technical problems. They are symptoms of a deeper conflict between the technology's inherent nature and the core values of higher education. The problem of cheating arises because AI can meet superficial assessment criteria without the underlying learning, a conflict with the value of authenticity. Algorithmic bias emerges because AI optimizes for statistical patterns in historical data, which can contradict the value of equity. Privacy issues exist because public AI models are designed to ingest vast quantities of data for improvement, which clashes with the values of individual autonomy and confidentiality.

A purely reactive approach is therefore insufficient. An effective institutional strategy must begin by explicitly reaffirming its core values and then designing a holistic system — encompassing pedagogy, assessment, technology procurement, and governance—that is engineered to uphold them.

Academic Integrity: The focus must shift from the unreliable detection of AI misuse to prevention through pedagogical design. This requires clear, tiered policies for AI use (e.g., no use, use with attribution) and the enforcement of transparency and proper attribution [14].

Algorithmic Bias and Data Privacy: The risks of bias embedded in training data and the need to protect sensitive data demand the institutional provision of secure, enterprise-grade AI platforms that contractually guarantee institutional data will remain private [15].

4.2 Toward a Pedagogy of Co-Intelligence

The integration of GenAI is not a technological upgrade but a pedagogical imperative. The goal is not to ban or uncritically adopt AI, but to cultivate a new, symbiotic form of "co-intelligence" that leverages the complementary strengths of human and machine cognition. [6] This becomes the new, defensible value proposition of the university in an age of democratized information.

This requires a systemic transformation that evolves the educator's role to that of a learning architect, fundamentally redesigns assessment methods, and is grounded in a robust ethical framework as proposed by organizations like EDUCAUSE. [15] The ultimate goal is to prepare graduates not just to function in an AI-driven world, but to lead and shape it, equipped with the wisdom and skill to guide the powerful collaboration between human and artificial intelligence toward beneficial ends.

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Beyond Detection: Rethinking AI Tool Use in Academic Theses

Sophie Schauer[1] and Katharina Simbeck[2]

[1]HTW Berlin University of Applied Sciences, Berlin, Germany,
sophie.schauer@htw-berlin.de
[2]HTW Berlin University of Applied Sciences, Berlin, Germany,
katharina.simbeck@htw-berlin.de

Abstract

Generative AI tools like ChatGPT are becoming an everyday practice in student writing, and academic institutions are under increasing pressure to respond. So far, most policies have focused on detection or prohibition. This position paper argues that detection and prohibition are not enforceable and calls for a shift toward a competence- and integrity-based framework. Using the case of the Business Computing program at HTW Berlin, we present a model policy that permits AI use under transparent conditions. Students are required to understand and defend their work. Further, the approach acknowledges that the use of AI reduces the skill set required to create academic texts. We thus argue that it is necessary to increase the level of difficulty in educational assignments and discuss opportunities to do so. Rather than treating AI as an external threat, this approach integrates it into academic practice. Future research will examine how such policies influence student performance and learning outcomes.

Keywords: *Generative AI in Education, AI Literacy, Higher Education Policy, AI Transparency.*

1. Introduction

In the past few years, generative AI tools have made their way into academic writing. For many students, these tools are now part of their everyday writing process. Tools are being used for brainstorming, structuring arguments or polishing their writing and checking grammar and spelling.

Academic writing skills have a long-established tradition in academic teaching. By explaining a concept in their own words, students not only gain but also demonstrate an understanding. By carefully selecting relevant and original references, students understand and prove how their work builds on scholarly tradition. By prioritising certain references and concepts, students intentionally select their approach to a subject. Academic writing is thus not only an assessment, but a major learning opportunity.

In the past years, many academic text-based professions have undergone significant change driven by generative AI. In text translation, production (journalism, copywriting) and editing efficiency have improved to an extent that a substantial reduction in jobs can be observed [1,2]. In the legal profession, AI is used to review contracts, assess claims and prepare briefs. In software engineering, AI-assisted code generation is integrated in standard workflows [3]. Higher education, thus, on the one hand, needs to acknowledge the prevalence of generative AI in the workplace and integrate AI literacy and data literacy into all curricula. On the other hand, education has always first taught the manual process (e.g. long addition) before allowing tool use (calculators). Of course, once tools are allowed to be used, the tasks change and level of difficulty increases. Pupils are not required to solve more and more advanced addition assignments using calculators, but they move on to new mathematical concepts.

Institutions have largely responded by trying to detect AI-generated content or ban its use altogether, often under the pretext of upholding academic integrity. But these measures raise more problems than they solve. Detection tools are unreliable and prone to false positives [4,5]. Building academic policies around their use is not only technically flawed but also pedagogically shortsighted and cannot be the foundation of academic integrity enforcement. Instead, we argue that higher education institutions need to rethink how they design assignments, assess student work and define acceptable use of AI tools. This shift is necessary if higher education wants to respond to the changes already happening in how students think, write and learn.

2. The Limits of Detection

Academics often believe that they can identify AI-generated texts submitted by students. Indeed, no study found that frequent LLM users can detect AI texts with greater accuracy, even without formal training. In practice, their judgement matched or surpassed the performance of automatic detectors. They base their judgement not only on surface-level features as detectors do but also on deeper cues such as originality and tone. Human detectors were found to be effective even against evasion tactics like prompt-based humanisation [6].

However, the limits of AI-detectors are well documented. The reliability for 14 detectors to classify human-written and AI-generated texts in an academic context was evaluated with less than 80% accuracy for most tools, and no tool showed consistent reliability across all text types [8]. False negatives were common, with some tools missing over 50% of the cases where AI text was paraphrased or manually edited. Most of the investigated tools showed a bias toward classifying text as human-written. From all 14 tools, Turnitin ranked highest but still misclassified a significant number of paraphrased or edited texts. Tools like Content at Scale failed almost completely and classified nearly all texts as human-written [8]. In a more recent study, three detectors were systematically tested [4]. LLM prompts were modified to produce outputs that could not be detected by popular detection tools. Basic AI-texts are usually reliably detected. However, when prompts deliberately include imperfections such as minor grammar errors, inconsistent sentence structure and less polished wording, the detection rates drop [4]. Adding stylistic texts that had a lower readability score was more often seen as human. In contrast, polished academic-sounding texts were typically flagged as AI. All three tested detectors showed vulnerabilities to prompt manipulation [4]. Another similar study found ZeroGPT to have high false positive and false negative rates as well as a significant increase in false negative rate when using ChatGPT 3.5 to paraphrase the original AI text [7].

Another concern is false positives, where detectors often misclassify writing by non-native English speakers that use translation tools or texts with repetitive academic phrasing as AI-work [5,8]. Another core issue is opacity, as most detectors do not disclose how they classify texts, what features they weigh most heavily or how they handle edge cases. Their scores and decisions offer little transparency and accountability.

In summary, even though educators believe that AI texts can be detected, there is no technically reliable way to do so if students use specific prompting strategies or manually adapt the generated text. The use of AI detectors thus only serves to classify students by AI literacy: students with advanced prompting techniques cannot be identified.

3. Proposed AI Policy for Business Computing Theses

The department of Business Computing at HTW Berlin has adopted structured guidelines that acknowledge AI's presence in the academic process but set firm boundaries for transparency and fairness. These regulations are valid from the winter semester 2024/25 onward and will be reviewed continuously with the development of the field. The objective of the policy is to create clear rules for students that are enforceable and that do not disadvantage honest students.

First and foremost, the use of AI tools is explicitly permitted. However, every thesis must include a detailed AI directory listing all AI tools used, specifying where and how they were applied (see Table 1 for an example). The requirement ensures that supervisors and examiners can understand the extent and context of AI involvement. Students are not required to submit a list of prompts used or provide a chat history of the conversation with the AI as this would not be enforceable.

AI Tool	Part of the Thesis (Page)	Purpose of Use
DeepL	Abstract (p. I)	Translating the German abstract into English, for rough structure and ideas. Final translation in own words.

ChatGPT	Section 3.3.4 Linguistic Variation in Input (p. 51 ff.)	Generating synonyms, similar phrasing, and correcting typos.
ChatGPT	Section 6 Implementation (p. 74 ff.)	Checking code for errors during development.
ChatGPT	Section 6.2 Database Methods (p. 77 ff.)	Support in generating SQL code, adding comments, and storing results in Python.
ChatGPT	Appendix A1: Bot Intents (p. XIV)	Extracting intents from Excel table and creating a simple listing for the thesis.

Table 1 Exemplary AI listing

A central part of this policy is the student's own understanding. All content submitted must be fully understood by the student. During the oral defence, students need to be able to answer questions about the text submitted by them. They are expected to articulate their reasoning, justify their choices and demonstrate a familiarity with all sources and results. Inability to do so is treated not as a misunderstanding but as an attempt at deception.

Equally important is the requirement of a structured and traceable scientific methodology. The process must be documented and defensible in discussion. AI tools may assist, but critical thinking and methodical reasoning remain non-negotiable.

This model creates a space for responsible AI use while placing accountability on the students. In doing so, it offers a practical way forward for higher education institutions.

4. Redesigning Tasks and Assessment Criteria

Given the availability of powerful tools, the structure of academic assignments must evolve. Attempting to uphold traditional formats while banning or ignoring AI use only creates uncertainty for students and inconsistent enforcement for educators. We therefore call for the adoption of different and more challenging assignment tasks. In parallel, the assessment criteria need to be updated and less emphasis needs to be put on aspects of academic work that AI can support, such as the related work section of a thesis project. Rather than simply assessing the final outputs, educators should pay closer attention to how students arrive at their conclusion. Structuring arguments, interpreting data or weighing conflicting perspectives are areas where human judgement is irreplaceable.

Academic thesis topics and evaluation criteria must be adapted to the availability of generative AI. In business computing, tasks must put greater emphasis on analysis of real-world business processes, implementation of prototypes, building of machine learning models on datasets, collection and analysis of own data or contribution to open source projects. Students' own contributions must go beyond review of literature.

Evaluation of academic theses requires adaptation as well. In the past, poor style often correlated with superficial content. Now, even low-skilled students can generate polished-sounding text fragments, and educators need to invest more time into reading and assessing text. The integration of the students' own work into the state of the art needs to be given higher emphasis, while the related work section cannot be considered deciding anymore.

Table 2 provides an overview of typical sections or tasks in a thesis in a business computing thesis, how generative AI impacts the level of difficulty of those sections and which consequences could be drawn by evaluators with regard to task design and assessment criteria.

Task	**Impact of Generative AI**	**Consequences for Task Design and Assessment**
Write related work section	Theoretical sections of thesis can easily be generated including correct references.	▫ Less focus on explanation of basic concepts. ▫ Stronger focus on selection of specific concepts relevant for topic at hand and for integration of concepts identified and explained into methodology (example: is questionnaire built reflecting concepts discussed in related work). ▫ Strongly reduced weight of related work section in the assessment.
Describe and document business process	Little impact for description of real process with partner company.	▫ Preference for real world tasks as opposed to theoretical topics. ▫ Emphasize that student must document approach and process of information collection in company. ▫ Student must identify specific risks and opportunities. ▫ Increased weight in assessment.
Prototypical implementation (software components, databases), data analysis	Implementation significantly enhanced by generative AI.	▫ Students can be given much more challenging tasks. ▫ Emphasize that student must document implementation process (definition of requirements, implementation concept and technological choices made, testing). ▫ Increased weight in assessment.
Empirical data collection	Questionnaire design or similar activities enhanced by generative AI.	▫ Students are expected to ground their empirical approach in theoretical understanding. ▫ Emphasize that student must document approach and process of information collection in company. ▫ Increased weight of methodological rigor in assessment (example: student successfully recruited a large number of high profile participants for explorative interviews).

Documentation of code and data	General need to increase level of difficulty in thesis projects.	Students are required to document code and data according to FAIR research data management practices to ensure scientific transparency and reproducibility. Both code and data must be made available to reviewers with a readme file that specifies type and structure of code and data as well as instruction on how to use it. Code must be provided with clear instruction on how it needs to be run (e.g. required libraries, which file to run first). Data must be provided with information on how data was collected and analysed, how consent was obtained (if applicable). Students are required to explicitely select a license for code and data. This is a new part of assessment criteria.
Applying appropriate academic style	Writing correct and stylistically appropriate text significantly enhanced by generative AI.	▫ Lack of academic rigor cannot be easily identified by evaluators based on style anymore. ▫ Students are expected to use generative AI to improve style.

Table 2 Typical tasks in Business Computing thesis projects and impact of generative AI

In summary, redesigning assessment is not about lowering standards, but about aligning them with the changing reality. In fact, expectations may rise, as students are allowed to use these tools and can therefore produce higher-quality output and gain deeper insights.

5. Conclusion and Outlook

Educators need to accept the widespread use of generative AI in academic writing as a reality. Relying on detection is both technically unreliable and pedagogically limiting. As we argued in this paper, detection tools cannot offer the reliability or fairness needed to support academic integrity practices. Generative AI challenges century-long traditions in academics. Institutions need to develop clear and realistic norms for its use. This shift demands a rethinking of how learning tasks are designed and how student work is evaluated. The next step will be to examine how such implemented frameworks shape student engagement and learning outcomes.

At the same time, we acknowledge the need for writing tasks that are not AI-supported and which will consequently need to be conducted in a supervised classroom setting. Finally, we would like to draw the reader's interest to the fact that written student work cannot only be generated using AI but that generative AI is a powerful tool in helping to assess written assignments. A dystopic educational future where students' AI-generated texts are automatically assessed by AI tutoring systems can easily be imagined. The future discussion on AI policies in education should thus include both the student's and the educator's perspective.

6. Acknowledgements

This paper portrays the work carried out in the context of the EUonAIR project (101177370) generously funded by the European Union. Views and opinions expressed are, however, those of the author(s) only and do not necessarily reflect those of the European Union or the European Education and Culture Executive Agency (EACEA). Neither the European Union nor EACEA can be held responsible for them.

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Bridging the Gap: Aligning Higher Engineering Education with the Realities of AI-Driven Practice

Rischert Enes[1], Prof. Dr. Felix Meckmann[2] and Thanh Vivien Le-Vu[3]

[1]Ruhr West University of Applied Sciences, Mülheim an der Ruhr, Germany, Rischert.Enes@hs-ruhrwest.de
[2]Ruhr West University of Applied Sciences, Mülheim an der Ruhr, Germany, Felix.Meckmann@hs-ruhrwest.de
[3]Ruhr West University of Applied Sciences, Mülheim an der Ruhr, Germany, Vivien.Le-Vu@hs-ruhrwest.de

Abstract

The integration of Artificial Intelligence (AI) is set to fundamentally transform the engineering and construction sectors, prompting calls to adapt professional fee structures and service profiles. However, this paper argues that a successful professional transformation is contingent on addressing a critical disconnect between industry demands and current academic preparation. While the industry requires engineers capable of strategic AI application and critical oversight, a recent large-scale study reveals a different reality: over 90% of German university students use AI tools, but their adoption is predominantly self-taught, informal, and unsupported by institutional curricula. This creates a significant "competency gap." Students are becoming adept at using AI for general academic tasks but are not being formally trained in the specific, high-stakes applications required for professional practice, such as validating AI-generated designs or managing data for predictive models. This paper analyzes this gap by synthesizing findings from a study on student AI usage (n=1020) and a research analysis on AI's impact on the construction industry. We conclude that for the industry's digital transformation to succeed, higher education must evolve from a reactive to a proactive stance. It is imperative to integrate AI literacy, data validation, and "critical task stewardship" into the core engineering curriculum to prepare the next generation for a future defined by human-machine collaboration.

Keywords: *Higher Education, Artificial Intelligence, Competency Gap.*

1. Introduction

The construction and engineering industries are on the cusp of a paradigm shift driven by Artificial Intelligence (AI). The potential for AI to enhance efficiency, reduce errors, and optimize costs is well-documented, with studies indicating significant improvements such as up to 40% reductions in construction time, up to 73% productivity increases in automated plan creation, and 99% accuracy in AI-assisted cost calculations [1, 2, 3]. This technological evolution is fundamentally altering the tasks, responsibilities, and value-creation models of engineering professionals. Consequently, there are growing discussions about the need to adapt established professional frameworks and fee structures, such as the German Honorarordnung für Architekten und Ingenieure (HOAI), to reflect these new, AI-driven service profiles [4].

However, before the industry can fully leverage these technologies and adapt its commercial structures, a more fundamental challenge must be addressed: the preparation of the future workforce. This paper argues that a critical disconnect exists between the strategic AI competencies required by the industry and the current state of AI adoption and education in universities. This issue is of central importance for a conference focused on innovation in higher education, as it directly addresses the mandate of educational institutions to prepare students for the realities of their future professions.

Drawing on a large-scale empirical study on AI usage among 1,020 university students, this paper exposes a significant "competency gap" [5]. We demonstrate that while students are overwhelmingly adopting AI tools for their studies, this usage is largely informal and unguided, failing to build the critical, domain-specific skills needed for professional practice. This paper will first outline the AI-driven transformation in professional engineering, then present the reality of AI usage in higher education, and finally discuss the resulting competency gap and its implications for educators.

2. Research Design and Methodology

This paper synthesizes findings from two primary sources: an industry analysis on AI's impact and a large-scale empirical study on AI usage among students. The study was conducted as part of the KI4Edu project, a cooperation between the Ruhr West University of Applied Sciences and the University of Duisburg-Essen, funded by the "Stiftung Innovation in der Hochschullehre" (Foundation for Innovation in Higher Education). The central research goal was to generate primary data on the current use, perception, and expectations of students regarding AI tools in their academic context. The research was designed as a descriptive study using a quantitative online survey to capture the distribution of relevant characteristics among the student population. Furthermore, the study includes hypothesis-testing elements, examining pre-formulated assumptions, such as the prevalence of AI in civil engineering or its perceived utility, against the empirical data

ISSN 2991-9371

2.1 Questionnaire Development and Validation

The development of the survey instrument followed a systematic, multi-stage process to ensure high scientific quality.

- Foundation in Expert Knowledge and Literature: The questionnaire was developed by an interdisciplinary team of researchers with expertise in civil engineering, economics, and educational sciences. The process was informed by a comprehensive analysis of existing German-language studies (e.g., from ETH Zurich and HS Darmstadt) and structured brainstorming sessions to define the core thematic areas.

- Structure and Logic: The questionnaire was organized into four logical blocks: (1) Demographics, (2) AI Use in Studies, (3) University Context, and (4) Attitudes/Expectations. A key feature is the extensive use of filter questions, which guide participants through an individualized path based on their answers (e.g., separating AI users from non-users). This reduces cognitive load and survey dropout rates by ensuring only relevant questions are shown.

- Pre-tests for Quality Assurance: Before the official launch, the questionnaire underwent three rounds of pre-testing with approximately 15 participants in total. These preliminary studies were crucial for verifying technical functionality across various devices, the linguistic clarity of the questions, the logical consistency of the question paths, and the average completion time. The feedback led to significant refinements, including the sharpening of phrasings and the elimination of technical issues. The quality of the final questionnaire was also affirmed by experts in higher education evaluation.

2.2 Target Audience and Data Collection

The target audience for the survey was students across all disciplines at German universities, with a special focus on engineering students in civil engineering and related fields. To ensure a broad sample, the survey was distributed via multiple channels: official emails to deans and faculty, promotion on social media, and in-person presentations in lectures. Data was collected from July to October 2024. In total, 1,123 responses were recorded, with 1,020 fully completed questionnaires from 85 different universities included in the final analysis.

3. The AI-Driven Transformation of Engineering Practice

The impact of AI on the engineering and construction value chain is profound. Key transformations include Automated Design and Compliance, Predictive Analytics (with up to 99% accuracy in cost-estimation), and Enhanced Project Oversight.

- **Automated Design and Compliance**: AI tools can generate and optimize design variants and perform automated compliance checks against building codes, drastically reducing time in early design phases (Leistungsphasen 1-4 of the HOAI) [6]

- **Predictive Analytics**: AI-powered models offer high-accuracy cost and schedule predictions, enabling more effective risk management. Artificial Neural Network (ANN) models, for instance, have demonstrated cost-estimation accuracy of up to 99% [3]

- **Enhanced Project Oversight**: In later project phases, AI contributes to optimized site monitoring and can help reduce project delays by up to 25% [1]

This technological shift redefines the role of the engineer. The focus moves away from repetitive, manual tasks (e.g., drafting, routine calculations) towards higher-value, strategic responsibilities. The future role of the engineer is that of a "critical task steward" a professional who can expertly guide, validate, and take responsibility for AI-generated outputs. This requires a new skill set focused on strategic thinking, data literacy, and the ability to critically assess the limitations and biases of AI systems [7]

Despite this potential, industry-wide adoption of AI remains low. Research points to significant barriers, including a lack of standardized processes, legal and liability uncertainties, and the inadequacy of current fee structures like the HOAI, which do not properly value AI-supported services [4, 8, 9].

The PwC study underscores this discrepancy, noting that while companies recognize the great potential of digital technologies, the gap to their own capabilities has been growing for years. In fact, 82% of the surveyed construction companies state that they lack the necessary expertise to fully leverage the opportunities of digitalization. The study emphasizes that strengthening employee qualifications is crucial and can only be achieved through close cooperation between politics, companies, and educational institutions to create the necessary framework and competencies. This insight reinforces the role of higher education institutions, which must equip the future workforce with the necessary skills ("job ability") [10].

4. The Reality of AI in Higher Engineering Education

The KI4Edu [4] study revealed a near-universal, yet institutionally unsupported, adoption of AI among students.

4.1 Widespread but Unguided Adoption

- **Near-universal usage**: A staggering 91.5% of all participating students reported using AI tools for their studies and over 35% think that their academic performance has improved.
- **High frequency**: This usage is not sporadic; over 72% of users engage with AI tools at least once a week, if not more frequently.
- **Dominance of Chatbots**: Chatbots like ChatGPT are the most prevalent technology, used by 85% of students.
- **Institutional Vacuum**: This widespread adoption is happening informally. 59% of students have never seen a professor use AI in a course, and 53% do not know if their university provides official access to licensed AI tools.

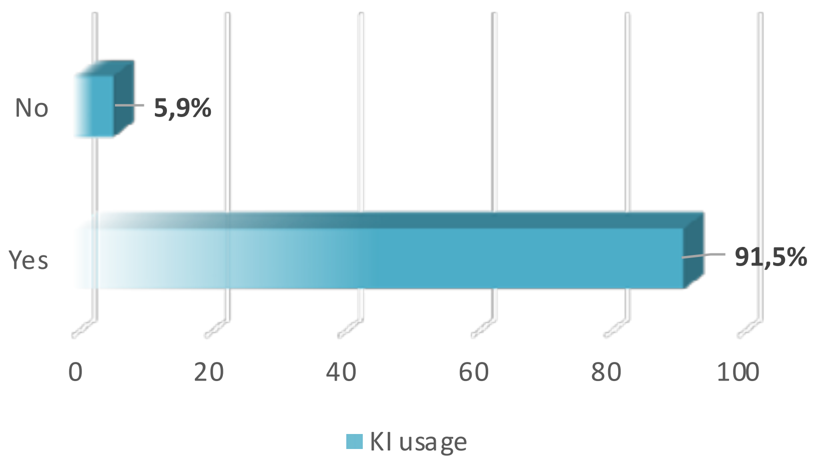

Figure 1 AI usage among students according to the KI4Edu study
(*Source: KI4Edu [5]*)

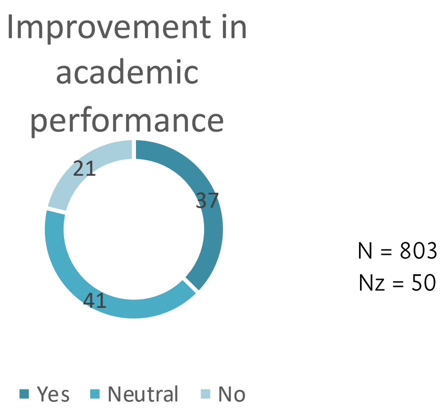

Figure 2 Academic performance improvement through AI among students surveyed in the AI4Edu study (*Source: KI4Edu [5]*)

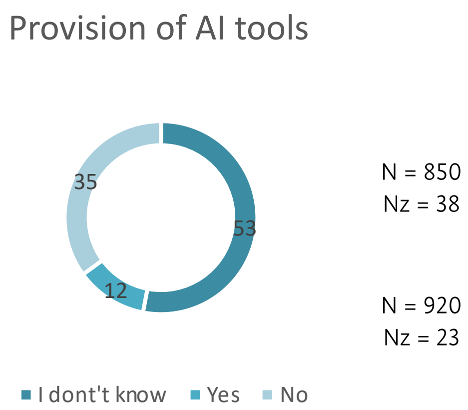

Figure 3 Question about the provision of AI by the university (*Source: KI4Edu [5]*)

4.2 Student Perceptions and Identified Skill Gaps

Students see AI primarily as an opportunity (67% view it as a "chance") but also harbor significant concerns about over-reliance and misinformation ("hallucinations"). When asked about the most important future skills, they prioritized meta-cognitive abilities over technical proficiency:

1. **The ability to not believe everything one reads or sees (74.2%)**
2. **Responsible handling of AI (62.0%)**
3. **Strategic thinking in the application of AI (41.9%)**

5. Analysis of the Competency Gap

Juxtaposing the findings from the industry analysis and the student study reveals a critical competency gap. The self-taught, informal AI usage patterns prevalent among students are not sufficient to prepare them for the strategic, high-stakes professional roles that the industry requires.

