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The Impact of Artificial Intelligence (AI) Integration in HR Practices on Employee Engagement and Organizational Performance

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Article Details

ABSTRACT

Keywords: AI Integration, Human Resource Management, Organizational Performance, Employee Performance, Workplace Adaptability, Higher Education

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Organizational dynamics are changing as a result of the incorporation of Artificial Intelligence (AI) into Human Resource Management (HRM), especially in institutions of higher learning. Using workplace adaptability as a moderating factor and employee performance as a mediating variable, this study investigates the effects of AI integration in HRM on organizational performance. A quantitative research methodology will be used to gather information from 300 respondents at various Sialkot, Pakistani universities. The correlations between these variables will be examined using structural equation modeling, or SEM. It is anticipated that the results would offer empirical insights into how workplace adaptation affects the relationship between AI-driven HRM and employee efficiency and overall institutional success. The study contributes to the growing body of knowledge on AI applications in HRM and offers practical implications for university administrators aiming to leverage AI for improved performance.

Introduction

Human resource management (HRM) is one of the areas that is being revolutionized by the quick development of artificial intelligence (AI). Traditional HR tasks are being transformed by AI-driven HR solutions, which are increasing the efficiency and data-drivenness of hiring, performance management, employee engagement, and talent retention (Johnson et al., 2022). To improve HR processes, businesses all over the world are implementing AI-powered solutions including chat bot-based employee assistance systems, AI-driven performance evaluations, and automated applicant tracking systems (Stone et al., 2020). These developments undoubtedly

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increase productivity, but they also pose questions about trust, transparency, and workplace flexibility. How AI integration in HRM affects employee performance and, eventually, organizational performance is still a crucial question.

AI plays a particularly important role in HRM in the higher education sector. The success of universities depends on their human capital, so it's critical to make sure AI-driven HR practices improve rather than degrade employee performance. The effects of these technologies on academics, administrative staff, and human resources professionals must be thoroughly evaluated in the context of Sialkot, Pakistani universities, which are progressively integrating AI into their HR procedures. It is anticipated that AI-powered HRM will improve decision-making, automate repetitive administrative duties, and expedite faculty recruiting. But it also raises questions about job security, fairness in AI-powered assessments, and confidence in algorithmic judgments (Duggan et al., 2020). Therefore, understanding how AI integration in HRM affects employee performance and overall organizational performance is crucial.

According to the Resource-Based View (RBV) Theory, a company's capacity to create and apply special internal resources—including human capital—defines its sustained competitive advantage (Barney, 1991). Effective implementation of AI-enabled HRM can make it a strategic resource improving staff capabilities and engagement. But the effectiveness of artificial intelligence in HRM depends on employee acceptance and view as much as its efficiency. According to research, employees' engagement and readiness to change to new workplace technologies are much influenced by their perceived fairness and confidence in AI-driven HR systems (Brougham & Haar, 2018). Likewise, Self-Determination Theory (SDT) holds that when people feel autonomy, competence, and relatedness in their workplace, they are more motivated and involved (Deci & Ryan, 2000). AI-driven HRM should therefore be designed to complement these psychological needs rather than undermine them.

Employee performance is a key determinant of this AI-driven change since it moderates the link between artificial intelligence integration into HRM and organizational performance. By automating repetitious processes and offering data-driven insights for improved decision-making, AI-driven HR systems can increase staff productivity. Nonetheless, the efficacy of artificial intelligence in enhancing performance results depends much on employees' confidence in these AI systems and their adaptability to HRM approaches grounded on artificial intelligence (Tambe et al., 2019). Furthermore, a mitigating element in this link is workplace flexibility. Higher adaptable employees are more likely to view artificial intelligence as a tool for enhancing their job duties than as a disruptive agent (Raisch & Krakowski, 2021). Conversely, a lack of adaptability can hinder AI's effectiveness in HRM, leading to resistance and lower organizational performance.

Though artificial intelligence has great advantages, its effective application in HRM mostly rely on digital literacy and AI transparency. Higher digital literate employees are more likely to welcome AI-driven HRM systems since they view them as empowering tools rather than threats (Tambe et al., 2019). Furthermore, openness in artificial intelligence decision-making builds more confidence, which increases employee acceptance of HR interventions motivated by AI (Raisch & Krakowski, 2021). Integration of artificial intelligence into HRM without clear communication and ethical standards could cause mistrust, opposition, and lower employee morale.