Students are learning to use AI as a personal productivity tool for general academic tasks—a valuable skill, but one that is distinct from using AI for professional engineering work. The industry needs engineers who can validate a generative design for a load-bearing structure, assess the data integrity of a predictive cost model, or assume legal responsibility for an AI-assisted compliance check. The current educational landscape is not systematically building these competencies.

This gap directly exacerbates the adoption barriers identified in the industry. The legal and liability uncertainties surrounding AI are amplified if graduates enter the workforce without a foundational understanding of data validation and the ethical implications of their tools. The lack of trust in AI outputs can only be overcome by professionals trained to critically question and verify them. Therefore, adapting fee structures like the HOAI will be ineffective if the talent pool lacks the certified competence to deliver these new services reliably [10].

6. Conclusion

The digital transformation of the engineering profession is inevitable, but its success hinges on the capabilities of its practitioners. This paper has identified a critical misalignment between the demands of an AI-driven industry and the current state of higher engineering education. To bridge this competency gap, a fundamental shift from a reactive to a proactive educational strategy is required. We offer the following recommendations for educators and academic institutions:

1. **Integrate AI into the Core Curriculum**: Move beyond offering isolated "AI 101" courses. AI tools and concepts must be embedded across the engineering curriculum. For example, students in a structural analysis course should use AI for design optimization and then be tasked with validating the results using first principles.

2. **Focus on Critical Competencies**: The educational focus must shift from how to operate a tool to how to critically evaluate and strategically deploy a tool. Curricula must explicitly teach data literacy, methods for validating AI outputs, understanding algorithmic bias, and the ethical responsibilities of an engineer in an AI-assisted workflow.

3. **Develop Clear Institutional Strategies**: Universities must provide students and faculty with access to official, licensed AI tools. This should be accompanied by clear guidelines on academic integrity and robust faculty development programs to empower educators to effectively integrate these technologies into their teaching.

4. **Establish "Living Labs" as an Educational Model**: The "Living Lab" concept, where students apply AI to solve real-world problems in a supervised, project-based environment, should be adopted as a core pedagogical model. This approach bridges theory and practice, allowing students to build the applied, critical skills the industry desperately needs.

By taking these steps, higher education can ensure that the next generation of engineers is not just users of AI, but true masters of it, capable of leading the industry's transformation with competence and confidence.

7. Acknowledgements

The authors would like to acknowledge the "Stiftung Innovation in der Hochschullehre" (Foundation for Innovation in Higher Education) for funding the KI4Edu project, which provided the empirical data for this paper. We would also like to express our gratitude for the scientific exchange within the framework of HEIC.

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The Impact of Students' Psychological Well-being on Academic Achievement: A Comprehensive Analysis

Mirna Koričan Lajtman[1], Rea Andrić[2] and Mato Njavro[3]

[1]Luxembourg School of Business/Zagreb School of Economics and Management, Luxembourg/Zagreb, Luxembourg/Croatia, mirna.korican@luxsb.lu
[2]Zagreb School of Economics and Management, Zagreb, Croatia, rea.andric@zsem.hr
[3]Zagreb School of Economics and Management, Zagreb, Croatia, mato.njavro@zsem.hr

Abstract

Emerging evidence shows that students' mental health greatly affects their learning outcomes, although the exact mechanisms are still being studied. Previous research reveals a small to moderate positive link between students' psychological well-being and GPA, with resilience consistently helping academic achievement during stressful times. Building on this, we analyzed survey data from N=202 Croatian undergraduates. A latent-variable mediation model indicated that psychological well-being influences GPA mainly indirectly through students' subjective academic achievement (indirect β=.31, p<.001; direct β=–.09; total β=.22, p=.06). This suggests that feeling mentally healthy improves actual performance by increasing students' sense of academic competence. Hierarchical regression showed that the four variables explain 57% of the variation in psychological well-being: self-esteem (β=.25, p<.01), resilience (β=.31, p<.001), resilience-promoting behaviors (β=.28, p<.001), and depression (β=-.12, p<.05). These results support the idea of incorporating well-being strategies into university plans. First, GPA improvements are unlikely unless interventions also boost students' perceptions. Monitoring subjective academic achievement alongside grades can help identify students at risk earlier. Second, resilience skills training and self-care programs directly target key attributes that statistically influence academic success indirectly. However, these findings should be interpreted with caution given the cross-sectional, self-reported data from a single university sample. Future research should adopt longitudinal and cross-national designs, incorporate objective indicators, and evaluate intervention effects to strengthen applicability.

Keywords: *Psychological Well-being, Subjective Academic Achievement, Grade Point Average, Resilience, Higher Education*

1. Introduction

Since student well-being is directly related to academic achievement, learning engagement, and positive long- term life outcomes, it has been recognised as a top priority in higher education [1, 2]. Recent changes in the world have further underscored this need in higher education, transforming both the ways in which students learn and their university experience. The COVID-19 pandemic drastically changed how students engage with their professors, peers, and academic environments, leading to a significant increase in stress, loneliness, and uncertainty [3]. At the same time, the rapid development of generative AI has introduced new expectations and challenges, such as concerns about academic integrity and a substantial reconfiguration of learning, assessment, and students' roles within digital learning contexts [4]. In this dynamic environment, one of the most significant challenges for educational institutions is maintaining academic engagement. Generally accepted as a crucial determinant of student achievement and institutional efficacy, academic engagement is defined as active and dedicated participation in learning [5].

Our objective is to synthesize existing knowledge with empirical data to present a compelling case for the proactive role of universities in fostering student well-being as a direct pathway to improved academic outcomes. Specifically, we aim to explore the relationship between psychological well-being (PWB) and GPA, with a focus on the mediating role of subjective academic achievement (SAA). We also investigate the key predictors of PWB, namely self-esteem, resilience, resilience-promoting behaviors, and absence of depression. By understandingthese relationships, we can provide actionable insights for universities to develop targeted interventions that support student well-being and, consequently, academic success. To explore these mechanisms, we next review the relevant theoretical and empirical literature.

2. Literature Review

2.1 Psychological Well-being and Academic Achievement: The Mediating Role of Subjective Academic Achievement

The link between PWB and academic achievement is a well-established research area, but the exact mechanisms through which they influence each other are still being investigated. While a direct causal link between PWB and GPA may not always be immediately obvious, increasing evidence suggests that how students feel about their academic success (SAA) plays a crucial mediating role [6,7]. SAA reflects how individuals perceive their own academic achievements, skills, and their level of satisfaction with their learning journey. This self-view can significantly shape their motivation, participation, and even their academic results.

Research indicates that when students experience higher PWB, they tend to feel more positively about themselves academically and exhibit more positive emotions related to their studies, which are important aspects of SAA [8, 9]. For example, a meta-analysis by Bücker et al. (2018) found a small to medium, but statistically significant, correlation between subjective well-being and academic achievement, indicating that while well-being is not a strong direct predictor, it is consistently linked to better academic outcomes [10]. Additional research indicates that when students exhibit positive PWB, characterized by effective emotional regulation and resilience, they tend to engage more effectively in their studies. This, in turn, helps them feel more positive about their academic progress [11]. This increased SAA, in turn, can create a positive feedback loop where perceived success boosts well-being and encourages further academic effort, ultimately influencing GPA.

Conversely, having poor psychological well-being, such as experiencing anxiety, depression, or stress, can significantly impact SAA. It may hinder concentration, reduce motivation, or undermine self-confidence. [12, 13]. This can lead to a decline in academic performance, even if the student possesses the cognitive skills necessary to succeed. Therefore, viewing SAA as a mediator offers a more detailed understanding of how supporting students' PWB can indirectly, yet significantly, enhance their academic success. This emphasizes the importance of building a positive academic self-concept and sense of achievement among students, as these internal views can connect their emotional well-being with their actual academic performance.

2.2 Predictors of Psychological Well-being

Understanding the factors that contribute to PWB is crucial for developing effective interventions that enhance student mental health. Among the numerous potential predictors, self-esteem, resilience, and resilience-promoting behaviors, as well as the absence of depression, have consistently emerged as significant contributors to an individual's overall PWB [14, 15].

Self-esteem, defined as an individual's overall subjective evaluation of their own worth, plays a fundamental role in PWB. High self-esteem is generally associated with increased life satisfaction, happiness, and a reduced susceptibility to mental health issues such as depression and anxiety [16]. In the academic setting, self-esteem can significantly impact a student's confidence in their capabilities, readiness to undertake challenging tasks, and ability to manage academic setbacks. Although the relationship is complex and influenced by cultural and contextual factors, a healthy sense of self-worth remains a crucial element of robust PWB.

Another important variable to examine in terms of PWB is resilience. **Resilience** is the ability to adapt and recover from adversity, stress, or trauma [17]. Resilient individuals are better equipped to manage the challenges of college life, including academic stress, social changes, and personal issues. They typically employ effective coping strategies, maintain an optimistic outlook, and seek support, when necessary, all of which contribute to sustaining well-being even during periods of stress. Research consistently shows that higher resilience is associated with fewer mental health issues and improved overall PWB among students [18].

Resilience-promoting behaviors include a range of actions and strategies that individuals use to build and maintain their resilience. These behaviors might involve practicing self-care routines, seeking social support, improving problem-solving skills, practicing mindfulness, and setting practical goals [19]. These proactive behaviors not only help individuals cope with current stressors but also build their capacity to handle future challenges more effectively. For instance, students who regularly engage in stress-reducing activities, maintain healthy sleep patterns, and seek academic or personal counseling when needed are more likely to exhibit higher levels of PWB [20]. These behaviors are often teachable and can be fostered through educational programs and institutional support, providing a tangible pathway for universities to enhance student well-being.

Depression is a common and serious mood disorder that affects how individuals feel, think, and function daily. It is typically associated with persistent sadness, a lack of energy, reduced interest in everyday activities, and difficulties in maintaining focus or motivation [21]. Among university students, depression is one of the most prevalent and concerning mental health challenges. Research shows that more than 30 percent of students report symptoms that meet clinical thresholds for depression, which is significantly higher than the estimated 5 to 6 percent in the general population [22, 23]. This high prevalence underscores the importance of identifying protective psychological factors that promote well-being and mitigate the risk of mental health deterioration in academic settings.

In summary, self-esteem, resilience, active participation in resilience-building behaviors, and absence of depression are connected concepts that work together to support a student's PWB (as presented in Figure 1). By understanding and addressing these factors, universities can create comprehensive strategies to promote student mental health, which can also positively influence their academic experience.

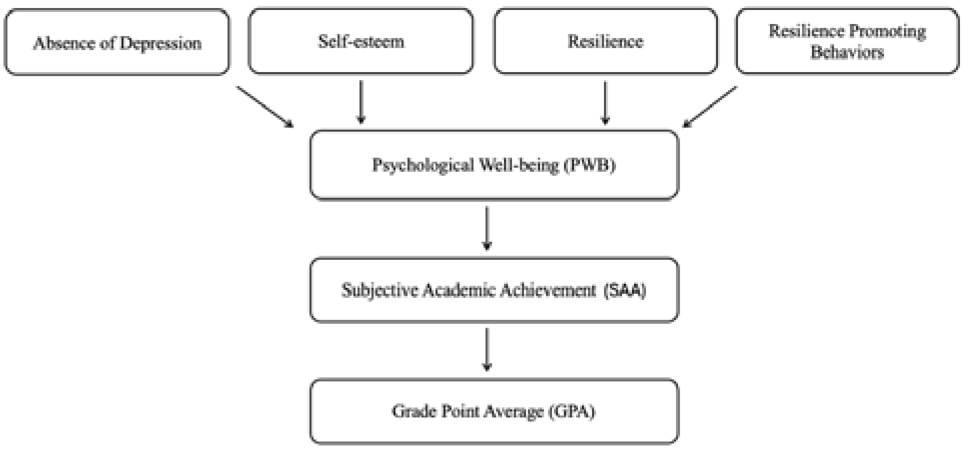

Figure 1 Conceptual Model of Predictors of Academic Achievement

3. Research Question and Hypotheses

This study aims to investigate the relationships between PWB, SSA, and GPA, as well as the key predictors of PWB. Based on these objectives, the following research question and hypotheses are proposed:

RQ: How does PWB influence students' GPA, and what is the mediating role of SAA in this relationship? Furthermore, what psychological constructs, such as self-esteem, resilience, and resilience-promoting behaviors, as well as perception of depression, significantly predict PWB?

H1: The relationship between PWB and GPA is mediated by students' SAA.

H2: Self-esteem, resilience, and resilience-promoting behaviors significantly predict students' PWB.

4. Methodology

This study utilized data collected from a quantitative cross-sectional survey designed to investigate the PWB and academic outcomes of undergraduate students.

The original study included 202 undergraduate students from a business school in Croatia, representing 40% of the total population in the academic year. The sample consisted of students from various academic programs and at different stages of their studies, aiming to capture a representative cross-section of the university's undergraduate population. The sample included students of all genders, with 51.5% identifying as male (N=104), 46.0% as female (N=93), and 2.5% as other (N=5). Participants ranged in age from 18 to 25 years and older, with the largest age group being 20-year-olds (23.3%, N=47), followed by 21-year-olds (21.3%, N=43), 19-year-olds (20.3%, N=41), 18-year-olds (15.3%, N=31), and 22-year-olds (12.4%, N=25); smaller groups included those aged 23 (3.5%, N=7), 24 (0.5%, N=1), and 25 or older (3.5%, N=7). All four undergraduate years were represented, with 38.6% (N=78) in the first year, 26.2% (N=53) in the third year, 18.3% (N=37) in the second year, and 16.8% (N=34) in the fourth year. Most participants were Croatian nationals (84.7%, N=171), while 15.3% (N=31) were international students. Most respondents (98.5%, N=199) were enrolled in the Economics and Management program, and 1.5% (N=3) in the Business Mathematics and Economics program. Participants were recruited through an online survey platform, ensuring voluntary participation and anonymity.

4.1 Key Variables

Various aspects of mental health and emotional functioning were assessed using validated psychological instruments, including the Rosenberg Self-Esteem Scale, the Brief Resilience Scale, a scale of Resilience- Promoting Behaviors, the Subjective Academic Achievement Scale, and Ryff's Psychological Well-being scale. These instruments are widely recognized in psychological research for their robust psychometric properties and relevance in assessing distinct dimensions of student well-being and functioning [24–26].

- **Psychological Well-being (PWB)**: PWB was measured using the 18-item version of Ryff's Psychological Well-being Scale [27], which captures six core dimensions of well-being: autonomy, environmental mastery, personal growth, positive relations with others, purpose in life, and self-acceptance. Items were rated on a 5- point Likert scale (1=Strongly disagree to 5=Strongly agree), with several reverse-coded. Exploratory factor analysis supported a multidimensional structure (KMO=0.83, Bartlett's test $p<.001$), and the internal consistency was high (Cronbach's $\alpha=0.82$).

- **Subjective Academic Achievement (SAA)**: This variable reflects students' self-perceived academic success and satisfaction. It was measured using the 5-item Subjective Academic Achievement Scale [28], with responses on a 5-point Likert scale (1=Very dissatisfied to 5=Very satisfied). One item was reverse-coded. Factor analysis supported one-dimensionality (KMO=0.79, Bartlett's test $p<.001$), and the scale showed high internal consistency (Cronbach's $\alpha=0.84$).

- **Resilience**: Resilience was measured using the Brief Resilience Scale [29], a 6-item self-report measure designed to capture an individual's ability to recover from stress. Responses were given on a 5-point Likert scale from 1 (Strongly disagree) to 5 (Strongly agree), with negatively worded items reverse-coded. The scale demonstrated acceptable reliability (Cronbach's $\alpha=0.76$), and factor analysis confirmed a unidimensional structure (KMO=0.78, Bartlett's test $p<.001$).

- **Resilience-Promoting Behaviors (RPB)**: Resilience-promoting behaviors were assessed using a 9-item scale developed from the work of [30], encompassing everyday actions that enhance individuals' capacity to cope with stress and adversity. The items capture behaviors such as engaging in regular physical activity, practicing mindfulness, maintaining adequate sleep, seeking support, and avoiding harmful substances. Participants indicated how frequently they engaged in each behavior using a 5-point Likert scale (1=Never to 5=Always). Exploratory factor analysis supported a unidimensional structure (KMO=0.77; Bartlett's test of sphericity $p<.001$), and the scale demonstrated acceptable internal consistency (Cronbach's $\alpha=0.72$).

- **Grade Point Average (GPA)**: GPA served as an objective measure of academic achievement. Students self-reported their cumulative GPA, providing a quantitative indicator of their academic performance

- **Depression**: Depression was assessed using a 5-item scale adapted from the ACHA Well-being Assessment [28], measuring how frequently respondents experienced common depressive symptoms over the past two weeks. The items included: feeling depressed, feeling sad, feeling like nothing can make you happy, thinking that others would be better off without you, and feeling like you have let yourself, friends, or family down. Responses were provided on a 5-point Likert scale (1=Never to 5=Always). Exploratory factor analysis supported a unidimensional structure (KMO=0.773, Bartlett's test $p<.001$), and the internal consistency was high (Cronbach's α=0.875).

Data were collected via a self-reported online questionnaire. The survey was available from November 6th, 2024, to November 14th, 2024. To promote participation and ensure accessibility, it was distributed to 14 groups of undergraduate students. The use of self-report measures enabled the direct collection of students' subjective experiences and perceptions.

5. Results

This section presents empirical findings related to the proposed hypotheses, utilizing statistical analyses to examine the relationships between PWB, SAA, and GPA, as well as the predictors of PWB.

5.1 Hypothesis 1

To test Hypothesis 1, a mediation analysis was conducted to examine whether SAA mediates the relationship between PWB and GPA. The results of the mediation analysis are presented in Table 1.

Path β	Std. Error	Std. Error	z- value	p	95% Con.Int. (Lower)	95% Con.Int. (Upper)
Direct effects PWB * GPA	-0.087	0.115	-0.754	0.451	-0.311	0.138
Indirect effects PWB * SAA * GPA	0.309	0.068	4.519	<.001	0.175	0.442
Total effects PWB * GPA	0.222	0.119	1.872	0.061	-0.010	0.455
Path coefficients SAA *GPA PWB *SAA	 0.513 0.601	 0.076 0.099	 6.763 6.073	 <.001 <.001	 0.365 0.407	 0.662 0.795

Table 1 Mediation Analysis of SAA Between PWB and GPA

The direct effect of PWB on GPA was not statistically significant (β=-0.087, p=0.451). However, the indirect effect of PWB on GPA through SAA was statistically significant (β=0.309, p<0.001). This suggests that PWB influences GPA primarily through students' perceptions of their academic performance. The path coefficients further indicate a significant positive association between PWB and SAA (β=0.601, p<0.001), as well as between SAA and GPA (β=0.513, p<0.001).

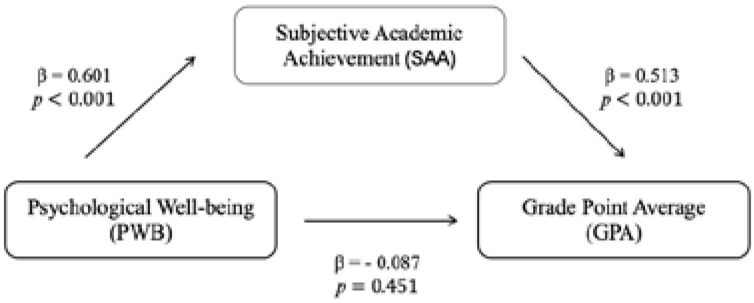

Figure 2 Mediation Model of Academic Achievement

Visal of the tested model is presented in Figure 2. Based on these results, Hypothesis 1, stating that the relationship between PWB and GPA is mediated by students' SAA, is accepted.

5.2 Hypothesis 2

To test Hypothesis 2, a hierarchical regression analysis was conducted to identify the significant predictors of PWB. The final model (Table 2) from the regression analysis, which included Self-esteem, Resilience, Resilience-Promoting Behaviors, and Depression, explained a substantial portion of the variance in PWB (Adjusted R^2=0.578).

The results indicate that all specified predictors in Hypothesis 2 significantly predict students' PWB. Results of self-esteem impact PWB (β=0.531, p<0.001). Resilience also had a significant positive impact on PWB (β=0.187, p<0.001) as well as resilience-promoting behaviors (β=0.149, p<0.001) and depression (β=-0.084, p<0.05). Given the significant predictive power of self-esteem, resilience, and resilience-promoting behaviors on PWB, Hypothesis 2 is accepted.

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Independent Variables	R^2	ΔR^2	R^2 change	B	Beta	T
MODEL 1	0.727	0.528	0.727			218.117***
1. Self-esteem				0.701	0.047	14.769***
MODEL 2	0.747	0.558	0.200			122.500***
2. Self-esteem				0.590	0.612	0.612***
3. Resilience				0.159	0.208	0.208***
MODEL 3	0.759	0.576	0.120			87.316***
4. Self-esteem				0.572	0.593	10.464***
5. Resilience				0.150	0.196	3.482***
6. Resilience-promoting behavior				0.095	0.136	2.837***
MODEL 4	0.766	0.587	.007			68.211***
7. Self-esteem				0.513	0.531	8.554***
8. Resilience				0.143	0.187	3.348***
9. Resilience-promoting behavior				0.104	0.149	3.116***
10. Depression				-0.084	-0.124	-2.280*
*p<.05 **p<.01 ***p<.001						

Table 2 Coefficients for Predicting PWB

6. Discussion

This study aimed to clarify the complex relationships between PWB, SAA, and GPA, and to identify key predictors of PWB. The findings offer valuable insights into how universities can promote academic success by prioritizing student well-being.

6.1 Psychological Well-being, Subjective Academic Achievement, and GPA

The results strongly support Hypothesis 1, demonstrating that the relationship between PWB and GPA is indeed mediated by students' SAA. While the direct effect of PWB on GPA was not statistically significant, the significant indirect effect through SAA highlights a crucial pathway. This finding aligns with existing literature that emphasizes the importance of students' perceptions of their academic competence and success [6, 7].

When students experience higher PWB, they are more likely to perceive their academic performance positively, which in turn contributes to better objective academic outcomes (e.g.

ISSN 2991-9371

GPA). This suggests that interventions aimed at enhancing students' PWB can indirectly improve their GPA by fostering a stronger sense of academic self-efficacy and accomplishment. For universities, this implies that efforts to improve GPA should not focus solely on traditional academic support but also integrate strategies that enhance students' PWB and their confidence in their own academic abilities.

6.2 Predictors of Psychological Well-being

Hypothesis 2, which posited that self-esteem, resilience, resilience-promoting behaviors, and absence of depression significantly predict students' PWB, was also accepted. The regression analysis confirmed the significant contributions of resilience and resilience-promoting behaviors to PWB. This is consistent with a broad body of research highlighting the protective role of resilience in mental health and its importance in navigating academic and life stressors [14, 17, 18].

Universities can leverage this understanding by designing and implementing programs that explicitly teach and encourage resilience-promoting behaviors, such as stress management techniques, coping strategies, and help- seeking behaviors. These interventions can equip students with the tools necessary to maintain their well-being, even in challenging academic environments. As confirmed by our research, self-esteem is generally regarded as a positive contributor to overall well-being [24].

6.3 Implications for Stakeholders

The findings of this study carry significant implications for university deans and professors. Firstly, the mediation effect of SAA underscores that improving GPA is not solely about teaching harder; it necessitates supporting student well-being. By focusing on students' PWB, universities can indirectly foster academic success through enhanced self-awareness and confidence.

Secondly, the identification of self-esteem, resilience, resilience-promoting behaviors and low levels of depression as significant predictors of PWB provides concrete targets for intervention. These are measurable and trainable traits, meaning universities can design and implement programs to develop these behaviors institutionally. This could include workshops on stress management, resilience-building exercises, and fostering a campus culture that encourages help-seeking and emotional intelligence. Investing in such initiatives can lead to a more supportive learning environment, ultimately benefiting both student well-being and academic outcomes.

7. Conclusion

This paper explains the primary ways in which PWB influences academic success among college students. It has been demonstrated that SAA functions as a crucial mediator between PWB and GPA, underscoring the importance of students' perceptions of their academic success for their actual performance. Furthermore, it has been confirmed that self-esteem, resilience, resilience-promoting behaviors, and absence of depression are significant predictors of PWB, thereby providing explicit targets for university interventions.

The implications for higher education institutions are significant. To genuinely enhance academic success, universities must adopt a holistic approach that prioritizes student well-being. This approach encompasses not only the provision of traditional academic support but also actively fostering PWB through programs designed to cultivate resilience, promote positive self-perception, and encourage healthy coping mechanisms [32–34]. By investing in these measurable and trainable traits, universities can create a supportive environment that empowers students to thrive both academically and personally.

This paper, while providing valuable insights, is subject to several limitations that should be considered when interpreting the findings and designing future research:

- **Cross-Sectional Design**: The data utilized in this study were collected at a single point in time. The cross- sectional nature of this study limits the ability to establish definitive cause-and-effect relationships between variables. While mediation analysis suggests pathways, longitudinal studies are needed to confirm causal directions and observe changes over time.

- **Self-Reported Data**: The reliance on self-reported measures for PWB, SAA, and GPA introduces potential biases, such as social desirability bias, recall bias, or misinterpretation of questions. Future research could benefit from incorporating objective measures (e.g., official university GPA records, physiological indicators of stress) to triangulate findings and reduce reliance on self-report.

- **Sample Characteristics and Generalizability**: The data were collected from undergraduate students at a single university in Zagreb, Croatia. This limits the generalizability of the findings to broader student populations in different geographic, cultural, or institutional contexts. Future studies should aim for larger and more diverse samples, encompassing students from various universities, countries, and socioeconomic backgrounds, to enhance external validity.

- **Lack of Direct Intervention Data**: This study did not directly measure the impact of specific university- led well-being interventions. While the findings suggest the importance of well-being support, future research should focus on intervention-based studies to evaluate the effectiveness of concrete programs and policies implemented by universities.

Future research should address these limitations by employing longitudinal designs, incorporating diverse methodologies (e.g., mixed methods approach combining quantitative and qualitative data), utilizing objective measures, and conducting studies across varied student populations and institutional settings. Such efforts will contribute to a more comprehensive and robust understanding of the complex interplay between student well- being and academic achievement.

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AI in Business, Decision-Making, and Economic Transformation

SESSION CHAIR:

Karmela Aleksić-Maslać

ICT and AI in Economic Diversification

Krunoslav Antoliš[1]

[1] University of Applied Sciences in Criminal Investigation and Public Security, Police academy "First Croatian Police Officer", Ministry of Internal Affairs, Republic of Croatia, Zagreb, kantolis@fkz.hr

Abstract

Economic diversification is a pivotal strategy for nations seeking to mitigate reliance on a singular industry or resource, thereby bolstering economic resilience and long-term sustainability. Information and Communication Technology (ICT) and Artificial Intelligence (AI) have become key enablers in this process, driving innovation and facilitating sectoral transformation. This article investigates the multidimensional influence of ICT and AI in promoting economic diversification through a mixed-methods approach, combining qualitative case studies, quantitative data analysis, and comparative policy assessments.

The study analyzes their applications across critical sectors—illustrated by case studies such as Estonia's e-governance model, China's AI-driven manufacturing shift, and Rwanda's ICT-enabled agricultural transformation—highlighting how these technologies enhance inclusive growth, operational efficiency, and new economic opportunities. Key findings reveal that strategic ICT/AI integration can increase sectoral productivity by 20–35% in emerging economies, though adoption barriers (e.g., digital divide, regulatory gaps, and ethical concerns) persist. The article concludes with evidence-based policy recommendations, emphasizing adaptive governance, public-private partnerships, and targeted digital upskilling to maximize equitable benefits.

Keywords: *Economic Diversification, Information and Communication Technology, Artificial Intelligence*

1. Introduction

Economic diversification has emerged as a survival strategy for resource-dependent economies, particularly in an era marked by volatile commodity prices, climate disruptions, and rapid technological shifts. For instance, oil-rich nations like Nigeria and Venezuela have faced severe recessions due to price crashes, while diversified economies such as South Korea and Germany demonstrate greater resilience [1]. The volatility of commodity prices, the impact of climate change, and the rapid pace of technological change have underscored the need for economies to diversify their revenue streams and develop resilient economic structures [1]. In this context, Information and Communication Technology (ICT) and Artificial Intelligence (AI) have emerged as powerful enablers of economic diversification, offering innovative solutions to transform traditional industries and create new economic opportunities [2].

This article aims to provide a comprehensive analysis of the role of ICT and AI in economic diversification. Specifically, it seeks to:

- Explore the concept of economic diversification and its importance in the global economy [3].
- Examine the evolution of ICT and AI and their synergistic potential in driving economic diversification [4].
- Analyze the impact of ICT and AI on key sectors such as agriculture, manufacturing, healthcare, education, and services [5].
- Identify challenges and barriers to the effective deployment of ICT and AI in economic diversification [6].
- Offer strategic recommendations for policymakers and stakeholders to harness the potential of ICT and AI for inclusive and sustainable economic growth [7].
- AI adoption correlates with a 15–30% rise in manufacturing productivity [8].

This study adopts a mixed-methods framework:

1. Qualitative analysis of 12 case studies (e.g., Estonia's e-governance, China's AI manufacturing hubs) selected for geographic and sectoral diversity.
2. Quantitative benchmarking of ICT/AI adoption rates against GDP growth (World Bank/ITU datasets, 2010–2023).
3. Comparative policy assessment of regulatory frameworks in the EU, UAE, and Rwanda."

Data is drawn from academic journals, industry reports, and government publications, supplemented by insights from expert interviews and real-world examples [9].

2. The Concept of Economic Diversification

Economic diversification refers to the process by which an economy reduces its dependence on a single industry or resource and develops a broader range of economic activities [10]. This can involve the expansion of existing industries, the development of new sectors, or the enhancement of value-added activities within existing sectors. Economic diversification is crucial for reducing vulnerability to external shocks, such as fluctuations in commodity prices or changes in global demand, and for promoting sustainable and inclusive growth [11].

Historically, many economies have relied heavily on a single industry or resource, such as oil, agriculture, or mining. While this has provided short-term economic benefits, it has also led to long-term vulnerabilities, particularly in the face of global economic uncertainties [12]. For example, oil-dependent economies have often experienced significant economic downturns during periods of low oil prices. In contrast, economies that have successfully diversified, such as South Korea and Singapore, have demonstrated greater resilience and sustained economic growth [13].

Achieving economic diversification is not without challenges. These include:

- Structural Barriers: Many economies face structural barriers to diversification, such as a lack of infrastructure, limited access to finance, and a weak regulatory environment [14].
- Skill Gaps: Diversification often requires a skilled workforce, which may be lacking in economies that have traditionally relied on a single industry [15].
- Institutional Constraints: Weak institutions and governance structures can hinder efforts to diversify the economy, particularly in developing countries [16].
- Global Competition: In an increasingly globalized economy, countries face intense competition from established players in various industries, making it difficult to break into new markets [17].

3. The Evolution of ICT and AI

The rise of ICT has been one of the most significant technological developments of the past few decades. ICT encompasses a wide range of technologies, including the internet, mobile communications, and digital platforms, which have transformed the way businesses operate, governments deliver services, and individuals communicate [18]. The widespread adoption of ICT has led to increased connectivity, improved access to information, and the creation of new economic opportunities [19].

AI, a subset of ICT, has emerged as a transformative force in recent years. AI refers to the development of computer systems that can perform tasks that typically require human intelligence, such as learning, reasoning, and problem-solving [20]. Advances in machine learning, natural language processing, and computer vision have enabled AI to be applied across a wide range of industries, from healthcare and finance to manufacturing and agriculture [21].

The synergy between ICT and AI is driving innovation and economic transformation. ICT provides the infrastructure and connectivity needed to support AI applications, while AI enhances the capabilities of ICT systems, enabling more efficient and intelligent decision-making [2]. Together, ICT and AI are creating new opportunities for economic diversification, particularly in sectors that have traditionally been less reliant on technology [4].

4. The Role of ICT in Economic Diversification

ICT plays a crucial role in enhancing connectivity and communication, which are essential for economic diversification. The internet and mobile technologies have enabled businesses to reach new markets, access global supply chains, and collaborate with partners across the world [1]. For example, e-commerce platforms have allowed small and medium-sized enterprises (SMEs) to expand their customer base and compete with larger firms [22].

ICT has also transformed the way governments deliver public services, making them more efficient, transparent, and accessible. E-government initiatives, such as online tax filing, digital identity systems, and e-health services, have improved the delivery of public services and reduced administrative burdens [23]. This, in turn, has created a more conducive environment for economic diversification by reducing the cost of doing business and improving the overall business climate [24].

ICT has been a key driver of digital entrepreneurship, enabling the creation of new businesses and business models. Digital platforms, such as social media, e-commerce sites, and mobile apps, have lowered the barriers to entry for entrepreneurs, allowing them to start and scale businesses with relatively low capital investment [2]. This has led to the emergence of new industries, such as the gig economy, and has created new opportunities for economic diversification [25].

Several countries have successfully leveraged ICT to drive economic diversification. For example:

- Estonia: Estonia has become a global leader in digital innovation, with a highly developed e-government system and a thriving tech startup ecosystem. The country's focus on ICT has enabled it to diversify its economy and reduce its dependence on traditional industries [26].

- Rwanda: Rwanda's $100 million investment in a national fiber-optic network (2016–2023) reduced internet costs by 60%, enabling 45% of SMEs to adopt digital tools [27].

Similarly, AI-powered drone deliveries of medical supplies cut rural healthcare access times from 4 hours to 30 minutes, showcasing ICT/AI's multiplier effect [28]. These efforts have helped the country diversify its economy and attract foreign investment in the tech sector [27].

5. The Role of AI in Economic Diversification

AI has the potential to transform agriculture and enhance food security, which is critical for economic diversification in many developing countries. AI-powered technologies, such as precision farming, drone-based monitoring, and predictive analytics, can help farmers optimize crop yields, reduce waste, and improve resource management [29]. For example, AI algorithms can analyze weather patterns, soil conditions, and crop health data to provide farmers with real-time recommendations on planting, irrigation, and harvesting [30].

AI is a key enabler of Industry 4.0, the fourth industrial revolution characterized by the integration of digital technologies into manufacturing processes. AI-powered systems, such as robotics, automation, and predictive maintenance, are transforming the manufacturing sector by increasing efficiency, reducing costs, and improving product quality [31]. This has created new opportunities for economic diversification, particularly in countries that have traditionally relied on low-cost labor [32].

AI is revolutionizing healthcare and biotechnology, offering new opportunities for economic diversification. AI-powered technologies, such as diagnostic tools, personalized medicine, and drug discovery platforms, are improving patient outcomes and reducing healthcare costs [33]. For example, AI algorithms can analyze medical images to detect diseases such as cancer at an early stage, enabling more effective treatment [34]. In biotechnology, AI is being used to accelerate the development of new drugs and therapies, creating new opportunities for economic growth [35].

AI is also transforming education and skill development, which are critical for economic diversification. AI-powered platforms, such as personalized learning systems and intelligent tutoring systems, are enhancing the quality of education and making it more accessible [36]. These technologies can help address skill gaps and prepare the workforce for the jobs of the future, particularly in emerging industries such as AI, robotics, and data science [37].

Case Studies: AI-Driven Diversification

Several countries have successfully leveraged AI to drive economic diversification. For example:

- China: China has made significant investments in AI, with the goal of becoming a global leader in the field by 2030. The country's AI strategy includes the development of AI-powered industries, such as autonomous vehicles, smart cities, and healthcare, which are expected to drive economic diversification and growth [38].

- United Arab Emirates (UAE): The UAE has launched a national AI strategy aimed at diversifying its economy and reducing its dependence on oil. The strategy includes initiatives to promote AI adoption in key sectors, such as healthcare, education, and transportation, and to position the UAE as a global hub for AI innovation [39].

6. Synergistic Effects of ICT and AI in Diversification

The integration of ICT and AI is creating new opportunities for economic diversification by enabling more efficient and intelligent solutions across various sectors. For example, in agriculture, the combination of ICT (e.g., mobile apps, IoT sensors) and AI (e.g., predictive analytics, machine learning) can provide farmers with real-time insights and recommendations, improving productivity and sustainability [40]. Similarly, in healthcare, the integration of ICT (e.g., telemedicine platforms) and AI (e.g., diagnostic tools) can enhance patient care and reduce costs [41].

The synergy between ICT and AI is also driving cross-sectoral innovations, creating new opportunities for economic diversification. For example, the combination of AI and ICT is enabling the development of smart cities, where digital technologies are used to improve urban infrastructure, transportation, and public services [42]. This has the potential to create new industries and jobs, particularly in areas such as urban planning, data analytics, and cybersecurity [43].

To fully realize the potential of ICT and AI in economic diversification, policymakers need to adopt a holistic approach that promotes the integration of these technologies across various sectors. This includes investing in ICT infrastructure, fostering innovation ecosystems, and developing regulatory frameworks that support the responsible use of AI [44]. Additionally, policymakers should prioritize digital literacy and skill development to ensure that the workforce is equipped to take advantage of new opportunities created by ICT and AI [45].

7. Challenges and Barriers

One of the key challenges in leveraging ICT and AI for economic diversification is the digital divide, which refers to the gap between those who have access to digital technologies and those who do not. This divide is particularly pronounced in developing countries, where limited infrastructure, high costs, and low levels of digital literacy can hinder the adoption of ICT and AI [46]. Addressing the digital divide is critical for ensuring that the benefits of these technologies are widely shared and that no one is left behind [47]. The digital divide remains acute: while 90% of populations in advanced economies have broadband access, Sub-Saharan Africa lags at 28% [48]. This gap exacerbates inequality, as seen in Nigeria, where AI-driven fintech serves urban elites but excludes 60% of rural populations [49]. Algorithmic bias in South Africa's AI hiring tools disproportionately excluded women and minorities [50].

The deployment of ICT and AI also raises ethical and social concerns, particularly in relation to privacy, bias, and job displacement. For example, the use of AI in decision-making processes, such as hiring or lending, can perpetuate existing biases if not properly managed [51]. Similarly, the automation of jobs through AI and robotics can lead to job displacement, particularly in industries that rely on low-skilled labor [52]. Addressing these concerns requires the development of ethical guidelines and regulatory frameworks that promote the responsible use of ICT and AI [53].

The rapid pace of technological change presents significant regulatory and policy challenges, particularly in relation to ICT and AI. Policymakers need to strike a balance between fostering innovation and ensuring that these technologies are used in a way that benefits society as a whole [54]. This includes developing regulations that address issues such as data privacy, cybersecurity, and intellectual property rights, while also promoting competition and innovation [55].

The increasing reliance on ICT and AI also raises concerns about cybersecurity and data privacy. As more data is collected and analyzed, the risk of cyberattacks and data breaches increases [56]. This is particularly concerning in sectors such as healthcare and finance, where sensitive data is often involved. Ensuring the security and privacy of data is critical for building trust in ICT and AI and for promoting their adoption across various sectors [57].

8. Future Prospects and Recommendations

The future of ICT and AI is characterized by several emerging trends that have the potential to further drive economic diversification. These include:

- 5G Technology: The rollout of 5G networks is expected to enhance connectivity and enable new applications in areas such as IoT, autonomous vehicles, and smart cities [58].
- Edge Computing: Edge computing, which involves processing data closer to the source rather than in centralized data centers, is expected to improve the efficiency and responsiveness of AI applications [59].
- Quantum Computing: Quantum computing, which leverages the principles of quantum mechanics, has the potential to revolutionize AI by enabling the processing of complex data sets at unprecedented speeds [60].
- AI Ethics and Governance: As AI becomes more pervasive, there is a growing focus on developing ethical guidelines and governance frameworks to ensure that AI is used in a way that benefits society [61].

To harness the potential of ICT and AI for economic diversification, policymakers should consider the following strategic recommendations:

- Invest in ICT Infrastructure: Targeted infrastructure investments must address last-mile connectivity. India's 'Digital Village' initiative, which deployed low-cost broadband to 150,000 villages, boosted farmer incomes by 25% via e-commerce [40]. Similarly, Kenya's public-private partnership with Safaricom expanded mobile money access to 80% of adults, demonstrating scalable models..

- Promote Digital Literacy and Skill Development: Policymakers should prioritize digital literacy and skill development programs to ensure that the workforce is equipped to take advantage of new opportunities created by ICT and AI [44].

- Foster Innovation Ecosystems: Governments should create innovation ecosystems that support the development and adoption of ICT and AI technologies. This includes providing funding for research and development, supporting startups, and promoting collaboration between academia, industry, and government [4].

- Develop Regulatory Frameworks: Policymakers should develop regulatory frameworks that promote the responsible use of ICT and AI, while also fostering innovation and competition [55].

- Promote International Cooperation: Given the global nature of ICT and AI, international cooperation is critical for addressing common challenges and promoting the responsible use of these technologies. Policymakers should work together to develop international standards and best practices for ICT and AI [47].

- While the UAE allocates 2.5% of GDP to AI R&D, most African nations invest <0.3% [62].

International cooperation is essential for maximizing the benefits of ICT and AI in economic diversification. This includes sharing knowledge and best practices, coordinating research and development efforts, and addressing global challenges such as the digital divide and cybersecurity [24]. International organizations, such as the United Nations and the World Economic Forum, can play a key role in facilitating cooperation and promoting the responsible use of ICT and AI [46].

9. Conclusion

ICT and AI are not merely tools but systemic levers for diversification. As evidenced by Estonia's tech-driven GDP growth (5.2% annually since 2015) and Vietnam's AI-powered manufacturing boom (accounting for 35% of exports by 2023), their strategic integration can redefine economic trajectories. However, success hinges on equitable access—addressing the digital divide is as critical as fostering innovation. By optimizing resource allocation, automating processes, and fostering data-driven decision-making, these technologies enhance industrial competitiveness and stimulate the creation of high-value economic opportunities. However, their full potential is contingent upon overcoming critical challenges, including infrastructural disparities, algorithmic biases, and governance gaps. A multidisciplinary approach—

ISSN 2991-9371

encompassing adaptive policymaking, public-private collaboration, and ethical AI frameworks—is essential to mitigate risks and ensure equitable access. Furthermore, investments in digital literacy, cybersecurity, and interoperable regulatory standards are imperative to maximize socioeconomic benefits while minimizing exclusionary effects. Empirical evidence underscores that strategic integration of ICT and AI can accelerate sustainable development, provided that stakeholders prioritize inclusive adoption and systemic resilience. Future research should focus on longitudinal impact assessments to refine policy interventions and optimize technological deployment for global economic diversification.

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AI-Enabled Data-Driven Decision Making: Mapping Competency Transformations and Teaching Innovations Through Systematic Review and Bibliometric Analysis

Vitaliy Roud[1]

[1]Zagreb School of Economics and Management, Croatia, vitaliy.roud@gmail.com

Abstract

This study employs systematic literature review and dynamic bibliometric analysis to examine AI-enabled transformations in data analysis, machine learning, and data driven decision-making processes from 2020-2025. The research aims at constructing a comprehensive taxonomy mapping AI's effects across five critical stages of data-driven decision making: data collection, preprocessing, analysis, interpretation, and implementation. Through the extensive analysis of the most relevant peer-reviewed articles and business reports, the study seeks to identify paradigm shifts including the transition from descriptive to prescriptive analytics, emergence of human-AI collaborative frameworks, and democratization of analytical capabilities. The research will identify crucial competency gaps in current educational frameworks, particularly in AI literacy, data-driven reasoning, and hybrid decision-making skills. The main purpose is to understand current transformations and optimize the competency portfolio needed for real-life data analysts and managers in data-driven environments, ultimately proposing innovative teaching approaches for higher education.

Keywords: *AI-enabled decision making, bibliometric analysis, data literacy, Machine learning competencies, Data-driven decision making*

An Empirical Study of Human-AI Collaboration in Strategic Decision-Making

Mirna Korican Lajtman[1], Goran Oblakovic[2], Victoire Houget[3]

[1]Luxembourg School of Business/Zagreb School of Economics and Management, Luxembourg/Zagreb, Luxembourg/Croatia, mirna.korican@luxsb.lu
[2]Luxembourg School of Business/Zagreb School of Economics and Management, Luxembourg/Zagreb, Luxembourg/Croatia, goran.oblakovic@luxsb.lu
[3]Luxembourg School of Business, Luxembourg, Luxembourg, victoire.houget@luxsb.lu

Abstract

This paper investigates the integration of Artificial Intelligence (AI) into executive decision-making (EDM) and its impact on corporate strategy (CS). While AI's role in operational tasks is well-documented, its adoption at the executive level remains underexplored. This study addresses this gap by examining the challenges, Human-AI Collaboration (HAIC) models, and best practices in the use of AI for strategic decision-making. Through a survey of 50 executives, our findings indicate that AI is predominantly used as a support tool rather than an autonomous decision-maker. The study tests several hypotheses, finding support for a positive relationship between corporate AI guidelines and AI adoption in EDM, while rejecting the hypothesis that strategic alignment of AI directly predicts perceived company performance. The primary challenges to adoption were identified as a lack of trust, concerns over data privacy, and unclear regulations. This research, with its limitations, still contributes to the literature by providing empirical evidence on the current state of AI in executive-level strategic processes and offers practical recommendations for organizations aiming to leverage AI for a competitive advantage.

Keywords: *Artificial Intelligence, Executive Decision-Making, Human-AI Collaboration, Corporate Strategy, AI Governance*

1. Introduction

Executive decision-making (EDM) and corporate strategy are undergoing a fundamental transformation due to use of artificial intelligence (AI). Organizations now have more opportunities than ever before to process vast volumes of data, identify complex patterns, and enhance their decision-making capabilities thanks to the widespread adoption of advanced AI-powered tools [1]. The integration of AI is revolutionizing strategic consulting by enabling unparalleled efficiency, tailored solutions, and data-backed insights; however, it also introduces challenges such as ethical concerns, inertia, and skills gaps [2]. Although artificial intelligence (AI) has proven helpful in enhancing operational effectiveness and risk assessment, its role in the complex and crucial area of executive decision-making remains a topic of debate. This transformation is accelerated by the development of large language models capable of learning from minimal examples, significantly enhancing their applicability in diverse strategic contexts [3].

The contemporary environment reveals a dichotomy: certain firms have completely adopted AI-driven initiatives, whereas others exercise caution, resulting in a gap between overreliance and underutilization [4]. This gap highlights a significant problem in optimizing AI's contributions while safeguarding the essential elements of human expertise and intuition [5]. Nevertheless, the increasing impact of AI, a universally recognized framework for efficiently utilizing Human-AI Collaboration (HAIC) in the development of corporate strategy (CS), remains absent.

This paper addresses the gap in the literature by exploring how executives currently utilize AI in strategic decision-making [1], the collaboration models they employ, and the challenges they encounter. The primary objective is to provide a guideline for organizations to enhance their decision-making processes through AI without marginalizing human contribution.

The central research questions guiding this paper are:

- **RQ1**: What are the key challenges organizations face in integrating AI into EDM?
- **RQ2**: What Human-AI Collaboration (HAIC) models influence EDM?
- **RQ3**: How does EDM affect CS?
- **RQ4**: What best practices can be established to optimize AI's role in strategic DM?

By answering these questions, this paper aims to provide a comprehensive overview of the current state of AI in executive decision-making and offer a framework for its effective and responsible integration.

2. Literature Review and Hypotheses Development

The fundamental basis of numerous advanced functionalities offered by artificial intelligence is rooted in deep learning. It supports the most transformative applications of generative AI, facilitating the creation of innovative data and insights that were previously impossible to achieve [6] and would have required human effort. For AI to be useful and efficient, governance of AI adoption is necessary, as well as education of human capital.

2.1 The Role of Governance in AI Adoption

Effective governance is consistently cited as a critical enabler for technology adoption within organizations. For AI, governance provides the necessary structure to manage risks, ensure ethical compliance, and build trust among users [7]. Machine Learning (ML) is particularly powerful in consulting for predictive modeling, analyzing historical data, seasonal trends, customer behavior, and market factors to deliver more accurate forecasts [2]. Industry reports, such as the PwC (2024) Global CEO Survey, reveal that while a majority of CEOs are pushing for AI adoption, they are simultaneously concerned about issues like cybersecurity and misinformation, which are fundamentally governance challenges. The presence of clear guidelines can mitigate these fears and provide a "safe" framework for experimentation and integration. When employees, and especially leaders, understand the rules of engagement with a new technology, they are more likely to adopt it. This suggests that a formal corporate stance on AI, even if general, is a prerequisite for its use in high-stakes domains, such as EDM.