To explore these dynamics, this study examines the impact of AI integration in HRM on organizational performance, with employee performance as a mediating variable and workplace adaptability as a moderating factor. The research focuses on universities in Sialkot, Pakistan, including HR professionals, faculty members,

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and administrative staff. Using Structural Equation Modeling (SEM), this study aims to provide empirical insights into how AI-enabled HRM enhances organizational performance through improved employee performance and how workplace adaptability influences this relationship.

In the end, our study adds to the expanding conversation about AI in HRM by providing insightful information to legislators, HR specialists, and university administrators. Understanding the human aspect of AI adoption is crucial for creating a workforce that is engaged, supportive, and adaptable as institutions continue their journey toward digital transformation. Universities may optimize AI's advantages while preserving a healthy corporate culture by making sure AI-driven HR practices are open, equitable, and in line with workers' psychological and professional needs.

Literature Review

Artificial Intelligence (AI) has significantly transformed Human Resource Management (HRM), enabling organizations to enhance efficiency, streamline decision-making, and improve workforce management (Stone et al., 2020). AI-driven HRM encompasses a wide range of applications, including recruitment, performance evaluation, employee engagement, and training (Johnson et al., 2022). Studies suggest that organizations that integrate AI in HRM experience improved decision-making, reduced administrative workload, and enhanced productivity (Bersin, 2019). However, AI's effectiveness in HRM is contingent upon employees' acceptance and adaptation, which directly impacts organizational performance (Huang & Rust, 2021). The successful implementation of AI in HRM requires an alignment between technology and human capital, ensuring that AI-driven processes complement rather than replace traditional HR functions (Tambe et al., 2019).

Numerous elements, such as workplace adaptability, staff productivity, and technology adoption, affect organizational effectiveness (Brougham & Haar, 2018). AI in HRM supports strategic HR practices, boosts labor productivity, and enables data-driven decision-making—all of which improve organizational outcomes (Raisch & Krakowski, 2021). However, there are drawbacks to AI-driven HRM as well, including algorithmic bias, ethical difficulties, and resistance to change (Duggan et al., 2020). According to research, companies who use AI in an ethical and transparent manner see an improvement in organizational performance (Glikson & Woolley, 2020).

Employee Performance as a Mediating Variable

In order to bridge the gap between organizational performance and AI integration in HRM, employee performance is essential. By automating repetitive work, offering individualized learning experiences, and enhancing decision-making support, artificial intelligence (AI) technology can increase staff productivity (Jarrahi, 2018). AI-assisted HRM improves job happiness, skill development, and overall employee performance, according to a study by Parry et al. (2021). However, workers' perceptions of justice, digital literacy, and trust in AI systems all affect how effective AI-driven HRM is (Huang et al., 2019).

One important factor influencing employee performance is trust in AI. Employees who perceive AI-driven HRM as fair and transparent are more likely to engage with AI tools and leverage them for professional growth (Colbert et al., 2016). Conversely, concerns about job displacement, algorithmic bias, and lack of control over AI decisions can negatively impact employee performance (Raisch & Krakowski, 2021). Therefore, organizations must ensure that AI-driven HRM is designed to empower employees rather than replace them (Glikson &

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Woolley, 2020). Additionally, AI's role in performance appraisal and talent management should be aligned with employees' psychological needs to foster motivation and engagement (Deci & Ryan, 2000).

Workplace Adaptability as a Moderating Variable

Workplace adaptability is a critical factor that influences the relationship between AI-driven HRM and employee performance. Adaptability refers to employees' ability to adjust to new technologies, work environments, and changing job roles (Van Vianen, 2018). AI-driven HRM requires employees to develop digital competencies and embrace technological advancements (Brougham & Haar, 2018). Research indicates that organizations with high workplace adaptability experience smoother AI transitions and higher employee engagement (Tambe et al., 2019).

Employees with a high level of adaptability are more likely to perceive AI as a facilitator rather than a disruptor of their professional growth (Glikson & Woolley, 2020). Conversely, employees with low adaptability may resist AI adoption, leading to decreased performance and reduced organizational efficiency (Huang et al., 2019). Workplace adaptability is also influenced by organizational culture, leadership support, and training programs that equip employees with the necessary skills to work alongside AI (Parry et al., 2021). Research suggests that AI-driven HRM is most effective in environments where employees are encouraged to learn, experiment, and embrace change (Duggan et al., 2020).

Organizations face both possibilities and obstacles when integrating AI into HRM. The effectiveness of AI-driven HRM hinges on employees' flexibility and confidence in AI technologies, even though it can improve productivity, worker performance, and organizational results (Shahzad et al., 2025). The influence of AI on organizational success is mediated by employee performance, underscoring the significance of equitable and open AI-driven HR procedures. This relationship is moderated by workplace flexibility, highlighting the necessity of measures for digital literacy and supportive leadership. Businesses may optimize AI's advantages while creating a productive and flexible work environment by making sure AI-driven HRM fits with workers' requirements and workplace culture.

H1: AI integration in HR practices positively impacts employee engagement.

It has been demonstrated that integrating AI into HR procedures improves decision-making, streamlines HR procedures, and creates a more open and encouraging work atmosphere, all of which have a good impact on employee engagement. Chatbots, predictive analytics, and automated performance monitoring systems are examples of AI-powered solutions that enhance employee interactions while lowering administrative workloads and freeing up HR personnel to concentrate on strategic engagement projects (Tambe et al., 2019). Additionally, AI-powered personalization in training, career development, and feedback systems boosts workers' motivation and sense of purpose, which raises engagement levels (Duggan et al., 2020). Transparency in AI decision-making builds confidence and guarantees that workers believe HR rules are impartial and fair, which increases their loyalty to the company (Raisch & Krakowski, 2021). Furthermore, studies show that ethically applied AI-enabled HRM improves workplace adaptability, helping employees embrace technological advancements without fear of job insecurity (Brougham & Haar, 2018). Therefore, organizations leveraging AI in HRM must ensure ethical and transparent implementation to maximize engagement and organizational performance.

H2: AI-driven HR practices positively influence organizational performance.

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AI-driven HR practices play a significant role in enhancing organizational performance by optimizing HR processes, improving decision-making, and fostering a high-performing workforce. Research indicates that AI-powered recruitment, employee engagement strategies, and predictive analytics contribute to better workforce planning, reducing turnover and increasing productivity (Tambe et al., 2019). AI-driven HR tools, such as automated performance evaluations and talent management systems, allow organizations to identify skill gaps and implement targeted training programs, leading to improved employee efficiency and organizational success (Duggan et al., 2020). Additionally, AI enhances HR functions by providing data-driven insights for workforce management, ensuring that employee engagement and satisfaction are aligned with business objectives, ultimately leading to higher financial and operational performance (Raisch & Krakowski, 2021). Studies also suggest that organizations implementing AI in HRM experience improved adaptability to market changes and increased innovation due to streamlined decision-making and talent optimization (Brougham & Haar, 2018). However, to maximize these benefits, organizations must ensure ethical AI integration, transparency, and alignment with corporate values to foster trust and employee acceptance.

H3: Employee engagement mediates the relationship between AI-driven HR practices and organizational performance.

Employee engagement plays a crucial mediating role in the relationship between AI-driven HR practices and organizational performance by enhancing motivation, productivity, and overall workplace effectiveness. AI-driven HR practices streamline recruitment, training, and performance management, creating a more efficient and responsive HR system (Tambe et al., 2019). These AI-enabled processes improve employee engagement by fostering a sense of fairness, personalization, and inclusivity, which in turn strengthens employees' commitment to organizational goals (Duggan et al., 2020).

Research suggests that when employees are actively engaged, they exhibit higher job satisfaction, improved work performance, and greater willingness to adapt to technological changes, ultimately leading to enhanced organizational outcomes (Raisch & Krakowski, 2021). Furthermore, organizations that successfully integrate AI in HRM experience increased operational efficiency, as engaged employees contribute more effectively to business performance and innovation (Brougham & Haar, 2018). Studies also indicate that AI-enhanced HR processes, such as AI-powered analytics for employee well-being and adaptive learning platforms, contribute to sustained engagement and performance improvements (Davenport & Ronanki, 2018).