H1: The presence of corporate AI guidelines is positively correlated with the use of AI in executive decision- making.

2.2 Human-AI Collaboration (HAIC) Models in Practice

The literature on HAIC proposes a spectrum of collaborative models, ranging from AI as a support tool to a fully autonomous agent [8]. However, research suggests that in complex, ambiguous environments, such as those involving strategic decision-making, humans are reluctant to relinquish full control. This reluctance is often compounded by the challenge of interpreting AI outputs, a domain where Natural Language Processing (NLP) provides the computational frameworks for machines to understand and generate human language, thereby making their reasoning more accessible [9].

Haesevoets et al. [10] argue that managerial decision-making benefits most from models where AI provides data-driven insights, but the human remains the final arbiter. This is because strategic decisions often require contextual awareness, ethical judgment, and an understanding of organizational culture—qualities that AI currently lacks. Therefore, it is expected that executives will use AI primarily to augment their own reasoning rather than to delegate the decision itself.

H2: Executives primarily use AI in a support-based role (e.g., as a support tool) rather than in a delegative role (e.g., as a direct advisor or autonomous decision-maker).

2.3 The Impact of AI on Strategic Alignment and Performance

A core principle of strategic management is that alignment among resources, actions, and corporate strategy results in enhanced organizational performance. AI, as a powerful technological resource, should be no exception. Mentzas et al. [11] argue that data-driven, collaborative human-AI decision-making is most effective when it is tightly integrated with strategic objectives. The theoretical underpinnings for this alignment are deeply rooted in statistical learning methods, which provide robust frameworks for identifying patterns and making data-driven predictions that, in principle, should enhance performance [12].

When AI tools are aligned with the company's strategy, they should, in theory, produce more relevant and impactful insights, leading to better decisions and, consequently, improved overall company performance. The perceived success of AI should therefore be linked to its strategic alignment.

H3: The alignment of AI-supported decision-making with corporate strategy is positively associated with perceived company performance.

2.4 The Practice of Validating AI and Its Effect on Outcomes

Trust remains a major barrier to AI adoption [5]. The "black box" problem, where AI's reasoning is not transparent, often leads to skepticism from users. A common behavioral response to this is to validate or "back-check" the technology's output. The McKinsey [13] report notes that only 27% of organizations carefully review AI- generated content, but suggests that this oversight is critical for mitigating risks, such as misinformation. This practice of validation, while adding a step to the process, can increase confidence in the final decision and may lead to the correction of erroneous AI suggestions, thereby improving the quality of the outcome and overall performance.

H4: Executives who back-check AI outputs report higher company performance compared to those who do not.

3. Methodology

This study employed a quantitative, exploratory research design using a structured survey. This approach was chosen to gather foundational data on a topic where empirical research is limited. This approach is consistent with established qualitative research methodologies, which are particularly well-suited for exploring complex and evolving phenomena, providing rich and in-depth insights into human experiences and perceptions [14].

A purposive sampling method was employed to target executives in C-suite positions (e.g., CEO, COO) and board members. This ensured that participants had direct involvement in EDM. A total of 50 responses were collected, with 30 from executives who confirmed using AI in their decision-making processes. The study's sample is composed of senior executives, with the largest group being CEOs (40%), followed by COOs (17%), Board Members (17%), CFOs (13%), and CTOs (13%). The respondents represent a diverse range of industries, with Manufacturing and Healthcare being the most prominent (20% each), followed by Finance and Energy (17% each). The majority of executives (73%) work in small to medium-sized enterprises with fewer than 500 employees, while 14% are from large corporations with over 5,000 employees. Geographically, the sample is predominantly European, with 60% of company headquarters located in Europe, followed by Asia-Pacific (20%), North America (10%), Latin America (7%), and the Middle East & Africa (3%).

The survey consisted of 20 closed-ended questions divided into five sections: (1) General Information, (2) AI Adoption in the Company, (3) Impact of AI on Decision-Making, (4) Challenges and Governance, and (5) Future Perspectives.

Data analysis was conducted using descriptive and inferential statistics. Descriptive statistics were used to summarize trends in AI adoption, tool usage, and applications. Inferential statistics, including Spearman's correlation, t-tests, and ANOVA, were used to test the developed hypotheses.

This process conforms to rigorous qualitative data analysis techniques, which rely on systematic coding and iterative refinement to identify meaningful patterns within textual data [15].

4. Results and Hypothesis Testing

This section presents the data analysis and the results of the hypothesis tests. The descriptive data shows that 53% of represented companies use AI partially. Of those using AI, 75% report an improvement in performance, as shown in Figure 1.

Figure 1 Use of AI in decision making

Participants reported using various AI tools (Figure 2), including those for supply chain automation, customer insights and marketing, and talent acquisition and HR analytics (Figure 3).

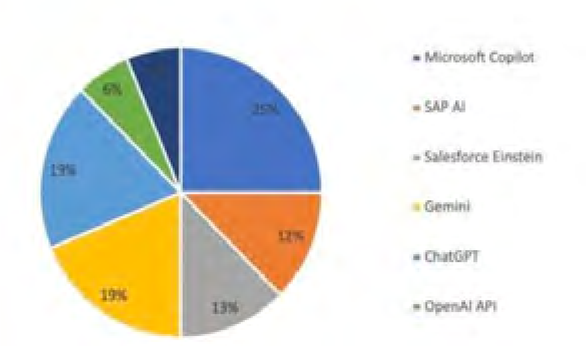

Figure 2 Used AI tools

Figure 3 AI application in decision-making

4.1 Hypothesis 1: Governance and Adoption

H1: *The presence of corporate AI guidelines is positively correlated with the use of AI in executive decision- making.*

A Spearman correlation was used to test the first hypothesis (Table 1).

		Corporation guideline for AI use	AI use in decision-making
Corporation guideline for AI use	Pearson's r	—	
	df	—	
	p-value	—	
AI use in decision-making	Pearson's r	0.548	—
	df	43	—
	p-value	< .001	—

Table 1 Spearman Correlation – Relationship Between AI Use in DM and Presence of Corporate AI Guidelines

The analysis revealed a strong, statistically significant positive correlation between the two variables, $r(43) = 0.548$, $p < .001$. This result indicates that companies where executives actively use AI in DM are significantly more likely to have formal guidelines in place for general AI usage. Thus, H1 is accepted.

4.2 Hypothesis 2: HAIC Model in Practice

H2: Executives primarily use AI in a support-based role rather than in a delegative role.

Descriptive analysis of the survey data shows that when asked about their primary use of AI, the vast majority of executive respondents selected "As a support tool." A descriptive analysis of how executives primarily use AI in their decision-making process is shown in Figure 4.

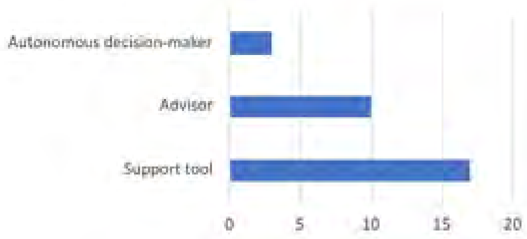

Figure 4 Primary Use of AI in the Decision-Making Process

This category received significantly more selections than "As a direct advisor" or "As an autonomous decision-maker." Specifically, the support tool role was chosen by over two-thirds of the executives using AI. H2 is accepted.

4.3 Hypothesis 3: Strategic Alignment and Performance

H3: The alignment of AI-supported decision-making with corporate strategy is positively associated with perceived company performance.

A one-way ANOVA was conducted to compare the perceived company performance between groups based on the level of AI alignment with corporate strategy. The first variable was measured as a dichotomous variable indicating yes or no. Company performance improvement was also measured as a binary variable indicating either an increase or no change in results. The results indicated no statistically significant difference in performance between the alignment groups, $F(1, 28) = 1.26$, $p = 0.27$ (Table 2). The mean difference in performance was negligible.

	Sum of Squares	df	Mean Square	F	p
Integration of AI into executive decision-making	0.311	1	0.311	1.26	0.270
Residuals	6.889	28	0.246		

Table 2 One-Way ANOVA – Effect of Strategic Alignment of AI on Perceived Company Performance

H3 is rejected. Within this sample, strategic alignment of AI does not reliably predict a higher perceived impact on company performance. Reasons could be identified in a small sample of participants.

4.4 Hypothesis 4: Validation and Performance

H4: Executives who back-check AI outputs report higher company performance compared to those who do not.

An independent samples t-test was used to compare the perceived company performance of executives who back-check AI outputs with those who do not. The analysis revealed a marginally non-significant difference, $t(25.2) = -2.03$, $p = 0.053$, as shown in Table 3.

Independent Samples T-Test

		Statistic	df	p
Company performance	Student's t	−1.91 [a]	28.0	0.067
	Welch's t	−2.03	25.2	0.053

Note. H_a $\mu_1 \neq \mu_0$

[a] Levene's test is significant ($p < .05$), suggesting a violation of the assumption of equal variances

Table 3 Independent Samples T-Test – Performance Comparison Between Executives Who Back-Check AI and Those Who Do Not

Although the result does not meet the conventional $p < .05$ threshold for statistical significance, the p-value is very close, suggesting a meaningful trend. Those executives who back-checked AI outputs tended to report better performance.

H4 is not statistically supported but shows a strong trend. The hypothesis is technically rejected based on the $p > .05$ criterion, but the result suggests a meaningful effect that may be confirmed with a larger sample size.

5. Discussion

This study examines the role of artificial intelligence in executive leadership. The support for H1 emphasizes the vital role of governance: having a corporate framework for AI promotes its use in high-stakes EDM settings, and vice versa. Yet, research also revealed a significant "governance gap," with no respondents reporting guidelines specific to executives. This indicates that current AI adoption relies on a general safety net rather than tailored regulations.

The acceptance of H2 aligns with the scholarly literature on HAIC, indicating that executives approach the use of AI with caution. They utilize it as an analytical "support tool" to enhance their decision-making, rather than entrusting strategic choices entirely to machines. This highlights both the current limitations of AI in understanding complex, non-quantifiable strategic elements and the fundamental need for human accountability in leadership.

The rejection of H3 is a particularly interesting finding. It suggests that, at this early stage of adoption, merely aligning AI with strategy does not guarantee a perceived performance boost. This could be due to several factors, including the partial integration of AI, a lack of mature processes for translating AI insights into actionable outcomes, or the possibility that executives perceive performance improvements (e.g., efficiency) that are independent of strategic alignment.

Finally, the strong trend supporting H4, while not statistically significant, points to a crucial best practice. The act of "back-checking" AI outputs appears linked to better outcomes. This reinforces the idea that the most effective current use of AI in EDM is not to trust it blindly, but to treat it as a "sparring partner"—a tool that can challenge assumptions and provide novel insights, which are then critically vetted by an experienced human decision-maker.

6. Conclusion and Recommendations

The existing literature consistently highlights AI as a transformative force in executive decision-making, offering unprecedented capabilities for data processing and insight generation. Effective AI governance, characterized by clear corporate guidelines, is identified as a crucial enabler for successful adoption and risk mitigation within organizations. Research on HAIC models indicates a prevalent preference among executives for AI to serve in a support-based role, augmenting human judgment rather than acting as an autonomous decision-maker. Despite its potential, the integration of AI faces significant challenges, including issues of trust, data privacy, and the inherent 'black box' nature of many AI systems.

Furthermore, the strategic alignment of AI with corporate objectives is posited as essential for realizing performance benefits, though empirical evidence in early adoption stages can vary. The practice of validating AI outputs has emerged as a critical best practice, fostering confidence and enhancing the quality of decisions. Overall, the literature underscores a nuanced landscape where AI's value is maximized through careful integration, robust governance, and

ISSN 2991-9371

a clear understanding of its collaborative potential. This evolving understanding forms the basis for practical recommendations that aim to optimize AI's role in strategic leadership.

This study provides valuable empirical evidence on the nascent integration of AI into executive decision-making. It demonstrates that while executives are beginning to leverage AI, its use is largely tactical and supportive in nature. The full strategic potential of AI remains untapped, primarily due to a significant governance gap and persistent challenges related to trust and transparency.

6.1 Contribution to the Field

This research contributes to the academic literature by moving beyond theoretical discussions to provide empirical data on how AI is being used in the C-suite. By testing specific hypotheses, it confirms the critical role of governance as an enabler of adoption and identifies the cautious, support-based HAIC models currently in practice. This study thus adds to a growing body of work examining how the consulting sector is leveraging AI and machine learning, signaling a transformative shift in industry practices and creating new opportunities for delivering enhanced client solutions [16].

6.2 Practical Implications and Recommendations

For organizations seeking to leverage AI for strategic advantage, this study offers several practical recommendations:

1. **Develop a Governance Framework for EDM**: Companies where executives actively use AI in DM are significantly more likely to have formal guidelines in place for general AI usage (H2 accepted). Avoid depending only on broad AI policies. Create specific, clear rules and guidelines for using AI in strategic decision-making. This framework should address data usage, ethical considerations, accountability, and validation protocols. This framework should not only address high-level strategy but also the tactical deployment of automation tools, ensuring that their use is strategic and drives measurable business value rather than just task completion [17].

2. **Promote a Culture of Critical Evaluation**: Even though H4 was not statistically significant, the strong trend observed suggests a meaningful effect and underscores the value of back-checking. Companies should encourage leaders to treat AI as a tool for augmentation, not replacement. Implementing processes that require the back-checking and validation of AI-generated insights before incorporating them into strategic decisions is also crucial [13], [5].

3. **Invest in AI Literacy for Leaders**: Executives primarily use AI in a support-based role (H2 accepted), which implies a need for leaders to understand how to best leverage this support. Providing training and tools to help executives understand the capabilities and limitations of AI should help. A leader who understands how an AI model works is better equipped to utilize it effectively and critically evaluate its outputs [4], [18].

4. **Prioritize Explainable AI (XAI)**: Trust remains a major barrier to AI adoption. When procuring or developing AI tools for strategic use, prioritize systems that offer transparency and explainability. This is fundamental to building trust and ensuring responsible use [17], [5].

6.3 Limitations and Future Research

This study has several limitations, including a small sample size and a reliance on self-reported data from a predominantly European context. Future research should aim to address these limitations by:

- Using a larger, more globally diverse sample to enhance generalizability and provide greater statistical power.
- Employing mixed-method approaches, including in-depth interviews and case studies, to gain deeper qualitative insights into the "why" behind the observed trends.
- Conducting longitudinal studies to track the evolution of AI in EDM as the technology and its surrounding governance mature.
- Further testing and refining HAIC models in real-world executive settings to identify optimal configurations for different strategic contexts.

As AI continues to evolve, its role in shaping corporate strategy will only grow. The organizations that succeed will be those that learn to harness their power not as a replacement for human intellect, but as a powerful collaborator in the art and science of decision-making.

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BYJU: From Initial Success to Near Bankruptcy

Claude Celich[1] and Adzra Aliyya Piranditya[2]

[1]International Institute in Geneva, Geneva, Switzerland, ccellich@iig.ch
[2] International Institute in Geneva, Geneva, Switzerland, piranditya@iig.ch

Abstract

This paper analyzes the phenomenal growth of an Indian EdTech start-up, BYJU and its equally spectacular downfall with allegations of mismanagement, financial misreporting and fund diversions. By adopting short-term solutions, including expensive acquisitions, and massive employee retrenchments, BYJU has failed to address the core problems plaguing its business. In 2024, India's federal government has launched an investigation into the finances of BYJU. The rise and fall of this EdTech start-up provide some important lessons which could serve as pointers for future start-ups especially those who are trying to navigate through the complex labyrinth of Indian financial and regulatory framework.

1. BYJU's Background

BYJU is an edtech startup in India founded by Byju Reveendran and his partner Divya Gokulnath, BYJU started from a humble background. Coming from a small village in Southern India, Byju Reveendran describes himself as "a teacher by choice, an engineer by training, and an entrepreneur by accident." With a passion for teaching and expertise in engineering, Byju Reveendran wants to make learning fun. Hence, he started turning his in-person education 'business" into an app launched in 2015.

As we learn from its website, BYJU aims to challenge the way traditional education works with "Fall in love with learning" as its business tagline. The growth of technology has made BYJU quickly popular as it offers personalized and gamified learning experiences for K-12 students (consisting of students from grades 1 to 12), as well as competitive exams preparations including JEE, NEET, CAT, GMAT, and GRE. The overall company's mission is to make quality education accessible to all.

Being the first unicorn in India in 2018, BYJU was crowned the most valuable company not only in the country but also in the world. Its rapid growth is manifested through its strategic acquisitions to expand the company's reach into a global audience including a U.S.-based educational games company called Osmo in 2019 and a Mumbai-based coding startup namely White Hat Jr. in 2020. The initial success of BYJU is also credited to five hundred strong personnel in R&D and celebrity endorsements involving a renowned Indian actor, Shah Rukh Khan, and a famous Argentinian footballer, Lionel Messi [1]. Not to mention, some of its learning products also feature Disney, which kids love [2].

Although BYJU has reached its peak success valued at $22bn, especially during the pandemic when everyone was forced to do social distancing and it acts as a 'business leverage' for an educational technology business, BYJU has faced several challenges that impact its valuation. By 2025, the value of BYJU was worth about $1bn. Researchers argue that things attributed to the company's fall are financial mismanagement, legal challenges, and leadership issues which then led to negative public perception [3,4]. The reasons for BYJU's success and failure as well as the lessons learned from the company's trajectory are analyzed in the following sections.

2. Reasons for BYJU's Growth

The initial success of BYJU is attributed to the mix of innovations, strategic acquisitions, as well as a good market opportunity to leverage.

2.1 Innovative Technology

The involvement of technology in educational settings has been a subject of research since the 1980s. The research by Garrison [5] has stated that the innovations reflected in technology translate to more interactive and independent learning. Present times have proven the fact that no one can seem to get away from their gadgets, making the revolutionary innovation to include technology in educational circles a necessity. The shortages of traditional classroom settings in providing immediate access, faster evaluations, and more engagement are a few missing gaps that technology can fill when used properly. Keeping in mind the UN's SDGs 2030, technology has been serving as a valuable tool to ensure the inclusivity of education serving not only as an information provider but also as a mentor and assessor [6].

The current products of technology innovations including artificial intelligence, gamification, and personalized learning have been leveraged by BYJU to produce its business products [7,8]. As one of the leaders in the ed-tech sector in India, BYJU has been transferring educational content through interactive animated videos with adaptive learning techniques in the curriculum. Gamification elements such as rewards that are earned from quizzes further add to the motivation of children to engage with this learning platform. The most important factor that technology provides is the personalization of not only the content but also the pace of learning of everyone. Collectively, this has contributed to the success of BYJU, aligning with their tagline and business purposes which is to make children “Fall in love with learning”. Facing a drop in demand for its product, BYJU management lost sight of its original focus and strategy. As a result, learning was no longer fun but became more expensive

2.2 Strategic Acquisitions

Another aspect that has contributed to the growth of BYJU is its strategic acquisitions. If done well, strategic acquisitions function as an important investment for growth and expansion as they allow businesses to enter new markets as well as gaining efficiencies by reducing redundancies. Moreover, acquisitions can also benefit businesses financially as not only wealth is being shared among the shareholders but also the risk [9]. In the early years of BYJU’s development, it acquired Osmo in 2019 for $120 million and integrated Osmo’s expertise in blending physical and digital learning. Osmo has helped BYJU in applying reality-based educational games as well as appealing its product in the US market. In addition, WhiteHat Jr. was also acquired in 2020 for $300 million where the specialization of WhiteHat Jr. is used to build a pedagogy of coding classes for children. This enabled BYJU to capitalize on the rising demand for STEM education [7]. Other acquisitions have also been made to diversify BYJU’s offering and strengthen its presence in the global market with Great Learning Pvt. Ltd., Epic, and TutorVista, Edurite from Pearson.

2.3 Market Opportunity

The market opportunity that is present due to India’s demographic and the COVID-19 pandemic has further increased the success story of BYJU. Now being the most populated country in the world with more than 1.4 billion people, India has a massive education network being the home of 1.49 million schools, 9.5 million teachers, and 256 million students. The internet penetration has reached more than 900 million active users as well [8].

In addition to that, the pandemic has forced a transformation of every in-person activity into remote activities including education. COVID-19 has made a significant shift in the future of education through a potential hybrid highlighting the importance of technology infrastructure [10]. The success of BYJU is living proof that the leverage of market opportunities is important for success, proven by the fact that BYJU managed to attract investment leading to its peak success in 2022 with a valuation of $22 bn.

The rise of BYJU has been credited to the combination of technology innovation, strategic acquisitions, and market opportunities. The use of celebrity endorsement also plays a huge role in BYJU’s case. However, some of the reasons behind BYJU’s success are also the reasons for its fall are be covered in the next section.

3. Reasons for BYJU's Fall

When it comes to start-ups, there is no such thing as success without hurdles. In BYJU's case, for example, the struggles are due to factors including internal challenges, financial mismanagement, shifting market situation, and negative brand image caused by the dissatisfaction from consumers.

3.1 Leadership Instability

The probable root cause of BYJU's fall lies in the leadership instability affecting its strategic direction and operational efficiency. The high turnover within the leadership positions has led BYJU's direction to become unsustainable as new leaders came with new visions, priorities, and management styles. [4]. Sinha [11] stated that although leadership cuts and reshuffles could indeed help bring new and fresh perspectives, this should be done with thorough consideration and commitment to undergo the plan sustainably. In addition, stakeholders need to be onboard and consulted to ensure that leadership changes are made through consensus.

The frequent leadership shift has also created challenges within the hiring and talent allocation of the company. BYJU's rapid growth has led to hiring too many people. However, the aggressiveness in hiring lacked planning and alignment with organizational priorities. Overstaffing has occurred in areas that were not critical to the company such as marketing and sales. Key departments, including product development and IT, were considered underdeveloped which led to inadequate development within its curriculum design, content, and platform optimization [4,11].

3.2 Financial Mismanagement

The instability within the company's leadership has impacted on some other performances including financial mismanagement. In 2023 alone, three board members resigned and this has highlighted a significant internal governance problem that has eroded the confidence of investors. The 18-month delay in financial reporting has also highlighted serious internal governance issues. These delays not only led to the withdrawal of its auditor, Deloitte Haskins and Sells, but also raised concern about BYJU's commitment to comply with financial reporting transparency regulation [7]. A comparable situation took place with Luckin Coffee in China when Ernest &Young Hua Ming external auditors did not audit the 2019 financial statements as they found fabricated revenues and expenses reported for that period. [12].

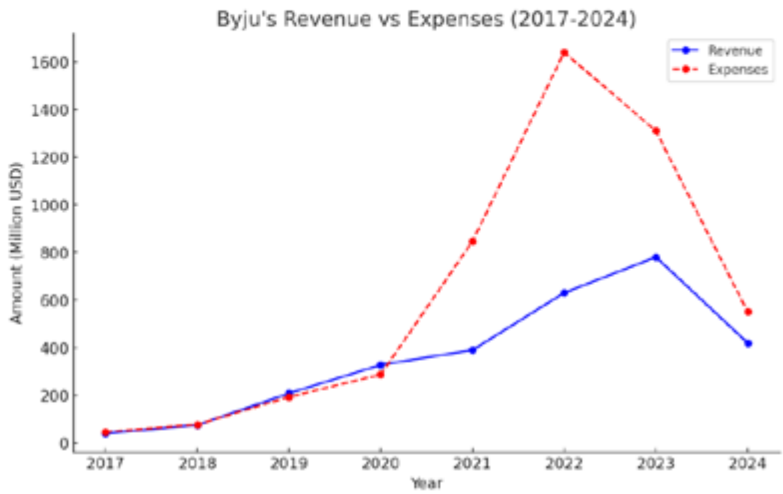

Figure 1 Revenue and Expense comparison of BYJU

Another aspect of the company's financial mismanagement can be attributed to its aggressive expansion strategies and conflict with its creditors as it led to $1.2 billion in loans. Combining available sources online regarding BYJU's revenue and expenses. The financial situation, where expenses grew faster than revenue were of great concern to creditors and investors. as per Figure 1.

BYJU's aggressive expansion strategies and overreliance on the use of high-paying celebrity endorsements such as Lionel Messi and Shah Rukh Khan and sponsoring the FIFA World Cup is another financial mismanagement of BYJU that led to its fall as it might diverted these funds from crucial aspects such as research and development initiatives leading to a lack of product refinement [4,7,13]. The reason for this failure is probably because neither Messi nor Shah Rukh Khan best represents BYJU as an educational platform. Given the fact that one is a football player and the other is a senior actor it raises the question why they have them as brand ambassadors. In addition, sponsoring the 2022 FIFA World Cup for $40 million and the Indian cricket team jerseys did not improve BYJU brand image. As mentioned in Freire et al. [14] research, the decision process in deciding celebrities to endorse a company's product should not be taken lightly as congruence matters. This means that the celebrity's persona should align with the brand's values and a mismatch in these aspects can dilute the brand message that could reduce its impact on target consumers. Especially, when high-profile celebrities are involved that need a high financial investment, which might risk the proportionality of ROI. Unfortunately for BYJU, this risk is true as the ROI is not 'proportional' to the investment made in hiring expensive celebrities. A more appropriate endorsement could have been a former minister of education or a well-known author of books on education. These choices would have been less expensive and more credible. For example, the startup On Running, the producer of athletic shoes, benefitted from the investment of Roger Federer, the former number one tennis player. Not only did he invest in the firm but wore shoes during his matches [15]. This was a perfect combination between the product and him. The endorsement of celebrities can bring credibility and visibility to a firm, provided it is well managed. A recent bankruptcy by

ISSN 2991-9371

Prime Energy, a Swiss startup specializing in renewable source of energy had Bertrand Picard as an investor and ambassador of the firm [16]. Mr. Picard is well known for being an advocate of clean energy. In 2016, he made headlines for having flown around the world in an airplane powered by solar energy. Financial mismanagement by senior management investing in real estate than in green energy due to better yield has led the firm to bankruptcy causing many investors to lose their savings and possibly legal action.

3.3 Marketing Strategies

BYJU aggressive sales tactic is not only reflected through the company's advertising strategy in the use of high-paying celebrities but also its sales team's aggressive methods often through creating fears for parents that their children will fail without BYJU. These tactics include persistent follow-ups, selling high promises, as well as coercing low-income families into purchasing expensive multi-year packages. Some consumers also reported that they were signed up for loans...without their knowledge and full disclosure [8].

The tactics of selling high promises might not be a problem if the promises are indeed being delivered. However, BYJU's consumers claimed their dissatisfaction with the experiences of signing up for and using BYJU's products [4]. Surveys revealed that many users felt deceived as there was a lack of value for the high costs they needed to spend [8]. This has then led to the negative brand image of BYJU.

The growing dissatisfaction has not only been well documented in several online articles and research papers but also through a movie entitled Vettaiyan. The plot of the movie follows one of the characters, played by Rajinikanth, who encounters fraudulent activities within the online education industry. While the movie itself did not mention BYJU directly in any sense, many were quick to pick up that the controversies within the movie regarding issues of fraud in the educational sector were linked to BYJU [17].

3.4 Market Situations

As mentioned in the previous section, one of the reasons for BYJU's rise is the market opportunity presented by COVID-19. However, with the introduction of vaccines, COVID-19 came under control. schools reopened and traditional learning models resumed, changing the market significantly, presenting a challenge for edtech companies. The sharp decline in demand shows the overreliance on BYJU's pandemic-driven growth. This case aligns with the insights from the Balanced Scorecard framework, which warns against overreliance on external trends neglecting long-term operational stability [18].

4. Strategic Measures and Business Model Evolution

To respond to the challenges mentioned, particularly in the financial aspects, BYJU has implemented several strategic measures aimed at restoring profit and ensuring sustainable growth over the long-term. BYJU has undertaken significant cross-cutting initiatives, including the closure of some of its tuition centers, transitioning it into a hybrid learning mode and cutting its expenses [19]. The cross-cutting initiatives also affected a considerable number of staff [20].

BYJU is currently emphasizing the integration of digital and physical learning experiences to balance the pandemic and post-pandemic effects. The company, as seen in an interview with FOX Business, is introducing BYJU's WIZ, AI-powered model featuring BADRI, MathGPT, and TeacherGPT that ensures hyper-personalized learning experiences [21]. This can be seen as a step to empower the previously mentioned critical division including IT and product development. Furthermore, BYJU has reshaped its focus into its core markets which are K-12 education and test preparation [20].

The remaining challenges, however, lie in its debt restructuring. While initially, BYJU has tried to renegotiate with its lenders to resolve the $1.2 Billion dollar issue. This case has led to ongoing legal battles as BYJU failed to meet its obligations as stipulated in the agreement. As of 2024, the US branch of BYJU received the approval to borrow $9.5 million for bankruptcy proceedings [22].

5. Conclusion

The conclusions are based on secondary sources. The study could have befitted from primary data collected from surveys or interviews with students who utilized BYJU's services. However, this approach was beyond the scope of this paper. Despite the absence of such data, presenting the insights within a structured analytical framework can enhance the clarity and persuasiveness of the conclusions. BYJU's Unique Selling Proposition (USP) – "Fall in love with learning"-was grounded in delivering course content and pedagogical methods that were user-friendly and simplified the comprehension of rigorous academic concepts. Consequently, during the organization's rapid expansion phase, every strategic and operational decision- including those related to production, marketing, finance, should have been consistently aligned with reinforcing this core USP. However, this alignment seems to have failed. Therefore, the analytical framework should examine the extent to which key management principles were cohesively integrated and upheld during the expansion of this once- successful startup. The misalignment of management principles can be seen in the following conclusions:

- The development of suitable technical materials lagged the demands of the expanded course offerings and the broader reach of the program.

- The choice of celebrities for marketing campaigns was misaligned with the ethos of an EdTech enterprise, particularly in the Indian context. Rather than enhancing the brand image, such endorsements risked undermining the perceived academic rigor of the curriculum, potentially leading audiences to question its effectiveness in preparing students for highly competitive examinations like JEE, NEET or GMAT. A more strategic approach would have involved leveraging the credibility of respected academicians to reinforce the quality of the courses being offered

- The leadership and financial management dimensions warrant deeper exploration to highlight misalignments. For instance, the adoption of centralized control structures may have limited responsiveness to the diverse needs of specific courses and regional markets where a more decentralized leadership model could have hindered optimal resource allocation for critical areas such as the development of technical content and targeted marketing initiatives.

- During its phenomenal expansion, BYJU appears to have lost its primary mission by adopting a business model that gave priority to fund raising capital rather than developing educational products that generate revenue.

6. Implications

The conclusions based on this startup reflect partially the experience of thousands of new enterprises operating globally. The journey taken by BYJU offers a window of opportunity to future entrepreneurs to avoid costly mistakes in the early development phase. It is well documented that 80 to 90% of new startups do not survive after 5 years of operations. As described in this paper, there is no short cut to success. Only effective management, a well-designed product that is no threat to competition, meets customer expectations over the long term and coincides with society's concerns with climate change, low carbon emission and sustainability can lead startups to succeed. The endorsement of world celebrities to promote the product can be a competitive advantage provided the person and product is well aligned

This case study enriches the collection of existing cases enabling academicians to have a deeper understanding of the difficulties startups face in the initial phase as well as developing practical

guidelines for future entrepreneurs to avoid expensive mistakes

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AI, Digitalization, and Sustainability in Economic and Applied Innovation

SESSION CHAIR:

Karmela Aleksić-Maslać

What Shapes Competitiveness? Evidence from 4,028 Asian Manufacturing Firms with ESG and AI Insights

Alimshan Faizulayev[1], Gulnura Taikulakova[2], Olga Verbovaya[2], Gauhar Bazarhanova[2] and Laura Bayadilova[2]

[1]Bang College of Business, Kimep University, Almaty, Kazakhstan, a.fazulayev@kimep.kz
[2]Almaty Management University, Kazakhstan

Abstract

This study examines the factors influencing firm competitiveness by integrating firm-specific and ma-croeconomic variables, with a focus on ESG (Environmental, Social, and Governance) indicators and arti-ficial intelligence (AI) proxies. Using panel data from 4,028 manufacturing firms in Asia over the period 2014–2024, we employ Boone indicator as the sole measure of competitiveness. The analysis is conducted through ordinary least squares (OLS), complemented by diagnostic testing for multicollinearity. The re-sults indicate that liquidity, firm size, efficiency, and ESG dimensions exert significant effects on ROE. Furthermore, AI-related imports and environmental tax revenues are associated with enhanced efficiency and competitiveness. Incorporating ESG variables improves the robustness and explanatory power of the models. By extending the RBV framework, this research offers fresh insights into the strategic role of ESG and digital transformation, while also providing policy implications for strengthening sustainable competitiveness and firm performance in emerging economies.

Keywords: *Manufacturing firms, ESG, AI, Boone Indicator, NEOI.*

1. Introduction

The industrial sector has long served as a cornerstone of economic growth and structural transformation across Asia. Manufacturing firms in East Asia's export-oriented economies, as well as those in the developing markets of Southeast and Central Asia, now operate in an increasingly complex and competitive global environment. Traditional drivers of compe-titiveness—such as low labor costs and economies of scale—have in recent years been complemented, and in some cases replaced, by sustainability performance, technological

ISSN 2991-9371

innovation, and resilience to macroeconomic shocks. Within this evolving context, Environmental, Social, and Governance (ESG) practices, together with the integration of Artificial Intelligence (AI), have become central to shaping strategic competitiveness and sustainable value creation [1,2].

In Asia, ESG and AI have shifted from being peripheral issues to becoming essential pillars of industrial strategy and policy. Pressure to align with global sustainability standards is intensifying, both to maintain access to international markets and to address pressing environmental and social challenges in the region (UNESCAP, 2020). Countries such as China, South Korea, and Singapore have already adopt-ed mandatory ESG disclosure regimes, while others—such as Indonesia, Vietnam, and Kazakhstan—are embedding ESG and digitalization into their national development priorities [3]. At the same time, AI technologies are transforming manufacturing value chains by enhancing predictive maintenance, quality control, and supply chain management. Beyond cost reduction and efficiency gains, these technologies enable better ESG monitoring and reporting [4], thereby strengthening long-term competitiveness and improving firms' attractiveness to global investors [5].

Firm-level competitiveness remains a decisive factor in shaping Asia's economic trajectory. Manufacturing not only supports exports and technology diffusion but also generates employment and industrial upgrading [6]. In rapidly growing economies such as India, Bangladesh, and Vietnam, the sector is vital for job creation and poverty reduction, whereas in advanced economies like Japan and South Korea, it drives innovation and global value chain integration [7]. The United Nations Industrial Development Organization (UNIDO) identifies competitive manufacturing as critical to sustainable development, given its role in enhancing productivity, attracting foreign direct investment, and diversifying economies. As global supply chains adapt to shifting geopolitical and technological realities, maintaining competitiveness will be essential for economic resilience and inclusive growth across Asia [8].

Despite its strategic importance, there remain substantial gaps in the empirical literature on the drivers of firm-level competitiveness in Asia's manufacturing industries. Existing studies often examine ESG or innovation in isolation, rarely addressing their combined or interactive effects [9]. Moreover, research tends to focus on multinational corporations or large firms in East Asia, leaving small and medium-sized enterprises (SMEs)—which form the backbone of manufacturing in South and Central Asia—underrepresented [10].

To address these gaps, this study provides a comprehensive empirical analysis of firm competitive-ness using the Boone indicator, with a novel integration of ESG variables and AI proxies. Unlike prior research grounded solely in Structure–Conduct–Performance (SCP) or Resource-Based View (RBV) perspectives, this study extends the New Empirical Industrial Organization (NEIO) framework by incorporating sustainability and digital transformation into the assessment of competitive dynamics across emerging Asian economies. Drawing on more than 36,000 observations from 4,028 manufacturing firms over the period 2014–2024, the analysis introduces new explanatory variables—such as environmental tax revenues, pension costs, and ICT-related imports—while employing ordinary least squares (OLS) estimation with multicollinearity diagnostics. This approach sheds light on how ESG and AI adoption shape firm-level competitiveness, offering a more integrated understanding of industrial transformation in the post-pandemic era.

The guiding research questions are:

1. What conceptual approaches and programs related to industrial competitiveness in Asia are dis-cussed in the current literature?

2. To what extent have Asian economies adopted ESG and AI, and how do these factors influence the competitiveness of manufacturing firms?

3. In the face of global turbulence, which macroeconomic and industry-specific factors can be systematically analyzed alongside sustainability and technological drivers?

4. What institutional and empirical gaps persist, creating barriers to the advancement of Asian industry?

The overarching objective is to establish a theoretical and empirical foundation that supports future research, informs industrial policy, and provides actionable insights for academics, policymakers, and industry leaders seeking to foster sustainable competitiveness across Asia.

2. Literature Review: Factors Determining Competition in Asian Manufacturing Firms

Despite its frequent use, competitiveness still lacks a single definition. Porter [11] notes the term's complexity and argues that national advantage stems from competitive industries, while firm advantage reflects how businesses interact with their environment to create value. Others frame it as an organization's capacity to secure and sustain advantage in its socio-economic context [12] or to maintain high incomes and efficient resource use under global rivalry (OECD). At the firm level, it commonly im-plies the ability to grow, compete, and consistently meet open-market standards to expand market share [13].

Volatile global conditions, technological disruption, and rising sustainability expectations are reshaping Asian manufacturing. Traditional cost and scale advantages are no longer sufficient; resilience, ESG practices, and digital capabilities—especially AI—are increasingly decisive [2,14] (UNESCAP, 2023). Advanced ecosystems in East and Southeast Asia have integrated ESG and AI, while many Central Asian economies face structural constraints that slow convergence despite strong resource endowments.

Empirical work on competition uses econometric tools such as OLS and panel FE/RE to control for unobserved heterogeneity [15-17]. Within the NEIO tradition, the Boone indicator links firms' cost efficiency to market shares: more negative coefficients imply stronger competition, as efficient firms gain disproportionately. This behavioral measure has been applied across manufacturing and banking sectors [17,18].

ISSN 2991-9371

Theories highlight different levers: classical views stress capital and trade; Keynesian views empha-size investment and public spending; endogenous growth underscores R&D and innovation [19]. Industrial organization focuses on entry barriers, scale, differentiation, and concentration [20,21], while modern IO recognizes firm strategy alongside market structure [22]. Micro factors (size, liquidity, cost efficiency, taxation) interact with macro conditions (GDP growth, inflation, interest rates, institutions) to shape outcomes [23-26].

ESG adoption supports sustainable advantage through better risk management, lower costs of capital, and operational efficiencies [5,27]. AI complements this by enabling predictive maintenance, quality control, supply-chain optimization, and stronger ESG measurement/reporting [28,29]. Yet Central Asia's progress is constrained by infrastructure, investment, and skills gaps [30] (UNESCAP, 2023).

Bottom line: A competitiveness lens for Asian manufacturing today must integrate firm capabilities with macro conditions and, critically, the combined influence of ESG and AI—best captured through behavioral measures like the Boone indicator within the NEIO framework.

3. Data and Methodology

The main objective of this study is to examine the determinants of competitive intensity in Asian manufacturing, with particular attention to firm-level characteristics and macroeconomic variables, including ESG components and oil price volatility. To capture these relationships, we apply an ordinary least squares (OLS) framework.

OLS provides unbiased and consistent parameter estimates under the assumption of exogeneity, where the expected error term is zero and uncorrelated with the explanatory variables:

$E(u|X) = 0$ and $\mathrm{cov}(x, u) = 0$.

If these conditions are violated, the estimates may become biased. To address this risk, we conduct-ed diagnostic checks for multicollinearity using the variance inflation factor (VIF).

Two model specifications are employed: the first incorporates ESG variables among the regressors, while the second excludes them. This comparative design allows us to assess the extent to which ESG factors, alongside traditional firm-level and macroeconomic variables, influence competitiveness in the industrial sector.

3.1 Econometric model

We first estimated a static panel data model using fixed effects (FE) and random effects (RE) methodology. However, due to the potential endogeneity issues outlined above, we do not present its re-sults because they suffer from bias and inconsistency [31]. For details and descriptions of the variables, see Table 1. The general static model is defined as follows:

WITH ESG practices:

BOONE ict = $\alpha + \beta 1$ Firm Specificict + $\beta 2$ AIict + $\beta 3$ Macro ict + γ ESG ict + ε ICT

WITHOUT ESG practices:

BOONE ict = $\alpha + \beta 1$Firm Specificict + $\beta 2$ AIict + $\beta 3$Macro ict + ε ict

where,

BOONE ict reflects the level of competitiveness of the company i at time t in country c.

Firm Specific ict = characteristics of firm i at the company level at time t in country c.

Macro ict = macroeconomic conditions of firm i at time t in country c.

AI ict = indicates the degree of implementation of artificial intelligence by firm I at time t in country c.

ESG ict = ESG composite index or individual ESG factors (environment, society, governance)

β, γ = coefficients of variables of firm i at time t in country c.

ε ict = Error.

4. Results

The descriptive statistics in table 1 provide an overview of the main variables used in the analysis. The Boone indicator, our measure of competitiveness, shows a mean close to zero with limited variation, suggesting moderate competitive intensity across firms. Firm-level indicators such as liquidity, size, and efficiency display wide ranges, reflecting the heterogeneity of manufacturing enterprises in the sample. At the macro level, variables like unemployment, energy intensity, government effectiveness, and environmental indicators also exhibit significant variation, highlighting diverse economic and institutional contexts. This initial exploration sets the foundation for moving to the correlation analysis, which helps identify the relationships between these variables before discussing the main regression results.

The regression results in table 2 show the determinants of competitiveness (Boone indicator) across Asian manufacturing firms. Liquidity and size have significant negative effects, indicating that higher liquidity and larger firms are associated with weaker competitiveness. Efficiency, although correctly signed, is statistically insignificant. ROA exerts a strong negative effect, while ROE has a significant positive impact. Dividends and GDP growth are insignificant, but R&D expenditures positively and strongly influence competitiveness. ICT goods imports have no meaningful effect, while unemployment is insignificant. By contrast, energy intensity, government effectiveness, and environmental tax revenues all negatively affect competitiveness, suggesting that higher energy use, weaker governance, and heavier environmental taxation reduce firms' relative efficiency in the market.

At the model level, the within R^2 of 0.35 indicates a reasonable explanatory power for firm-level variation, while the significant F-statistic confirms overall model fitness. This ESG-inclusive model highlights the role of both firm-specific and sustainability-related factors in shaping competitiveness. Comparison with the model excluding ESG variables will allow us to evaluate the additional explanatory contribution of ESG integration.

Variable	Obs	Mean	Std. Dev.	Min	Max
Boone	36,159	-.0024101	.0244639	-.2585471	1.413383
Liquidy	36,367	7.336952	377.8526	0	65581.35
Size	36,382	8.206992	.7965076	0	11.61177
Efficiency	36,392	758.4639	138843	-45441.5	2.65e+07
ROA	36,382	-.5935554	103.9846	-19550	919.042
ROE	36,404	.0260514	9.182092	-1259.254	1151.328
DividendsP~o	19,375	.9306271	11.1156	0	1151.48
RDExpnPerc~v	22,030	.0481622	.3986553	0	35.75531
GDPgrowtha~l	33,443	3.595823	3.487812	-54.3	75.1
ICTgoodsim~s	28,939	22.0465	10.4367	0	57.5
Unemployme~l	33,050	3.603943	1.240014	.6	16.2
Energyinte~r	21,884	4.99422	1.486002	1.7	9.5
Government~a	27,600	.8747609	.6127206	-1.3	2.3
Environmen~e	20,441	.7799765	.3982334	0	2.67

Table 1 Descriptive Statistics

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```
Fixed-effects (within) regression               Number of obs     =      7,443
Group variable: ID                              Number of groups  =      1,772

R-sq:                                           Obs per group:
     within  = 0.3539                                         min =          1
     between = 0.0127                                         avg =        4.2
     overall = 0.0065                                         max =          7

                                                F(15,5656)        =     206.58
corr(u_i, Xb)  = -0.8469                        Prob > F          =     0.0000
```

Boone	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Liquidy	-.0002864	.0000579	-4.94	0.000	-.0004	-.0001729
Size	-.005428	.000609	-8.91	0.000	-.006622	-.0042341
Efficiency	2.13e-07	2.18e-07	0.98	0.327	-2.13e-07	6.40e-07
ROA	-.0342221	.0007836	-43.67	0.000	-.0357583	-.0326859
ROE	.0051914	.0001463	35.48	0.000	.0049045	.0054783
DividendsPercentageofCashFlo	3.74e-06	3.96e-06	0.94	0.345	-4.02e-06	.0000115
RDExpnPercentageofTotalRev	.1246496	.0052886	23.57	0.000	.114282	.1350173
GDPgrowthannual	.0001061	.0001618	0.66	0.512	-.0002112	.0004233
ICTgoodsimportstotalgoods	.0000917	.0002518	0.36	0.716	-.000402	.0005853
Unemploymenttotaloftotal	-.0000129	.0003923	-0.03	0.974	-.000782	.0007562
Energyintensitylevelofprimar	.0019955	.0005241	3.81	0.000	.0009681	.0030229
GovernmentEffectivenessEstima	-.0030656	.0012502	-2.45	0.014	-.0055165	-.0006147
Environmentallyrelatedtaxreve	-.0069635	.0036047	-1.93	0.053	-.0140301	.0001032
_IYears_2020	-.0004941	.0010354	-0.48	0.633	-.0025239	.0015358
_IYears_2021	-.0016808	.000407	-4.13	0.000	-.0024787	-.0008829
_cons	.0363348	.0069827	5.20	0.000	.0226461	.0500235
sigma_u	.01325006					
sigma_e	.00416266					
rho	.91016871	(fraction of variance due to u_i)				