Thus, AI-driven HRM positively impacts organizational performance through its influence on employee engagement, underscoring the importance of ethical AI implementation and workplace adaptability to ensure long-term organizational success.

H4: The effectiveness of AI-driven HR practices is moderated by Work Place adaptability

Workplace adaptability significantly moderates the effectiveness of AI-driven HR practices, determining how well employees and organizations respond to AI integration in human resource management. Workplace adaptability refers to employees' ability to adjust to changes in job roles, technological advancements, and organizational processes, which is crucial in the context of AI implementation (van der Togt & Rasmussen, 2021). Research indicates that employees with higher adaptability are more likely to embrace AI-driven HR tools, leading to improved engagement, efficiency, and organizational performance (Brougham & Haar, 2018).

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Organizations with a culture that fosters adaptability benefit more from AI-driven HRM, as adaptable employees are more receptive to automated HR functions such as AI-based recruitment, performance management, and employee support systems (Jarrahi, 2018). Conversely, resistance to AI adoption due to low adaptability can hinder its effectiveness, resulting in skepticism, lower trust in AI decisions, and decreased engagement (Tambe et al., 2019). Studies also suggest that workplace adaptability enhances the perceived fairness and transparency of AI-driven HR processes, reinforcing employee trust and reducing resistance to technological change (Raisch & Krakowski, 2021).

Thus, workplace adaptability serves as a key moderating factor that determines whether AI-driven HR practices yield positive outcomes in terms of employee engagement and organizational performance. To maximize AI's effectiveness, organizations should invest in adaptability training, change management strategies, and transparent communication regarding AI implementation in HRM (Davenport & Ronanki, 2018).

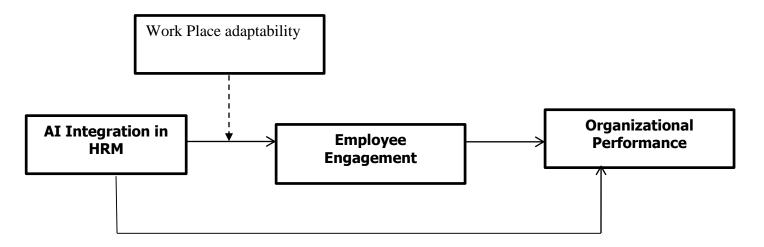


Figure 1: Theoretical Framework

This study examines the impact of AI integration in HRM on organizational performance, with employee performance as a mediating variable and workplace adaptability as a moderating variable, within universities in Sialkot, Pakistan. A quantitative research approach was adopted, employing structured surveys to collect primary data from faculty members and administrative staff across public and private universities in the region.

The target population comprises faculty members, administrative personnel, and HR professionals who interact with AI-enabled HRM systems, including AI-driven recruitment platforms, automated performance evaluation systems, and digital HR tools. Given the growing adoption of AI in HRM, participants were selected based on their exposure to AI-powered HR processes. A convenience sampling technique was used to ensure accessibility to respondents familiar with AI-driven HR practices.

A structured questionnaire served as the primary data collection instrument, distributed in both physical and digital formats. The final sample size of 300 respondents ensures diverse representation across academic disciplines and administrative roles. The collected data was analyzed using IBM SPSS 23 for descriptive and inferential statistics, while AMOS 23 was utilized for Structural Equation Modeling (SEM) to test hypothesized relationships among AI integration in HRM, employee performance, workplace adaptability, and organizational performance.

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Data Analysis

Among the 300 respondents, 198 (66.0%) are male, while 102 (34.0%) are female, indicating a 32% gender gap among employees in universities of Sialkot, Pakistan. This highlights the need for gender inclusivity in academic HR practices. Age-wise, 6.0% (n = 18) of respondents are below 25 years, while the largest proportion, 48.0% (n = 144), falls within the 25-35 age group. Additionally, 23.0% (n = 69) are aged 36-45, while 20.0% (n = 60) are in the 46-55 age bracket, with only 3.0% (n = 9) above 55 years. This distribution provides valuable insight into the workforce demographics of higher education institutions in the region.