```
F test that all u_i=0: F(1771, 5656) = 5.49                 Prob > F = 0.0000
```

Table 2 Main results with ESG factors

Under the model without ESG, liquidity and size both have significant negative effects on the Boone indicator, meaning that firms with greater liquidity and larger size tend to face weaker competitive pres-sure. Efficiency shows a positive but insignificant effect, suggesting little role in shaping competitiveness. ROA has a strong negative effect, while ROE is positive and highly significant, implying that profitability through returns enhances competitiveness, but accounting performance reduces it. Dividends and GDP growth remain insignificant, while R&D expenditures show a strong positive impact, confirming innovati-on as a key driver. ICT imports are also positive and significant, highlighting the role of digitalization in strengthening competitiveness. Environmental tax revenues, even without the broader ESG framework, exert a negative effect, suggesting regulatory burdens can weaken firms' efficiency. Finally, the negative coefficients for the 2020 and 2021 dummies capture the disruptive impact of the pandemic years on com-petitive intensity.

Comparing the two models shows that the core firm-level determinants of competitiveness—liquidity, size, ROA, ROE, and R&D—remain consistent across both specifications, which is in line with RBV the-ory since internal resources such as innovation and capital structure clearly shape competitive outcomes. In the model without ESG, ICT imports emerge as significant, suggesting that digital resources strengthen competitiveness. However, once ESG factors are introduced, ICT loses significance and the explanatory weight shifts toward sustainability-

ISSN 2991-9371

related variables such as energy intensity, government effectiveness, and environmental taxation, all of which show negative effects. This indicates that while RBV holds in highlighting the importance of firm-specific resources, the ESG-inclusive model demonstrates that external institutional and sustainability pressures also critically shape competitiveness. Thus, RBV partially holds—innovation and internal financial drivers matter—but it is insufficient alone, and must be comple-mented by broader frameworks (e.g., NEIO, sustainability theories) to fully capture competitive dynamics in today's industrial environment.

5. Conclusion and Practical Implications

This study examined the determinants of competitive intensity in Asian manufacturing, with and without ESG variables, using the Boone indicator as the main measure. The results show that firm-level factors such as liquidity, size, ROA, ROE, and R&D consistently drive competitiveness, supporting the Re-source-Based View (RBV) in highlighting the role of internal resources. However, when ESG variables are introduced, external factors—energy intensity, government effectiveness, and environmental taxa-tion—become significant, while ICT loses explanatory power. This indicates that competitiveness is shaped not only by firm-specific capabilities but also by broader institutional and sustainability conditions.

From a practical perspective, the findings suggest that managers should not rely solely on financial and operational resources but also invest in sustainable practices and efficient resource management to main-tain competitiveness. Policymakers, in turn, should balance regulatory measures such as environmental taxes with supportive policies that incentivize green innovation, digitalization, and governance improve-ments. Strengthening ESG frameworks can therefore enhance both firm-level competitiveness and broad-er industrial resilience in Asia. For emerging economies, especially in Central Asia, fostering R&D capaci-ty, reducing energy intensity, and aligning with global sustainability standards are crucial steps toward building sustainable competitive advantages in increasingly turbulent global markets.

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Research and Development and Education impact in Economic Transformation

But Dedaj[1], Luljeta Aliu Mulaj[2]

[1]University of Prishtina "Hasan Prishtina", Prishtina, Kosovo, but.dedaj@uni-pr.eduCity
[2]College "Pheter Budi", Prishtina, Kosovo, aliu.lule@gmail.com

Abstract

Purpose: Education, Research and Development (R&D), and Information and Communication Technology (ICT) have emerged as crucial determinants of economic progress in the modern era. This research focuses on the economic transformation by examining the percentage of employees and its shift in the three economic sectors: agriculture, industry, and service sector.

Design/ Methodology: The study includes a diverse set of countries, totaling 30 countries, which are categorized into three groups consisting of 10 countries sharing a common classification. The model used for data analysis- Structural Equation Model, fit well and the results of the analysis show a relation among theoretical part and data analysis.

Findings: R&D, ICT and education plays a crucial role in shaping employment distribution across sectors and driving economic transformation. As economies evolve, labor is increasingly concentrated in the service sector, while agriculture is gradually diminishing in terms of both employment and its contribution to output. In contrast, the industrial sector is experiencing changes at a slower rate compared to these sectors, suggesting a more gradual transformation in its role within the economy.

Originality: The study enhances the existing knowledge in role of R&D, digitalization, and education in the economic transformation.

Keywords: *Economic Structural Change, Economic Transformation, R&D, Education, Information and Communication Technology.*

1. Introduction

Economic transformation has become evident in nearly all countries worldwide, particularly in recent decades. Economic structural changes analysis highlights various factors contributing to these changes, including the rapid advancement of Information and Communication Technology (ICT), education, investments in Research and Development (R&D), and innovation.

Economic structure refers to the composition and distribution of economic activities within an economy. It represents the relative contribution of different sectors, such as agriculture, industry, and services, to the overall Gross Domestic Product (GDP) of a country. By examining the economic structure, analysts can gain insights into the sectoral dynamics, resource allocation, and the overall productive capacity of an economy. Changes in the economic structure can indicate shifts in the relative importance and performance of different sectors, reflecting the evolving nature of economic activity.

On the other hand, the economic structure of the population pertains to the distribution of employment and workforce across various economic sectors. It provides information about the percentage and number of individuals engaged in agriculture, industry, and services. By studying the economic structure of the population, researchers can assess the labor market dynamics, employment trends, and the sectoral distribution of jobs within a country. Understanding the economic structure of the population is crucial for policymakers, as it helps identify areas of potential job growth, skill requirements, and the need for labor market interventions and policies.Both the economic structure and the economic structure of the population are important aspects of analyzing and understanding an economy's composition, performance, and potential for growth and development.

The objective of the research is to measure the impact of education, R&D and Information and Communication Technology in the economic transformation: transformation of economic sector population, that means changes in the percentage of employment by three economic sectors: agriculture, industry and services.

Research questions: How Education, R&D investments and ICT are impacting the changes in the number of employees in the economic sectors: agriculture, industry and services at world countries?

Scientific research on the topic of economic structural changes have used different approaches. The between-sector component of productivity growth (by sector and for the whole economy) is a measure of structural change contribution [1]. The study of structural changes by authors Muelhi and Gazalli, [1], take into consideration components of education, R&D investments and innovation. As the innovation and Information and Communication Technology – ICT is closely related, and actually one follows the other, the model was extended by including the ICT factors that are considered to have influenced the economic transformation of a country.

2. Theoretical approach of structural changes

The theoretical approach to understanding structural changes in economies forms a key foundation for this study. Structural changes refer to the shifts in the relative importance and composition of different economic sectors within a given economy over time. Several theoretical frameworks have been developed to explain and analyze these changes.

Authors, Dudzevičiūtė, Mačiulis, & Tvaronavičienė [2], in their study find out that, according to some previous studies the economic sector changes can be measured based on the share of the output or employment. The proportion result of sector evaluation in terms of the current product or employment remains unchanged [3]. Broader explanation is given on the study of "Structural Change and Productivity Growth in the Japanese Manufacturing Industry" [4], on analysing the structural changes. According to them, there is wide range of indicators that economic structure changes could be analysed. Beside the employment concentration and added value, there are other approaches such as: income-elasticity, productivity growth, share of output in GDP, total spending cross-sectors etc. Authors Sah & Stiglitz [5] in their study, based on positive and comparative approach "The Architecture of Economic Systems: Hierarchies and Polyarchies" have been focused on setting out the framework for the economic systems alternatives, that can be evaluated and compared through performance. They concluded that, the optimum economic system is set by a set of external circumstances, thus the optimal organizational form of activities is chosen by the society.

In this aspect of economic sectorial development, by many authors were mentioned the technological changes implication on the employment. In another study, Joseph E. Stiglitz, emphasize the role of the technology adoption in the economic development. The technological development in agriculture, during the years of 1960s-1980s, according to Stiglitz, [6] was not foreseen in the Marx work, which Stiglitz see that these improvements adoption plays crucial role on country economic development and growth. According to [6], intention for technology adoption should be paid for the current or perspective profitability. Thus, aiming to the benefit by the adoption of the future technologies.

Innovation and industrial change relationship, was always among key topics in the Schumpeterian work, by putting the emphasis on the relation and impact that innovation have in the economic growth and change of the industry. Acceleration of economic sectors growth and emergence of the different sectors, increase of the competition among firms and those new comings with new products and technologies. The attention of the relation among innovation, and industrial dynamics was declined, by being focused also on the level of the innovation, firm size and composition and market structure.

On the other hand, innovation plays an important role also in the development of country in terms of investments, FDI, which are seems to be dependent on the level of the innovation within the host economy [7].

In this regard, “progress has been made at a more macro level, by linking innovation and industry evolution to structural change and the changing sectoral composition of the economy”.

A recent study, [8] analyzes data from five years period, respectively 2017 to 2022 using Structural Equation Modelling, shows a positive link between ICT and economic growth across 27 EU countries. Furthermore, finds that ICT growth has significantly impacted key sectors like research, education, and business, reshaping social and market dynamics. The main drivers connecting ICT development to GDP growth are identified as human capital, e-government, and digital technology integration [8].

Additionally, authors Gyamfi, Onifade, & Ofori conclude in their study that prioritizing investment in quality education and eco-friendly ICT infrastructure by governments and stakeholders supports a sustainable environment [9].

2.1 Methodology

In this dataset there were 30 states with a period of 29 years. For better comparison, the countries were chosen and divided in three groups of countries, each group was composed of ten countries that belong to the same category: first group of ten countries are worlds` countries with highest GDP, second group of ten countries are worlds` countries with highest GDP per capita, and third group of ten countries are Balkan countries.

Thus, this dataset that was used for analysis has 399 valid observations. The model use for analysis is Structural Equation Model. This model is used for socio-economic analysis, encompassing various methods to serve diverse purposes. According to the author Nokeri [10], the model has its features that are multivariate regression analysis, correlation analysis, covariance, and the investigation of variability. Consequently, the model fits to the purpose of the study, where it is used SPSS v26 and AMOS 21 for all the analysis and models presented in this paper.

Variable	
Agriculture share (% of total employment)	ae
Manufacture share (% of total employment)/ Industry	ie
Services share (% of total employment)	se
Average Years of Schooling	aye2
R&D spending	rde

Patents	pattenth
Hi-tech exports	htex
Computer Hardware spending	hsthenth *values for ICT are in then thousand
Computer software spending	sosthenth
Service spending	serstenth
Communication spending	comstenth

Table 1 Description of variables
(*Source: Author's description*)

Below is presented the model used for analysis: Model of the Economic Structure through SEM

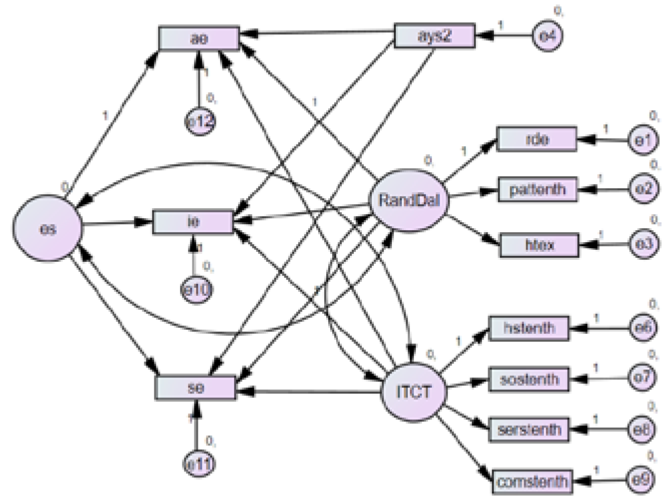

Figure 1 Model of the Economic Structure through SEM
(*Source: Author's illustration*)

The Structural Equation Modelling (SEM) method, which is supported by also by [8], is used to test our main hypothesis, which is that ICT has a positive and enhancing effect on economic progress.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ae	849	0.19	59.70	10.14	11.82	139.74	2.14	0.08	4.44	0.17
ie	850	10.76	45.99	25.65	5.95	35.35	0.24	0.08	0.01	0.17
se	850	17.88	87.85	55.67	19.53	381.30	-0.47	0.08	-1.15	0.17
rde	659	0.02	4.55	1.68	0.91	0.82	0.26	0.10	-0.53	0.19
Pattenth	696	0.00	140.00	4.15	12.52	156.69	5.98	0.09	47.74	0.19
htex	736	0.05	98.73	16.96	12.49	155.98	1.90	0.09	6.66	0.18
hstenth	463	0.01	16.92	1.54	2.85	8.12	3.45	0.11	12.39	0.23
sostenth	462	0.00	15.20	0.94	2.17	4.71	4.41	0.11	20.49	0.23
Serstenth	462	0.00	43.15	2.20	5.54	30.65	4.85	0.11	25.73	0.23
comstenth	462	0.01	52.56	4.94	9.03	81.54	3.13	0.11	10.23	0.23
ays2	783	1.20	14.10	10.49	2.23	4.98	-1.75	0.09	4.80	0.18
Valid N (listwise)	399									

Table 2 Descriptive statistics of variables
(*Source: SEM results*)

From the descriptive statistics we see that the number of observations is quite high for the first variables (around 850), then it is decreased to (around 650-700) and the lowest value is for the last variables in the table (around 460). As regard to the standard deviation, it is not that high. The largest is 19.53 for se, then 12,52 for patentth and almost the same 12.49 for htex while the lowest value is 0.91 for rde.

3. Results

Composite Reliability (CR) analyses has been done as a further model fitness indicator (which is more reliable than Cronbach's alpha), the latent variable RandDal and ITCT have values are greater than 0.6, which again confirms the strength of the sub-variables in the latent variable. Here also the Convergent Validity (CV) through the Average Variance Extracted (AVE) is presented to measure total amount of the variance of the indicators collected by the latent variable, the results are presented in the table below, and we can see that every latent variable is greater than 0.5 which means the sub-variables are a good representative for the latent variables. Lastly,

Discriminant Validity (DV) is to indicate and argue the presence of the latent variables, which is that each value here must be greater than the correlation values, in our case all the variables have greater DV then the correlation factors.

Constructs	Indicators	CR	AVE	DV
RandDal		0.60	0.35	0.59
	rde			
	pattenth			
	htex			
ITCT		0.97	0.90	0.95
	hstenth			
	sostenth			
	serstenth			
	comstenth			
RandDal		0.01	0.01	0.10
	ae			
	ie			
	se			

ITCT		-3.27	6.46	2.54
	se			
	ie			
	ae			
ays2		0.11	0.14	0.38
	ae			
	ie			
	se			
es		-2.78	7.05	2.66
	ae			
	se			
	ie			

Table 3 Structural Equation Model regression weights
(*Source: SEM results*)

Analysing the model fit of our model we can see that we have a CFI index of 0.746, and RMSEA of 0.202, all of these indexes presents that this model is fairly fitted model.

The Regression Weights results are presented in the table below:

			Estimate	S.E.	P-Value
rde	<---	RandDal	1		
pattenth	<---	RandDal	7.131	0.927	***
htex	<---	RandDal	9.625	1.023	***
hstenth	<---	ITCT	1		
sostenth	***	ITCT	0.801	0.016	***
serstenth	***	ITCT	2.03	0.041	***
comstenth	***	ITCT	3.017	0.089	***

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ae	***	RandDal	1		***
ie	***	RandDal	-0.76	0.814	0.351
se	***	RandDal	3.56	2.232	0.111
se	***	ITCT	2.591	0.815	0.001
ie	***	ITCT	1		***
ae	***	ITCT	-18.279	27.998	0.514
ae	***	ays2	-2.579	0.146	***
ie	***	ays2	-0.819	0.088	***
se	***	ays2	2.277	0.289	***
ae	***	es	1		***
se	***	es	-0.149	0.22	0.496

Note: (*p<0.05, **p<0.01; ***p<0.001)

Table 4 Structural Equation Model regression weights
(*Source: SEM results*)

From the results, we can clearly see that, if the percentage of the rde (R&D spending), patthenth (number of patents issued) and htex (Hi-tech exports) are increased for 1, the RandDal will get higher results and these finding are highly significant, based on the p value.

The increase of hstenth (Computer hardware spending), sostenth (Computer software spending), serstenth (Service spending) and comstenth (communication spending) for 1, the ICTC will get higher results too. The p value shows that the result are highly significant.

The increase in Research and Development spending (RandDal) by 1 will result in lower employment in the industry (ie). Conversely, the increase in Research and Development spending (RandDal) by 1 will lead to higher employment in services (se). This means that higher investments will reduce the number of employees in the agriculture sector and increase employment in services.

Regarding the impact of ICTC on the economic structure of the population, the results from the analysis show that a 1-unit increase in ICTC will result in lower employment in agriculture (ae). Conversely, it will have a different effect on employment in the service sector, with a 1-unit increase in ICTC leading to higher employment in services.

The last indicator measured is the average years of schooling. Its impact on the economic structure of the population is as follows: a 1-unit increase in ays will result in lower employment in agriculture (ae) and lower employment in industry (ie), while a 1-unit increase in aye will lead to higher employment in services (se).

As for the correlation, the results show that agriculture and industry have a positive correlation, meaning that if employment increases in the agriculture sector, it will also increase in the industry sector and vice versa. The correlation between agriculture and the service sector is negative, indicating that if employment increases in

agriculture, employment in services will decrease. Regarding investments in R&D, there is a positive relation with patents. Hence, an increase in investment in R&D will lead to an increase in the number of patents.

Original Hypothesis	Regression Impact	Results
H1: Education has negative impact in agriculture employment	Negative	Supported
H2: Education has negative impact in industry employment	Negative	Supported
H3: Education has positive impact in employment of service sector	Positive	Supported
H4: R&D and innovation has positive impact in agriculture employment	Positive	Supported
H5: R&D and innovation has positive impact in industry employment	Negative	Not supported
H6: R&D and innovation has positive impact in service employment	Positive	Supported
H7: ICT has negative impact in agriculture employment	Negative	Supported
H8: ICT has positive impact in industry employment	Positive	Supported
H9: ICT has positive impact in service employment	Positive	Supported

Table 5 Regression impact of hypothesis
(*Source: Author's illustration*)

Empirical Analysis: Education, R&D Investments, and ICT Impact in the Economic Structural Changes - Economic Transformation,' presents the econometric results from the empirical analysis. The results, obtained using the Structural Equation Model, highlight the significance of the model and its relation to both the empirical and theoretical parts. The Structural Equation Model used for data analysis fits well, and the results show a relationship between the theoretical framework and the data analysis.

Furthermore, the hypotheses raised were mainly supported. More specifically, the results of the analysis show that only one hypothesis is not supported, while the other eight are supported.

4. Conclusion

The economic transformation in the study is analysed through the perspective of the economic structure – output and the structure of the population, specifically the share of employment in the economic sector. As the division is large and detailed in terms of economic activities, the authors have grouped related economic activities into larger categories. More recently, authors have distinguished sectors while grouping them into three main categories, including groups of industries: a) Primary sector: activities related to natural resources, such as farming, oil extraction, mining. b) Secondary sector: activities related to the production of goods and processing of materials. The main activity in this sector is manufacturing, which includes construction and utility industries like electricity, water, and gas. c) Tertiary sector: activities related to services such as banking, finance, insurance, health services, defence, and distribution.

The results of the analysis show that, out of eight hypotheses only one hypothesis is not supported. All other hypotheses are supported.

The study provides insight into new developments and trends in education, ICT, and digitalization. Additionally, it offers information on the change in the economic structure of the population, indicating a path toward economic transformation and, consequently, economic growth. The provision of evidence for the impact of education, R&D, and ICT on the economic transformation of the population, employment in declining sectors, labour mobility challenges, and an analysis of the tendency toward technological unemployment and technical progress makes the study valuable not only for policymakers but also for enriching theoretical and empirical literature.

Research and development (R&D), ICT and education plays a crucial role in shaping employment distribution across sectors and driving economic transformation. As economies evolve, labor is increasingly concentrated in the service sector, while agriculture is gradually diminishing in terms of both employment and its contribution to output. In contrast, the industrial sector is experiencing changes at a slower rate compared to these sectors, suggesting a more gradual transformation in its role within the economy.

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Impact of artificial intelligence and digitalization on sustainable entrepreneurship

Mojca Kunšek [1], Barbara Miklič [2] and Metka Tekavčič [3]

[1]School of Economics and Business University of Ljubljana, Research Centre (Researcher), Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, EU, mojca.kunsek@ef.uni-lj.si
[2]School of Economics and Business University of Ljubljana, Unit for management and organization, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, EU, barbara.miklic@ef.uni-lj.si
[3]School of Economics and Business University of Ljubljana, Unit for management and organization, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, EU, metka.tekavcic@ef.uni-lj.si

Abstract

In today`s business world, the concept of sustainable entrepreneurship is closely associated with artificial intelligence and digitalization. Digitalization, artificial intelligence and sustainability have become the central forces of modern entrepreneurship, shaping new business models and influencing the competitiveness of companies on the global level. The main objective of this paper is to analyse the impact of artificial intelligence and digitalization on sustainable entrepreneurship. Methodologically, the research approach relies on the Global Entrepreneurship Monitor (GEM), which was carried out quantitatively, with the help of a survey among the adult population and experts in the national environment. The findings showed clear recommendations from experts in the GEM survey as well as business experts and call for the needs to include relevant digitally and sustainably oriented topics into all educational programs.

Keywords: *Digitalization, artificial intelligence, sustainable entrepreneurship*

1. Introduction

Digitalisation, artificial intelligence, and sustainability have become the driving forces of modern entrepreneurship, shaping new business models and influencing the competitiveness of companies on a global level. Digital technologies enable greater flexibility, optimisation of business processes, and access to a wider market, while sustainability challenges pose new

ISSN 2991-9371

demands on responsible business practices. Modern entrepreneurs must therefore balance digital opportunities with the integration of sustainable practices, which requires adapting strategies and business models [1].

Business digitalization involves using modern technologies to improve operational efficiency, increase customer engagement, and optimize business processes. More and more companies are using online platforms, automated processes, advanced analytics, and artificial intelligence to better understand the market and respond more quickly to changes. Digital communication tools enable better customer relationship management, greater brand recognition, and more effective marketing strategies [1].

Artificial intelligence refers to computer-controlled systems or robots that can perform tasks typically associated with human intelligence, such as problem-solving, planning, and learning from past experiences [2]. It plays a key role in business, improving decision-making and problem-solving processes and helping companies overcome challenges in transactions and trading. The importance of artificial intelligence can be seen in the early stages of the entrepreneurial process, from identifying promising business opportunities to the implementation phase, where artificial intelligence supports the transformation of ideas into feasible strategies [3]. Given the permanence and ease of access, and the fact that data in different registries are official and regularly updated, also data in registers can be an important factor in identifying anomalies in business partners and the key to making better business and life decisions [4].

Entrepreneurship, which has traditionally been focused primarily on growth and profit, is now increasingly focused on creating shared value, where profit is not the only goal, but social and environmental impacts are also taken into account alongside economic considerations [5,6]. This shift is closely linked to the concept of sustainable development, which is based on balancing social, environmental, and economic aspects of development [7]. Sustainable entrepreneurship focuses not only on economic performance, but also on responsibility towards the community and the environment [8].

At the global level, the importance of sustainable entrepreneurship is further reinforced by Agenda 2030 and the Sustainable Development Goals (SDGs) adopted by the United Nations. These goals serve as an internationally agreed framework that guides all stakeholders in finding solutions that benefit both people and the planet [1].

Research on entrepreneurship and sustainability points out that entrepreneurs play a key role in linking innovation and sustainable practices [6,9]. With their focused approach and ability to adapt quickly to changing circumstances, they can contribute to new, more sustainable business plans while encouraging behavioural change among consumers and society at large. However, in order for this potential to be realized, it is essential to have the support of an appropriate institutional environment, access to financing, clear regulations, and an encouraging entrepreneurial culture that rewards the values of sustainable development [10].

In Slovenia, small entrepreneurs (i.e. sole proprietors, micro and small companies) represent as much as 77.48% of all business entities. According to data from the Agency of the Republic of Slovenia for Public Legal Records and Services (AJPES), which manages the business register and keeps records of data from submitted annual reports, micro companies increased their share of net added value the most in 2024, while sole proprietors achieved higher growth in net added value per employee than companies [11].

Although the share of micro and small businesses in gross value added at the national level is not large, it is growing [12]. This means that studying the development of entrepreneurship is very important both from the perspective of national competitiveness and the growth of social welfare.

The objective so should be achieved by focusing on the following two research questions:

1. What finds the GEM survey (comparison in Slovenia and EU countries) and how much has digitalization and artificial intelligence affected sustainable entrepreneurship?

2. What are the recommendations of business experts, national experts and education experts for improving sustainable business activity in connection with digitalization and artificial intelligence?

The main objective is to connect the concept of sustainable entrepreneurship with digitalization and artificial intelligence. This manuscript is organised into five sections; the first is the introduction, the next section presents the methodology of the paper, identifying the GEM research relating to the connection of the concept of sustainable entrepreneurship with digitalization and artificial intelligence, while the third section presents the results. In the fourth section, the discussion and concluding remarks outline the inherent problems and limitations of the conducted analysis. Moreover, this section provides proposals and recommendations for future activities also in educational programs. The fifth section is the acknowledgements.

2. Methodology

The Global Entrepreneurship Monitor (GEM) study consists of two complementary surveys that provide comprehensive insight into entrepreneurial activity worldwide: the Adult Population Survey (APS) and the National Expert Survey (NES). The APS measures entrepreneurial activity, attitudes, and perceptions among a random sample of at least 2,000 adults in each country, while the NES collects assessments from at least 36 experts on the quality of the entrepreneurial ecosystem. Both surveys use standardized questions, enabling international comparison and monitoring of trends over time. Together, they offer a complete picture of factors supporting or hindering entrepreneurship and guide the development of effective policy measures [13].

In 2024, the APS and NES were conducted across 56 economies (63% of the world's population and 78% of global GDP) during the summer and autumn. The APS follows the entrepreneurial process from potential entrepreneurs who recognize opportunities but have not yet started a business, to nascent entrepreneurs (up to three months), new entrepreneurs (up to 42 months), and established entrepreneurs. Nascent and new entrepreneurs form the Total Early-stage Entrepreneurial Activity (TEA) indicator, while established entrepreneurs reflect longer-term success. The ratio between early-stage and established businesses shows how well new ventures transition into stable operations [13].

Beyond entrepreneurial dynamics, GEM also tracks sustainability, digitalization, and artificial intelligence. Since 2024, questions have assessed how entrepreneurs consider social and environmental impacts, adopt sustainability measures, and perceive the use of AI in innovation, digital marketing, and decision support. This reflects the growing importance of machine learning, automation, and personalization algorithms in business [13].

The APS further examines entrepreneurial exits, recording individuals who stopped running a business in the past 12 months. Exit does not necessarily mean failure but can reflect restructuring, ownership transfer, or other market dynamics. Importantly, because APS is population-based, it also captures informal and very early-stage entrepreneurship, providing a unique view of real entrepreneurial challenges across contexts [13].

The NES complements this perspective by assessing systemic conditions such as access to finance, education, government policy, regulation, markets, and social norms. Its results feed into the National Entrepreneurship Context Index (NECI), a benchmark for comparing countries and guiding improvements to the entrepreneurial environment [13].

3. Results

Research on entrepreneurship and digital transformation emphasizes that diverse digital tools have a significant impact on innovation in entrepreneurship, but their effects can vary greatly between countries [14-16]. Various factors in the entrepreneurial ecosystem, such as specific legislation, cultural environment, level of technological development, and infrastructure accessibility, can limit or accelerate the adoption of new technologies [17,18]. In practice, these differences are also reflected in the varying implementation of email communication, email marketing, social networks, websites, and advanced analytical tools [1].

Email communication is mostly used for direct contact with individual customers or employees and for smaller, individualized groups [19]. A key advantage is the greater personal touch, as email allows a company to respond quickly and flexibly to customer questions, problem-solving, and special requests [20].

In email marketing, companies use segmented and automated campaigns to target a larger group of recipients. It typically involves personalization, performance analytics, and the long-term goals of acquiring new customers or maintaining the loyalty of existing ones [21].

ISSN 2991-9371

A company's website is often one of the first steps toward establishing a clear and professional online identity, where potential customers and interested stakeholders can obtain information about the company and its offerings. Unlike social networks, which change rapidly and require constant creation of new content, a website enables a more permanent institutional presence that strengthens the company's credibility [22].

Social networks (Facebook, X/Twitter, Instagram, etc.) have established themselves in recent years as an important tool for rapidly disseminating information, establishing relationships with customers, and targeted advertising. They require constant content production and more interaction with followers, which can be a challenge but also an opportunity, especially for younger companies [23-25].

In the GEM study, the authors also analysed the importance of digital tools for implementing strategy and business models. The study focused on three key areas of digital transformation that enable more effective strategy implementation and business model adaptation throughout the various phases of the entrepreneurial process. The key areas of digital transformation are the establishment and management of one's own online store, the use of data analysis tools, and cloud services for business needs [26].

Online store is becoming an increasingly important part of companies' digital strategies, as it enables direct contact with customers, reduces operational costs, and increases profitability [27,28]

Companies need data analytics to understand market trends, customer behaviour, and optimize business strategies. Advanced analytics tools enable entrepreneurs to make decisions based on higher-quality data and improve operational efficiency [29-31].

Cloud services provide businesses with access to flexible and affordable digital infrastructure, which is particularly important for young and fast-growing companies [32].

The GEM survey was also conducted in the field of sustainable aspects of entrepreneurship. The purpose of the survey was to take into account the social and environmental consequences of business operations. The survey measured the level of recognition of the importance of socially and environmentally responsible practices as the basis for sustainable business models. The aim of the GEM survey was to monitor the extent to which entrepreneurs in European countries take into account the social and environmental consequences of their business decisions [33-35].

The purpose of the GEM study was also to analyse the data obtained in the area of adopting measures to achieve sustainable goals. To actually achieve sustainable development goals, it is not enough to simply be aware of social and environmental challenges. It is crucial that entrepreneurs take concrete measures and make strategic decisions that lead to a visible positive impact on the community and the environment. These measures must be aimed at encouraging companies to incorporate consideration of the social and environmental consequences of their activities into their daily business processes, thereby actively contributing to the achievement of sustainable development goals [36].

The GEM survey was also conducted in the area of awareness of entrepreneurs about the Sustainable Development Goals. In recent years, more and more companies have realized that knowing and integrating the Sustainable Development Goals can help them identify new business opportunities, improve their brand, and build trust among stakeholders. The aim of the survey was to analyse data on early and established entrepreneurs who are aware of the Sustainable Development Goals (SDGs) in European countries [37,38].

In the context of the increasing intertwining of artificial intelligence with business processes and strategic decision-making, the authors of the GEM survey paid special attention to the issue of the acceptance and role of artificial intelligence in the national business environment. Aware of the importance of artificial intelligence for the competitiveness and innovative capacity of companies, the GEM NES survey included a set of statements intended to assess the perception of national experts regarding the readiness of the Slovenian business ecosystem to implement artificial intelligence solutions. The survey included an assessment of the level of awareness of entrepreneurs about the necessity of developing and introducing artificial intelligence solutions and the actual inclusion of artificial intelligence in the business models of new and growing companies. The authors also investigated the extent to which the viability and long-term growth of companies are already based on the use of artificial intelligence technologies. The authors also asked national experts about support in the form of incentives, subsidies and other measures to facilitate the introduction of artificial intelligence solutions in companies [39-41]. Special emphasis was placed on the issue of regulation and ethical aspects, especially data security and privacy, which are becoming increasingly important topics in discussions about artificial intelligence [42].

The Global Entrepreneurship Monitor (GEM) 2024 results highlight significant differences in the adoption of digital tools, sustainability practices, and artificial intelligence across European countries. While Slovenian entrepreneurs show strong awareness in some areas (e.g. social and environmental impacts, cloud services), they lag in others, particularly in sustainability measures, SDG awareness, and advanced digital communication tools such as social media and email marketing. The following table and graph provide a structured comparison of Slovenian with selected high- and low-performing European countries across the key dimension examined in the study [5,6,21,32].

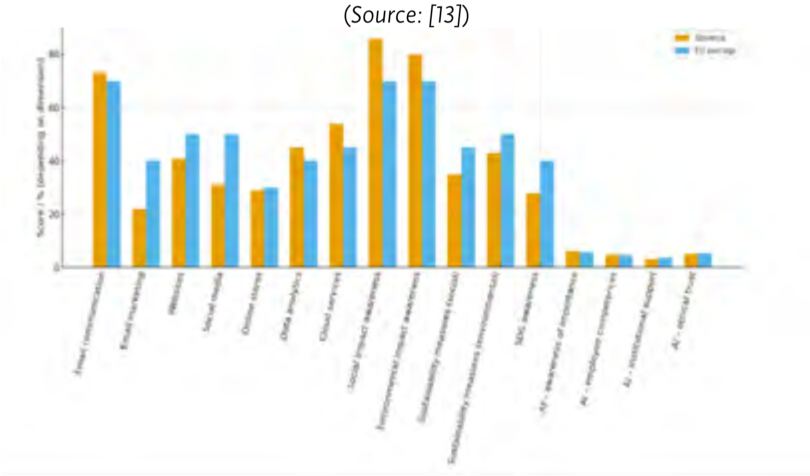
Dimension	Slovenia	High use / awareness countries	Low use / awareness countries	Key observations / implications
Email communication	High: 68% early, 73% est.	Luxembourg, Croatia, Slovakia	Armenia	Slovenia close to top performers; e-mail remains central in B2B contexts.
Email marketing	Low: 31% early, 22% est.	Greece, Luxembourg	Norway, Sweden	Slovenia underperforms; GDPR and small market reduce use.
Websites	Moderate: 56% early, 41% est.	Greece, Cyprus, Bosnia & Herzegovina	Poland, Armenia, Estonia	Below leading Southern European cases; mature firms invest less.

Social media	Moderate: 48% early, 31% est.	Bosnia & Herzegovina, Cyprus, Latvia	Germany, Switzerland, Austria	Slovenia lags Southern/Eastern peers; stronger reliance on websites/email.
Online stores	Above average: 44% early, 29% est.	Belarus, Luxembourg, Bosnia & Herzegovina	Norway, Hungary	Close to EU average; low uptake among established firms.
Data analytics	High: 56% early, 45% est.	Cyprus, Luxembourg, Croatia	Poland	Slovenia among leaders; strong adoption in later stages.
Cloud services	High: 58% early, 54% est.	Cyprus, Luxembourg, Estonia, Greece	Ukraine, Austria, Romania, Serbia	Well above average; strong integration across firm stages.
Social impact awareness	Very high: 88% early, 86% est.	Poland, Greece	Cyprus, Norway, Sweden, Estonia	Among top performers in Europe.
Environmental impact awareness	High: 88% early, 80% est.	Poland, Armenia	Cyprus, Sweden, Spain, Estonia	Strong awareness, weaker implementation.
Sustainability measures (social)	Low: 27% early, 35% est.	Luxembourg, Bosnia & Herzegovina, Armenia	Estonia, Latvia	Gap between awareness and action.
Sustainability measures (environmental)	Below avg: 38% early, 43% est.	Ukraine, Bosnia & Herzegovina, Romania, Switzerland, Croatia	Estonia	Underperforms in measures despite awareness.
SDG awareness	Low: 22% early, 28% est.	Spain, Norway	Serbia, Latvia, Ukraine, Cyprus	Among lowest in Europe; awareness campaigns needed.
AI – awareness of importance	High: 6.18	Switzerland, Latvia	EU avg ~5.8	Above average, but not top performer.
AI – employee competences	Low: 4.7	Latvia	EU avg ~4.5	Skills gap persists; more training needed.
AI – institutional support	Weak: 3.1	— (EU avg 3.6)	—	Slovenia lags in public institutional support.
AI – ethical trust	Moderate: 5.1	Austria (7.3)	EU avg ~5.3	Slightly below European average.

Table 1 Comparative analysis of Slovenia and selected European countries

ISSN 2991-9371

(*Source: [13]*)



Graph 1 Comparative analysis of Slovenia and selected European countries
(*Source: [13]*)

In summary, Slovenia demonstrates strong performance in several digitalization indicators (email, cloud, data analytics) and high awareness of social and environmental issues. However, the country underperforms in the actual implementation of sustainability measures, awareness of SDGs, and the uptake of advanced communication tools. In terms of AI, Slovenia is above the European average in awareness but lags in institutional support and employee competences. Targeted policies in education, support programs, and regulatory frameworks are therefore needed to bridge these gaps and ensure Slovenia`s entrepreneurial ecosystem remains competitive in the digital and sustainable economy [5,6,21,32].

4. Discussion and conclusion

The GEM results show that although Slovenian entrepreneurs frequently use e-mail, they lag behind in e-mail marketing, social networks, and data analytics. To close this gap, educational activities, mentoring, and subsidies for digital advertising should be expanded, alongside support for the optimization of digital strategies. Social networks and personalized marketing remain underused, representing untapped potential.

Slovenian entrepreneurs demonstrate above-average reliance on cloud solutions, yet further progress is needed. Digital vouchers, tax incentives, and support programs could accelerate adoption, particularly among SMEs. Similarly, the use of online stores remains below the GEM average for established firms, suggesting the need for support measures that promote independent sales channels and reduce dependence on external platforms.

Sustainability awareness is high, but implementation lags. To strengthen impact, incentives for sustainable innovation, better access to financing, and stronger integration into international sustainability initiatives and the SDGs are required. Awareness-raising activities are essential, both for business competitiveness and balanced national development. Embedding digital and sustainable competencies into education is equally important. Practical training in digital tools and sustainable practices should be introduced earlier, supported by measurable performance indicators that track entrepreneurial progress in digital and sustainable transformation.

At the systemic level, streamlined administrative procedures, a stable tax environment, and predictable regulation are key to reducing burdens and enabling long-term planning. Access to financing should be expanded through venture capital schemes, national funds, and R&D co-financing, complemented by international networking and investment support. Strengthening entrepreneurial education and culture requires early integration of entrepreneurship into primary and secondary schools through practical learning, mentoring, and project-based approaches. Soft skills such as leadership, problem-solving, and cooperation should also be developed through youth and student projects. Linking successful entrepreneurs with education and media would further enhance the reputation of entrepreneurship as a viable career.

The support environment for start-ups and growth companies must be reinforced. This includes specialized incubator and accelerator programs (e.g., AI, green transition, advanced technologies), greater visibility of existing mechanisms (e.g., SPOT consulting), and continuous co-financing of mentoring networks and advisory centres. National schemes should reward firms that integrate social and environmental dimensions into their business models, while R&D in green transformation and sustainability criteria in public procurement should be expanded to stimulate environmentally responsible entrepreneurship.

Regarding artificial intelligence, Slovenian entrepreneurs recognize its productivity potential but remain cautious about growth impacts. Guidelines, targeted programs, and financing for digital transformation are needed to promote experimental use of AI in product and service development. Partnerships with research institutions, AI labs, and demonstration projects should be supported. A regulatory framework must address data security and ethics, complemented by certified training programs promoting responsible AI use. Workforce development should include AI-related training, certification, and integration into curricula, with a dedicated independent body to monitor policy effectiveness and digital transformation progress. Digital platforms could facilitate real-time feedback from entrepreneurs, improving responsiveness and transparency in support programs.

Slovenian entrepreneurs recognize artificial intelligence as a tool for greater productivity, but are cautious about its impact on growth. It therefore makes sense to develop guidelines and support measures for the introduction of artificial intelligence into business models, including financing for the digital transformation of companies and educational initiatives to understand the specific benefits of artificial intelligence. Slovenia lags behind the global average in recognizing artificial intelligence as a tool for innovation and growth. Therefore, it would be necessary to develop targeted programs that would support the experimental use of artificial intelligence in the development of new products and services, including financing development projects, artificial intelligence laboratories, and partnerships with research institutions. Entrepreneurs in Slovenia express concerns about data security and ethical dilemmas in the use of artificial intelligence. Therefore, a regulatory framework should be developed to ensure business security and user protection, and the ethical use of artificial intelligence should be promoted through guidelines and certified training programs.

To strengthen human capital, companies should partner with universities and vocational schools, provide practical experience, and collaborate with technology firms on training and talent-sharing. Governments should recognize the strategic role of data centres and support retraining initiatives, ensuring workforce diversity and access to future-oriented skills.

An overview of the research results also reveals a number of clues to the introduction of improvements in educational processes.

While the results of the GEM survey for the last 5 years reveal an improvement in the perception of entrepreneurship, the importance of early entrepreneurial thinking and education is still under-emphasized. The era of digitalization and sustainability has also exposed a lack of trust, courage and competence. The above calls for a modification of educational programs that will be less oriented towards history and more focused on the development of an entrepreneurial, digital and sustainably oriented society.

This means that programs will have to include greater connections with the business world at home and abroad, and the inclusion of interdisciplinary experts also from younger generations in the educational process.

Last but not least, it is worth mentioning that awareness of the importance of the impact of artificial intelligence and sustainable business on business success and social welfare will also achieve its purpose more quickly with appropriate and stable government programs and the promotion of the use of cloud structures and digitalization in public administration.

5. Acknowledgments

This paper is part of the research program group Program P5-0441 – Regeneration of economy and business, which is supported by the Javna agencija za znanstveno-raziskovalno in inovacijsko dejavnost Republike Slovenije (angl. Slovenian Research and Innovation Agency; ARIS) (14. člen Splošnega akta o stabilnem financiranju znanstvenoraziskovalne dejavnosti (Uradni list RS, št. 87/22 in 103/22 – popr.) and part of the project "UL for sustainable society – ULTRA", which is supported by the Republic of Slovenia, Ministry of Higher Education, Science and Innovation, and the European Union – NextGenerationEU.

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Educational and Applied Contributions in Energy System Optimization Using a YALMIP-Based MILP Framework

Matej Ivaniček[1], Josipa Tisaj[2] and Markus Lehner[3]

[1]Zagreb School of Economics and Management, Croatia, matej.ivanicek@zsem.hr
[2] Chair of Process Technology and Industrial Environmental Protection, Montanuniversität Leoben, Austria, josipa.tisaj@stud.unileoben.ac.at
[3]Chair of Process Technology and Industrial Environmental Protection, Montanuniversität Leoben, Austria, markus.lehner@stud.unileoben.ac.at

**These authors contributed equally to this work.*

Abstract

As the energy sector undergoes rapid decarbonization, the design and operation of Integrated Energy Systems (IES) that combine various energy vectors including electricity, natural gas, hydrogen, heating, and cooling systems are becoming essential components of modern infrastructure. Within such systems, Power-to-Gas (PtG) acts as a key coupling technology that enables flexible sector integration by converting surplus renewable electricity into hydrogen or synthetic methane. Modelling and optimizing such systems often require advanced mathematical formulations that, while rigorous, can be challenging for students to grasp, particularly when expressed in traditional matrix notation. This paper proposes the use of Yet Another Linear Matrix Inequality Parser (YALMIP)-based teaching framework, a Matrix Laboratory (MATLAB)-based optimization modelling toolbox, as an intuitive and pedagogically effective platform for introducing optimization in IES. Compared to traditional approaches that require matrix-based formulation (e.g., specifying cost vectors and constraint matrices), YALMIP allows students to directly express constraints and objectives in natural, equation-based form, which aligns closely with how such problems are conceptually taught and understood. Using a dynamic mixed-integer linear programming (MILP) model of an IES that incorporates PtG as a coupling component and that includes renewable energy prioritization, grid emission factors, and CO_2 cost penalties, reflecting current energy transition policies and constraints, this paper presents a custom-formulated optimization framework for an IES, and it illustrates how students can explore real-world operational trade-offs. While this material has not yet been implemented in classroom instruction, it is presented as a proof of concept for teaching with the potential to support future course integration or serve as a basis for applied student assignments.

Keywords: *IES, PtG, Optimization, YALMIP, MILP, Energy System Modeling, Teaching, Education.*

1. Introduction

Learning how to formulate and solve optimization problems has long been recognized as a major challenge for students. Kintsch [1] provides a detailed overview of text comprehension theories in the context of solving arithmetic and algebra word problems, stating that students encounter the greatest difficulty when formulating a mathematical model of the problem, and determining whether the formulated model is correct. Kintsch [1] also emphasizes the importance of supporting the formulation stage, as students often jump to equations without a clear understanding of the problem structure. Moreover, while experienced problem solvers habitually check the reasonableness of their results, novice learners often fail to do so, producing implausible values without recognizing that their solution is incorrect. Comparable difficulties are highlighted by Stevens and Palocsay [2], who report that students, particularly those without a strong mathematical background, frequently rush into writing algebraic expressions by imitating textbook examples, without a deeper understanding of what the variables represent or how the constraints reflect the problem's structure. Similar obstacles can arise in the use of Matrix Laboratory (MATLAB) for optimization because problems must be reformulated into strict mathematical notation before solvers can be invoked. While mathematically rigorous, this approach introduces an additional layer of abstraction that may hinder conceptual understanding. This observation is supported in the work of Astutik and Fitriatien [3] that found that students learning linear programming (LP) with MATLAB struggled significantly due to the requirement of rewriting problems into canonical form. *Yet Another Linear Matrix Inequality Parser* (YALMIP) provides an alternative that lowers these barriers. It enables users to declare decision variables, constraints, and objectives directly in MATLAB using commands that closely mirror natural mathematical expressions, thereby removing the need for manual transformations. This allows learners to focus on the principles of optimization rather than on the technicalities of algebraic reformulation. The effectiveness of this approach has been demonstrated in control education with Pakshin and Emelianova [4] reporting that students using YALMIP and Self-Dual-Minimization (SeDuMi) to address real-world problems such as aircraft stabilization achieved faster progress and a deeper understanding of modern control techniques, precisely because the modelling environment emphasized conceptual reasoning rather than syntax. In line with this, this work also aims to highlight the pedagogical value of YALMIP, but through the formulation and solution of a Mixed-Integer Linear Programming (MILP) problem in the context of an Integrated Energy System (IES) with Power-to-Gas (PtG). MILP represents the most straightforward and widely studied form of optimization, and it is therefore the natural first step when learning how to model and solve optimization problems. The choice of IES with PtG as the case study is not arbitrary. Energy systems provide a rich, real-world context in which optimization plays a decisive role, while at the same time they are at the centre of global efforts to decarbonize. The urgency of decarbonizing energy systems arises from the global climate crisis and the ongoing energy transition. In 2019, fossil fuels still dominated global final energy consumption, accounting for over two-thirds of the mix (IEA [5]). Their use remains tightly linked to greenhouse gas emissions, which totaled about 59 ± 6.6 gigatonnes of carbon dioxide equivalent (Gt CO_2-eq) in the same year, with CO_2 from fossil combustion and industry as the largest contributor (IPCC [6]). The Paris Agreement calls for deep transformation to limit warming to below 2 °C, ideally 1.5 °C. Renewable electrification is central to this transition, but many sectors still require energy-dense fuels. PtG offers a pathway by converting renewable electricity into