Regarding marital status, among the 300 surveyed respondents, 120 (40.0%) are single, while 168 (56.0%) are married, and a smaller group of 12 (4.0%) fall into other marital categories. In terms of educational qualifications, the majority hold Master's degrees, comprising 45.0% (n = 135) of the total, followed by 25.0% (n = 75) with Bachelor's degrees, and 30.0% (n = 90) with PhDs.

Table 1: Descriptive Statistics of Demographics

	Demographic variables	Demographic characteristics	Frequency	Percentage
1	Age	• Below 25	18	6
		• 25-35	144	48
		• 36-45	69	23
		• 46-55	60	20
		• Above 55	9	3
		Total	300	100.0
2	Gender	 Female 	102	34.0
		 Male 	198	66.0
		Total	300	100.0
3	Marital Status	• Single	120	40
		 Married 	168	56
		Other	12	4
		Total	300	100.0
4	Education Level	 Bachelors 	75	25
		 Masters 	135	45
		PhD	90	30
		Total	300	100.0
5	Institute	• Public	100	34
		Private	200	66
		Total	300	100.0

The mean values provide an overview of the central tendencies within the dataset, reflecting the average score for each variable. For instance, the mean score for AI Integration in HRM is 3.02, indicating that respondents perceive AI-driven HRM processes as moderately effective. Standard deviation measures the variability of

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responses around the mean, highlighting differences in perceptions among university faculty and administrative staff. A higher standard deviation suggests greater variability in responses, whereas a lower value indicates a more consistent perception of AI integration, employee performance, and workplace adaptability.

The analysis further reveals that AI Integration in HRM exhibits a strong positive correlation with Employee Performance, reinforcing the notion that AI-driven HR solutions enhance employee efficiency and productivity. Additionally, Workplace Adaptability significantly moderates this relationship, indicating that employees who adapt well to AI-driven HRM systems experience greater performance improvements. Furthermore, Employee Performance demonstrates a significant positive association with Organizational Performance, emphasizing that high-performing faculty and administrative staff contribute more effectively to institutional success.

These findings underscore the importance of ethical and transparent AI adoption in universities across Sialkot, Pakistan, ensuring that AI-driven HRM practices foster workplace adaptability, employee trust, and enhanced organizational performance. By implementing AI ethically and equipping employees with the necessary digital skills, universities can maximize AI's potential while maintaining a positive and adaptive work environment.

Table 2: Descriptive Statistics and Correlation Analysis

Constructs	Mean	SD	AI	EE	OP	WA	
AI Integration in	2.47	.417	1				
HR Practices							
Employee	4.10	.516	.793**	1			
Engagement							
Organizational	2.01	.516	$.050^{*}$	$.094^{*}$	1		
Performance							
Work Place	3.02	.521	$.107^{*}$	$.117^{*}$.007	1	
Adaptability							

The results in Table 3 present significant findings regarding the direct relationships between AI Integration in HRM, Employee Performance, and Organizational Performance. This study also examines how Workplace Adaptability moderates the relationship between AI Integration in HRM and Employee Performance.

Findings indicate that Workplace Adaptability partially moderates the relationship between AI-driven HRM practices and Employee Performance, reinforcing the idea that adaptability plays a crucial role in the successful implementation of AI. Initially, significant direct effects were observed between AI Integration in HRM and Employee Performance before introducing the moderator. For instance, the direct beta value between AI Integration in HRM and Employee Performance was $\beta = 0.415$, p = 0.001. and the direct beta value between AI Integration in HRM and Organizational Performance was $\beta = 0.419$, p = 0.001

Moreover, Workplace Adaptability significantly moderate the relationship between AI Integration in HRM and Employee Performance. This suggests that faculty and administrative staff who perceive AI-driven HRM decisions as transparent and possess higher adaptability levels are more likely to accept and effectively utilize AI-enabled HRM practices. These findings highlight the importance of ethical AI implementation in universities across Sialkot, Pakistan, ensuring that AI-driven HRM strategies enhance employee adaptability, trust, and ultimately, organizational performance.