ISSN 2991-9371

hydrogen or synthetic natural gas (SNG), which can be stored and transported in existing gas grids. Wu et al. [7] describe PtG as a coupling element within IES, connecting electricity, gas, hydrogen, and heat networks. A key pathway is CO_2 methanation [8–10], where renewable hydrogen reacts with CO_2 to produce SNG. Reiter and Lindorfer [11] emphasize that sustainability depends on the CO_2 source, and biogenic origins such as biogas upgrading make the process nearly carbon-neutral. Because IES integrates electrolyzers, renewable inputs, CO_2 capture, methanation, and storage, they require advanced control and optimization. Liang et al. [12] applied particle swarm optimization to coordinate electricity and gas networks, while Yang et al. [13] proposed an integrated Carbon Capture Storage (CCS), PtG and Combined Heat and Power (CHP) framework using YALMIP and Interior Point Optimizer (IPOPT). Liang et al. [14] later introduced reinforcement learning (TD3) for adaptive management. Shao et al. [15] developed a MILP model under wind uncertainty, Wang et al. [16] combined process and system optimization for methanation, Calsie et al. [17] analyzed system sizing, and Sun et al. [18] and Zheng et al. [19] incorporated electrolyzer dynamics into MILP formulations. This body of work shows that the research frontier has largely focused on developing increasingly sophisticated optimization models for optimizing different energy systems. By contrast, relatively little attention has been given to the educational dimension: how optimization can be introduced to students in a way that balances mathematical rigor with accessibility, and how tools like YALMIP can serve as a bridge between theory and application. Therefore, the purpose of this work is not to propose a new optimization algorithm, but to show how an established method such as MILP can be applied and taught more effectively through the intuitive modelling environment provided by YALMIP, thus addressing a gap at the intersection of energy systems optimization and education.

2. Practical Setup for Optimization Modeling with YALMIP

YALMIP is a free modeling toolbox for MATLAB, designed to simplify the process of defining and solving optimization problems. This chapter provides a detailed, step-by-step guide for setting up YALMIP in MATLAB, and some description of basics in YALMIP.

2.1 Installation and Setup of YALMIP

The first step is to obtain YALMIP from its official website, located at https://yalmip.github.io/download/, where the latest version is available as a compressed *.zip* archive. Once downloaded, the archive must be extracted to a known location on the user's system. After extraction, it is necessary to make MATLAB aware of the toolbox by adding it to the search path. This can be done by opening MATLAB and using the graphical interface to navigate to the extracted YALMIP folder, right-clicking it, and selecting the option *Add to Path* followed by *Selected Folders and Subfolders*. Once YALMIP has been added to the MATLAB path, it is crucial to install and configure the optimization solvers that YALMIP relies on. YALMIP itself does not solve optimization problems. It functions as a high-level modeling layer that reformulates the user's mathematical model into a form suitable for solvers. This makes it a parser rather than a solver in the classical sense. YALMIP supports a wide range of solvers, both open-source and commercial. MATLAB's *Optimization Toolbox*, if available, can be used to access basic solvers such as *linprog* and *intlinprog*. This toolbox can be installed via the *Add-Ons* menu in MATLAB.

2.2 Basics of YALMIP

The basic structure of a YALMIP model is built around symbolic definitions of variables, constraints, and an objective function, which are then passed to an external solver. The modeling process typically begins with ***yalmip ('clear')*** to remove any residual data from previous runs. Decision variables represent unknown quantities that the optimization algorithm will choose to achieve the best possible outcome, subject to the given constraints. They are declared using ***sdpvar*** for continuous variables and ***binvar*** for binary ones. These variables are symbolic and only receive numerical values after optimization. Constraints are introduced next and collected in an array. Typical constraint list begins as an empty array using ***constraints*** = [] and is then expanded using MATLAB's standard relational operators (<=,>=,==). Constraints express the rules or limits that the decision variables must obey, such as physical laws or capacity limits. These can involve symbolic matrix operations and indexing, making it easy to express time-dependent or structured systems. The objective function defines what we are trying to optimize, usually a cost that should be minimized or a profit that should be maximized. For example, minimizing energy cost or maximizing revenue from gas sales. To run the optimization, a solver is selected using ***sdpsettings***, such as ***options*** = ***sdpsettings*** ('***solver***','***bnb***'), and the problem is solved with the optimize function: ***results*** = ***optimize*** (***constraints***, ***objective***, ***options***). Since the optimize function minimizes the objective by default, maximizing requires multiplying the objective by –1 before solving. After a successful solve, numerical results are retrieved using the ***value*** function.

3. Example System for Applying YALMIP-Based MILP Optimization

After outlining the general structure of YALMIP and its modelling capabilities, this chapter presents a formulation of an IES both in *canonical form* and in YALMIP's *equation-based style*. The IES considered in this study consists of an electrolyzer, hydrogen storage, a methanation reactor, a biogas supply unit, and an electricity generation unit. The electrolyzer converts electricity, sourced from renewables or the grid, into hydrogen, operating within defined power limits. The produced hydrogen is stored in a pressurized tank with minimum and maximum capacity constraints, and it serves as a flexible energy carrier within the system. Hydrogen from storage is then used in the methanation unit, where it reacts with biogas to produce SNG and heat. The biogas unit provides the feedstock for this process and supplies biogas to a generator that produces electricity for sale to the grid. The optimisation aims to maximise profit while satisfying all technical and physical constraints.

While the canonical representation is shown for comparison, the implementation and optimization are carried out exclusively in YALMIP. Table 1 provides a parallel comparison between equation-based style where constraints and objective are written directly in their algebraic form, while the right column shows their canonical matrix representation as rows of A, b, A_{eq}, b_{eq} and bounds l,u.

	Equation-based (YALMIP style)	Canonical (matrix form)
DV	$P_{elz}, P_{heat}, P_{cool}, P_k, P_{ren}, s, z, T, H, \alpha$ $\gg P_{elz} = sdpvar(N,1), \ldots s = binvar(N,1) \ldots$	$P\_elz \rightarrow indices\ 1 \ldots N$ $P\_heat \rightarrow indices\ N+1 \ldots 2N$ $P\_cool \rightarrow indices\ 2N+1 \ldots 3N$ $P_k \rightarrow indices\ 3N+1 \ldots 4N$
EL	$0.25 \cdot p_{rated} \cdot s(t) \leq P_{elz}(t) \leq p_{rated} \cdot s(t)$ (1) $\gg constraints = [0.25 * p_{rated} * s \leq P_{elz} \leq p_{rated} * s];$	$\boldsymbol{Ax} \leq \boldsymbol{b}$: $P_{elz}(t) - p_{rated} \cdot s(t) \leq 0, 0.25 \cdot p_{rated} \cdot s(t) - P_{elz}(t) \leq 0, t = 1,2,\ldots,N$ $\gg A = [eye(N), zeros(N, 4*N), -p_{rated} * eye(N), zeros(N, 3*N)]; b = zeros(N,1)$
CH	$0 \leq P_{cool}(t) \leq m \cdot z(t)$ (2) $0 \leq P_{heat}(t) \leq m \cdot (1 - z(t))$ (3) $\gg constraints = [constraints, 0 \leq P_{cool} \leq m \cdot z];$ $\gg constraints = [constraints, 0 \leq P_{heat} \leq m \cdot (1 - z)];$	$\boldsymbol{Ax} \leq \boldsymbol{b}$: $P_{cool}(t) - m \cdot z(t) \leq 0, P_{heat}(t) + m \cdot z(t) \leq m, t = 1,2,\ldots,N$ $\gg A = [A;\ zeros(N, 2*N), eye(N), zeros(N, 3*N), -m * eye(N), zeros(N, 3*N))]; b = [b; zeros(N,1)]$ $\gg A = [A;\ zeros(N), eye(N), zeros(N, 4*N), m * eye(N), zeros(N, 3*N)]; b = [b; m * ones(N,1)]$
PB	$P_{cool}(t) + P_{heat}(t) + n_c \cdot P_{elz}(t) = P_k(t) + P_{ren}(t)$ (4) $\gg constraints = [constraints, P_{cool} + P_{heat} + n_c \cdot P_{elz} = P_k + P_{ren}];$	$\boldsymbol{A_{eq}x} = \boldsymbol{b_{eq}}$: $P_{cool}(t) + P_{heat}(t) + n_c \cdot P_{elz}(t) - P_k(t) - P_{ren}(t) = 0, t = 1,2,\ldots,N$ $\gg A_{eq} = [\,n_c * eye(N), eye(N), eye(N), -eye(N), -eye(N), ze * N)]; b_{eq} = zeros(N,1)$
HD	$H(t+1) = H(t) + H_{in}(t) - H_{out}(t)$ (5) $H_{in}(t) = \frac{0.002016 \cdot n_c}{0.08988 \cdot 2 \cdot F \cdot b} \cdot \Delta t \cdot (P_{elz}(t) - (a \cdot T(t) + c))$ (6) $H_{out}(t) = \alpha(t) \cdot 4 \cdot B \cdot CO_2 \cdot 1.02 + \alpha(t) \cdot 3 \cdot B \cdot CO \cdot 1.02 + \alpha(t) \cdot 2 \cdot B \cdot O_2 \cdot 1.02 - \alpha(t) \cdot B \cdot H_2$ (7) $\gg constraints = [constraints, H(t+1) = H(t) + H_{in}(t) - H_{out}(t)];$	$\boldsymbol{A_{eq}x} = \boldsymbol{b_{eq}}$: $H(t+1) - H(t) - kPelz(t) + kaT(t) + f\alpha(t) = -kc,\ t = 1,2,\ldots,N-1$ $k = \frac{0.002016 \cdot n_c}{0.08988 \cdot 2 \cdot F \cdot b} \cdot \Delta t$ $f = 4 \cdot B \cdot CO_2 \cdot 1.02 + 3 \cdot B \cdot CO \cdot 1.02 + 2 \cdot B \cdot O_2 \cdot 1.02 - B \cdot H_2$ $\gg D = -eye(N) + diag(ones(N-1), 1); D = D(1{:}N-1, :);$ $\gg A_{eq} = [A_{eq};\ -k * eye(N-1, N), zeros(N-1, 3*N), -eye(N-1, N), zeros(N-1, 3*N), D, f * eye(N)]; b_{eq} = [b_{eq};\ -kc * ones(N,1)]$
TB	$t_{min} \cdot s(t) \leq T(t) \leq t_{max}$ (8) $\gg constraints = [constraints, t_{min} \cdot s \leq T \leq t_{max}];$	$\boldsymbol{Ax} \leq \boldsymbol{b}$: $t_{min} \cdot s(t) - T(t) \leq 0, T(t) \leq t_{max}, t = 1,2,\ldots,N$ $\gg A = [A; zeros(N, 5*N), t_{min} * eye(N), zeros(N), -eye(N), zeros(N, 2*N)]; b = [b; zeros(N,1)]$

Table 1 Parallel formulation of the IES MILP problem in equation-based (YALMIP) and canonical (matrix) form.

Row *decision vector* (DV) in Table 3. lists all decision variables (P_{elz},P_{heat},P_{cool},P_k,P_{ren},s,z,T,H,α) denoting power supplied to the electrolyzer, heater and cooler, the electricity purchased from the grid or renewable sources, state of the electrolyzer and cooling system (on/off), electrolyzer temperature, hydrogen storage level and fraction of biogas routed to methanation, respectively. They are repeated over the $N= 50$ discrete time steps, with each representing one hour ($\Delta t=$ 3600 s). In YALMIP, each variable is declared as a vector of length N, while in *canonical form* all variables are stacked into a single decision vector $x \in R^{10N}$. The *electrolyzer* (*EL*) row introduces constraint for alkaline water electrolyzer (AWE) to operate between 25% and 100% of its rated power (Sun et al. [18]). This constraint (Eq. 1) is easily expressed as an inequality in YALMIP, while in canonical form it requires each inequality to be expressed in terms of coefficients for every decision variable placed in the correct positions of the block structure, and the right-hand side values collected in b. Similarly, the heating and cooling exclusivity (Eq. 2-3) introduced in *cooling/heating* (*CH*) row is easy to state in YALMIP by linking bounds to the binary variable z(t), whereas in canonical form it requires filling out matrix *A* and *b* with appropriate coefficients. m is a large constant used to define the upper limit of the possible power values. The power balance (Eq. 4) where n_c denotes the number of electrolyzer cells, appears in YALMIP as a single equality, but in canonical form it corresponds to one row of the equality matrix A_{eq}, constructed from identity blocks with positive and negative signs. Idea behind power balance equation is that at each time step, the energy consumed by the electrolyzer, the heating system, and the cooling system must equal the electricity supplied by both the grid and the renewable source. Dynamic constraints, such as hydrogen storage evolution (Eq. 5) and electrolyzer thermal dynamics (Eq. 9) illustrated in Table 1 as *hydrogen dynamics* (*HD*) and *temperature dynamics* (*TD*), also highlight the difference. In YALMIP, they can be written naturally as equalities across time steps, often inside a loop. In canonical form, these produce block matrices in A_{eqthat} couple variables across time, for example using shifted identity matrices $I_{(N-1,N)}$ or the difference operator D, with additional parameters such as k,f,e acting as multipliers. The thermal model of the electrolyzer is adopted from Sun et al. [18], with temperature T(t+1) updated by a discrete-time heat balance that accounts for internal heat generation, heating, cooling, and thermal losses, linearized following Zheng et al. [19] to fit into the MILP framework. Similarly, hydrogen storage dynamics are captured by balance equations linking input (Eq. 6) from electrolysis and output (Eq. 7) to methanation, constrained within design limits. The hydrogen input from electrolysis is derived from Faraday's law, using some scaling factors and linear approximation following Zheng et al. [19], while the hydrogen demand for methanation depends on the biogas composition and reaction stoichiometry. The coefficients 4, 3, and 2 in Eq, 7 correspond to the stoichiometric molar ratios of hydrogen required, based on fundamental reaction equations as reported by Rönsch et al. [8]. A 2% excess factor is included to ensure complete conversion. Additionally, if any hydrogen is already present in the biogas, it is subtracted from the required amount. Simple conditions like *temperature bounds* (*TB*), and other bounds illustratd in row *other bounds* (*OB*), translate in YALMIP into compact inequalities, while in canonical form they are represented through the lower and upper bound vectors l and u, filled systematically for all time steps using the replication vector $v \in R^N$. Electricity drawn from the grid is limited by a technical upper bound (Eq. 10), while the use of renewable energy is limited by its time-dependent availability e_{ren} (Eq. 11). Since α represents a proportion, it is bounded between 0 and 1 (Eq. 12). This formulation allows the optimization model to continuously shift all biogas use between methanation (α = 1) and electricity generation (α = 0), or adopt intermediate values, depending on operational costs and market prices. Hydrogen storage is also limited by upper and lower storage level (Eq. 13). Constraint (Eq. 14) as described in *renewable share* (*RS*) ensures that renewable energy maintains a minimum share γ in the total electricity consumption over the optimization horizon. Initial conditions are set for temperature t_1 and hydrogen level h_1 at the start of the simulation. Optimization focuses on maximizing the total economic benefit during operation of described IES as shown in Eq. 15 where the parameters k_{SNG} and k_m represent the economic revenue per unit of SNG and electricity generated from biogas, respectively. The cost of purchasing electricity from the grid is modelled through the term $P_k(t) \cdot p_{el}(t)$, where p_{el} is the electricity price. There is a possibility of purchasing some renewable electricity at fixed price p_{ren}. Finally, a CO_2^{pen} penalty term is included, capturing the environmental cost of carbon-intensive grid electricity.

$$\max\left(\sum_{t=1}^{N}\Big(\alpha(t)\cdot B\cdot k_{SNG} + \big(1-\alpha(t)\big)\cdot B\cdot k_m - P_k(t)\cdot p_{el}(t) - P_{ren}(t)\cdot p_{ren} - P_k(t)\cdot CO_2^{pen}\Big)\right) \tag{15}$$

In YALMIP, objective function can be directly written as a compact algebraic expression, while in canonical form it corresponds to the cost vector c (Eq. 16) where each coefficient is assigned to the appropriate decision variable in the stacked vector

$$c^T = [0^T \quad 0^T \quad 0^T \quad -p_{el}{}^T \quad -p_{ren}v^T \quad 0^T \quad 0^T \quad 0^T \quad 0^T \quad B\cdot(K_{SNG}-K_m)v^T] \tag{16}$$

The final canonical formulation can be summarized through the matrices Eq. 17-20.

$$A = \begin{bmatrix} I & 0 & 0 & 0 & 0 & -p_{rated}I & 0 & 0 & 0 & 0 \\ -I & 0 & 0 & 0 & 0 & 0.25p_{rated}I & 0 & 0 & 0 & 0 \\ 0 & 0 & I & 0 & 0 & 0 & -mI & 0 & 0 & 0 \\ 0 & I & 0 & 0 & 0 & 0 & mI & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & t_{min}I & 0 & -I & 0 & 0 \end{bmatrix} \tag{17}$$

$$b^T = [0^T \quad 0^T \quad 0^T \quad mv^T \quad t_{max}v^T] \tag{18}$$

$$\begin{bmatrix} n_cI & I & I & -I & -I & 0 & 0 & 0 & 0 & 0 \\ -kI_{N-1,N} & 0 & 0 & 0 & -I_{N-1,N} & 0 & 0 & 0 & D & fI_{N-1,N} \\ -\Delta t\kappa_P I_{N-1,N} & -\Delta t\eta I_{N-1,N} & \Delta t COP I_{N-1,N} & 0 & 0 & 0 & 0 & D-eI_{N-1,N} & 0 & 0 \end{bmatrix} \tag{19}$$

$$b_{eq} = \left[0^T \quad -kcv_{N-1}{}^T \quad \Delta t\left(\kappa_O - \frac{T_{env}}{R}\right)v_{N-1}{}^T\right] \tag{20}$$

These matrices are constructed from multiple building blocks: identity matrices I and shifted identity matrices $I_{(N-1,N)}$ difference matrices D, and scalar multipliers such as k,f,e. In particular, the inequality matrix A is assembled row by row, combining positive and negative identity blocks with appropriate scaling coefficients, while the equality matrix A_{eq} couples variables across successive time steps through shifted blocks and parameters. This explicit construction demonstrates the complexity of the canonical approach: every constraint must be carefully translated into coefficients of A, b, Aeq, beq making the process error-prone and less intuitive, especially when dynamic constraints are involved. By contrast, YALMIP allows constraints to be written directly in their algebraic form, greatly reducing abstraction and improving readability. For this reason, while the canonical representation has been shown here for comparison, the implementation and optimization of the model are carried out exclusively in YALMIP.

4. Results

The optimization problem was solved using the branch-and-bound (bnb) solver through YALMIP in MATLAB, and no infeasibilities were encountered. The solver returned optimal values for all decision variables, yielding a fully feasible and interpretable solution trajectory over the 50-hour discrete simulation horizon. Figure 1 displays the electricity prices used in the optimization. The dynamic grid electricity price is corrected for CO_2 emission penalties, which effectively shifts the entire price curve upward. As a result, the adjusted grid electricity price ranges from a minimum of 0.0187 €/kWh to a maximum of 0.1022 €/kWh. In contrast, the prices for renewable electricity (0.055 €/kWh), SNG (0.1 €/kWh), and heat (0.05 €/kWh) are fixed throughout the simulation period. Figure 2 illustrates the actual electricity procurement behaviour of the system. The grid purchase and renewable purchase are shown alongside the time- varying availability of renewable electricity that is visualized as a shaded area. In the early simulation hours, the system exploits periods of exceptionally low grid prices by purchasing electricity from the grid, even in the absence of available renewables. However, once grid price exceeds the renewable electricity price threshold, the system rapidly transitions to sourcing electricity exclusively from renewable sources. This shift is particularly visible during hours 12–16 and 33–40, where renewable purchase closely tracks the maximum available renewable energy, while grid purchase falls to zero. Figure 3 presents the power consumption profiles of the system's major electrical loads: the alkaline electrolyzer, the cooling unit, and the heater. Notably, the heating unit remains inactive throughout the entire simulation. The system consistently favours the operation of the cooler to heater, likely because the electrolyzer is often active which heats up the system. When comparing the power consumption in Figure 3 with the electricity procurement shown in Figure 2, a clear correspondence emerges.

ISSN 2991-9371

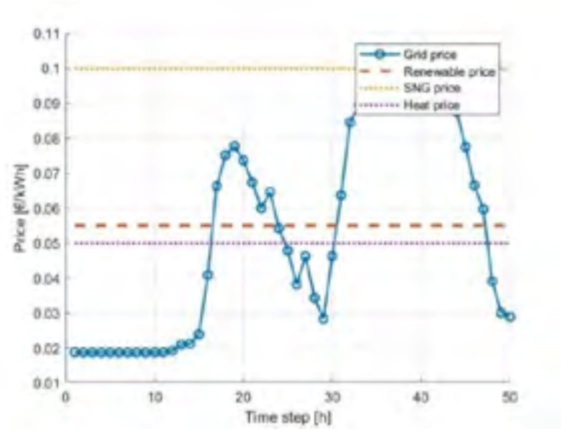

Figure 1 Time-dependent electricity and product prices used in the optimization, including grid, renewable, SNG, and heat price levels

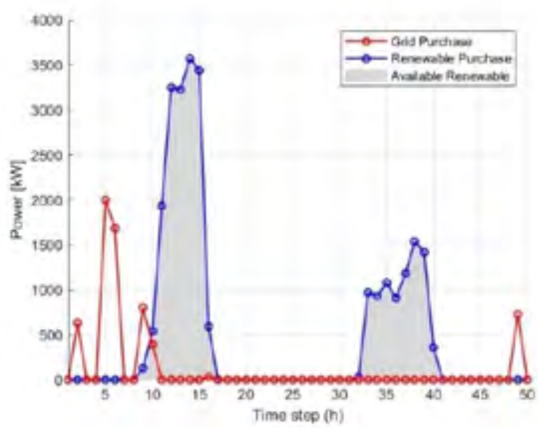

Figure 2 Comparison of purchased grid and renewable electricity with available renewable capacity over time.

The periods with high levels of renewable energy procurement, specifically hours 10–16 and 32–40, align closely with elevated power consumption by both the electrolyzer and the cooler. This correlation reflects the influence of the power balance constraint (Eq. 8), which enforces that all procured electricity must be allocated to one or more operational components. Since the heater remains inactive, the total input power is distributed between the electrolyzer and cooler. Around hour 50, there is an isolated instance of grid electricity purchase accompanied by short spikes in both electrolyzer and cooling power. Figure 4 provides an integrated view of three key operational signals: hydrogen storage level, the biogas allocation variable, and the binary on/off states of the electrolyzer and cooler. The top subplot tracks the hydrogen storage level. Initially, hydrogen level decreases steadily as α remains close to 1, indicating that all biogas is being diverted to methanation, which consumes hydrogen. This depletion continues until approximately hour 17, at which point α drops to zero and hydrogen storage begins to stabilize, suggesting that methanation halts and biogas is now routed to electricity production via the internal engine. Between hours 30 and 40, a slight rise in hydrogen storage is observed. During this period, α remains at zero, and the electrolyzer is intermittently active (as confirmed by the lower subplot), indicating hydrogen production through electrolysis while methanation remains inactive. The middle subplot reveals that α assumes values either 0 or 1, exhibiting a binary switching pattern. When grid price is high (corrected for CO_2), the optimizer favors methanation ($\alpha \approx 1$), generating revenue from SNG. Conversely, when electricity is inexpensive, the internal engine is prioritized ($\alpha \approx 0$), avoiding the costly consumption of hydrogen. The bottom subplot confirms the selective on/off operation of the electrolyzer and cooler. Finally, the system temperature evolution is shown in Figure 5.

For most of the simulation, temperature remains close to the upper limit, causing the cooler to activate intermittently. At time step 16, a sudden and sharp drop in temperature is observed. A closer look at the heat balance components at t = 15 reveals that while the electrolyzer supplied ≈ 2.08 MW of heat, the cooler extracted ≈ 2.71 MW. The net thermal balance at that moment was strongly negative (≈-0.63 MW), resulting in the pronounced temperature decline at t = 16.

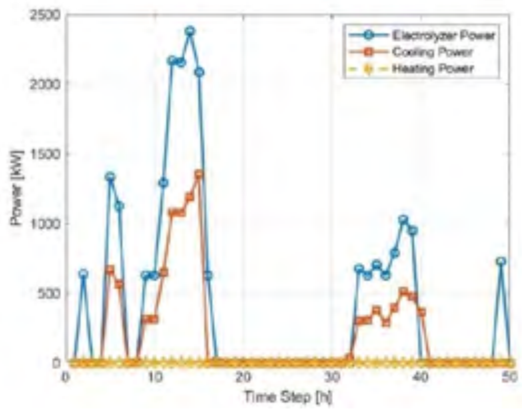

Figure 3 Power consumption of the electrolyzer, cooling, and heating systems over time.

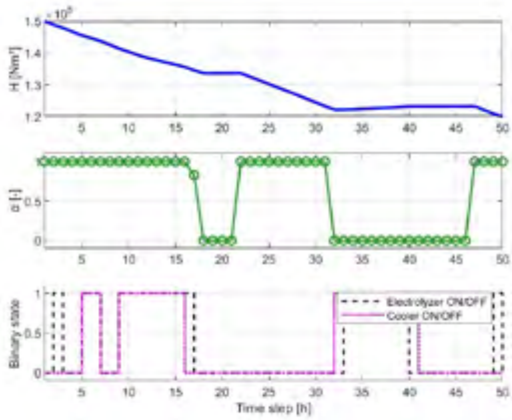

Figure 4 Time evolution of hydrogen storage level, biogas routing ratio α(t), and binary on/off states of the electrolyzer and cooler.

ISSN 2991-9371

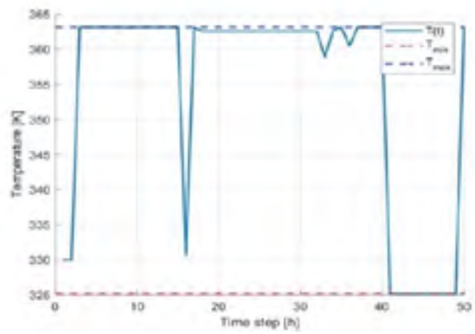

Figure 5 Electrolyzer temperature profile over time, with upper and lower operational

5. Discussion

The simulation results illustrate how the optimization model dynamically balances economic and operational constraints across electricity procurement, hydrogen storage, and thermal regulation. The system's behaviour reflects economically rational decisions, such as sourcing grid electricity when it is temporarily cheaper than renewables and switching to renewable sources once grid prices exceed a predefined threshold enforced not only by the cost structure but also by the γ-renewable constraint. The exclusive reliance on cooling, with the heater remaining unused, indicates that the system generates sufficient internal heat during electrolyzer operation to maintain acceptable temperatures. However, certain events such as the sharp temperature drop at hour 16 demonstrate that excessive cooling, especially when the system's coefficient of performance (*COP*) is high, can overcompensate and cause abrupt thermal shifts. This highlights the importance of carefully tuning cooling control logic, especially in scenarios with tight thermal constraints. The binary switching behavior of α between 0 and 1 reflects a cost-driven allocation strategy between methanation and electricity production. Internal engine for electricity generation is activated when electricity prices increase and selling electricity becomes economically attractive. These behaviours are not hardcoded into the model but emerge naturally from the optimization process as the solver continuously evaluates the marginal cost-benefit balance. A particularly illustrative moment occurs around hour 50, where a brief spike in grid electricity purchase is accompanied by corresponding increases in electrolyzer power. This isolated event likely reflects the solver exploiting a opportunity to improve the objective function, possibly due to a momentary alignment of low grid prices and favourable system conditions. Rather than representing a broader operational strategy, it highlights the optimizer's sensitivity to local variations and its ability to adapt flexibly while maintaining overall feasibility and constraint satisfaction. From a pedagogical perspective, the value of this work lies in demonstrating that advanced energy system optimization can be made accessible using intuitive modelling tools like YALMIP. By abstracting away matrix-based formulations and allowing equation-based modelling, students are free to focus on system behaviour, interdependencies, and the exploration of trade-offs. The binary decisions, energy flows, and dynamic constraints offer a rich environment for teaching real-world decision-making in energy systems. The graphical output provides intuitive feedback that reinforces learning and helps students verify model behaviour. This structure is highly adaptable to classroom and project-based learning formats, allowing students to explore extensions such as CO_2 pricing, renewable variability, and alternative objective functions.

6. Conclusion

This study developed a mixed-integer linear programming model of an integrated energy system (IES) with power-to-gas coupling and implemented it using YALMIP within MATLAB. The optimization, solved with a branch-and-bound solver over a 50-hour horizon, yielded a fully feasible and interpretable solution: dynamic electricity prices—corrected for CO_2 penalties drove the system to purchase grid power when prices were temporarily low, then switch exclusively to renewable sources once grid prices surpassed a fixed renewable threshold. The electrolyser operated in tandem with the cooling unit, while the heater remained idle, indicating that internal heat generation met thermal requirements. Hydrogen storage levels and the biogas routing variable exhibited a clear binary switching pattern; when electricity was expensive, the optimizer favoured methanation and synthetic natural gas production, whereas cheap electricity triggered the internal engine for power generation. Occasional short spikes in grid purchases illustrated the solver's responsiveness to transient price dips. Overall, the operational trajectories electricity procurement, equipment on/off states, hydrogen storage and temperature were consistent with economic and technical reasoning, demonstrating that the proposed optimization approach (OVP) works in practice and yields results that are both interesting and easily interpretable. The pedagogical contribution of this work lies in showing that YALMIP allows complex energy-system problems to be modelled using natural algebraic expressions rather than abstract matrix notation. This lowers the barrier for students, enabling them to focus on understanding system behaviour, trade-offs between cost and emissions, and dynamic constraints without being overwhelmed by formulation details. The case study highlights how YALMIP's intuitive syntax, solver integration and rich visualisation capabilities make it an effective bridge between theoretical optimisation concepts and real-world energy applications. Future work could involve empirically evaluating the framework's educational effectiveness by conducting a controlled study with students, exploring extensions to include market participation, predictive control or real-time data integration, and comparing student outcomes across different modelling tools. Such studies would provide further evidence of YALMIP's suitability as a teaching platform and inform refinements to optimise both learning and system performance.

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ISSN 2991-9371

ISSN 2991-9371