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Table 3: Path Coefficients

Hypothesis	Relationship	Std. beta	SE	p-values	Decision
H1	AI → EP	.415	.030	.001	Supported
H2	$AI \rightarrow OP$.419	.040	.001	Supported

This indicates that although AI Integration in HRM significantly contributes to the association between Employee Performance, Workplace Adaptability, and Organizational Performance, additional factors may also influence employee performance. These results emphasize the critical role of AI-driven HRM strategies in improving organizational performance, highlighting their substantial influence on employee productivity and adaptability. Moreover, they underscore the complex interplay between AI integration, employee adaptability, and performance, suggesting the need for a holistic approach to AI implementation in HRM.

Table 4: Indirect Effects

Hypothesis	Relationship	Without Mediation	With Mediation	Indirect β	Decision
Н3	$AI \rightarrow EP \rightarrow OP$	$\beta = .315, p = .001$	β = .203, p = .001	β = .112, p = .001	Partially Supported

The results obtained from linear regression analyses reveal B1 = 1.681 (p < .001), B2 = 0.316 (p < .001), and B3 = 0.288 (p < .001) for AI integration in HRM , Work place adaptability , and their interaction.

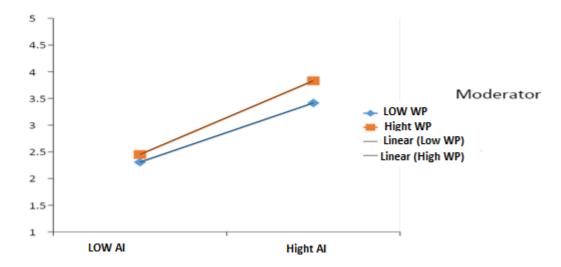


Figure 2: OC strengthens the positive relationship between AI and EE

Limitations and Future Research Directions

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This study has several limitations that should be acknowledged. Firstly, the sample consists of higher education professionals in universities across Sialkot, Pakistan, which may limit the generalizability of the findings to other industries or geographical regions. Future research could explore AI integration in HRM across different sectors to provide a broader perspective. Secondly, as AI-driven HRM is an evolving phenomenon, this study adopted a cross-sectional research design. A longitudinal approach capturing ongoing changes in AI integration, employee performance, and workplace adaptability could provide a more comprehensive understanding of its long-term effects.

Thirdly, this study specifically focused on AI Integration in HRM as the independent variable, Employee Performance as a mediating factor, and Workplace Adaptability as a moderating variable in influencing Organizational Performance. Future research could expand this model by incorporating additional organizational factors such as technological readiness, leadership support, and AI ethics to gain deeper insights into how AIdriven HRM impacts employee and institutional outcomes. Furthermore, upcoming studies could explore whether organizational culture plays a mediating role in AI integration's effectiveness in HRM.

Additionally, this study is limited to the higher education sector in a developing country. The authors suggest conducting comparative studies across multiple regions to validate the findings and understand how cultural and economic differences influence AI-driven HRM adoption. Cross-national comparisons could help assess whether AI's impact on employee performance and organizational performance varies across different regulatory and technological environments.

Theoretical and Practical Contributions

This study makes significant contributions to the existing knowledge on AI-driven HRM and its impact on organizational performance in higher education. The findings confirm that AI Integration in HRM significantly and positively predicts Employee Performance, which, in turn, enhances Organizational Performance. This research extends prior studies by providing empirical evidence on how AI-driven HRM practices improve efficiency, decision-making, and employee adaptability, thereby fostering organizational success.

Furthermore, the study highlights the moderating role of Workplace Adaptability in AI-driven HRM adoption. Employees who demonstrate higher adaptability tend to benefit more from AI-enabled HR processes, reinforcing the need for change management strategies in universities transitioning to AI-powered HRM. From a practical perspective, this research provides higher education institutions (HEIs) in Pakistan with strategic insights on leveraging AI in HRM to enhance employee performance and institutional outcomes.

Lastly, this study employs the Resource-Based View (RBV) theory to establish a theoretical link between AI Integration in HRM, Employee Performance, Workplace Adaptability, and Organizational Performance. This contributes to the growing discourse on digital transformation in HRM, particularly in developing countries where AI adoption in human resource practices is still emerging.

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