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Integrating Artificial Intelligence into Strategic Leadership: Implications for Ethical Governance, Employee Trust, and Organizational Performance in Indonesia

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Abstract

Artificial intelligence (AI) is transforming strategic leadership, yet existing research in Indonesia has not systematically integrated how AI-enabled leadership, ethical governance, and employee trust are jointly represented across national policy, academic, and practitioner discourse. This study addresses this gap through a qualitative document analysis of a purposively assembled corpus of 42 Indonesian documents (2019–2025), including national policies (n=5), sectoral guidelines (n=4), academic articles (n=18), practitioner reports (n=10), and legal commentaries (n=5). Documents were retrieved via Google Scholar, institutional websites (Kominfo, OJK), and consultancy repositories using keywords: "AI leadership Indonesia", "etika kecerdasan buatan", "tata kelola AI", "kepercayaan karyawan AI", and "AI governance Indonesia". Inclusion criteria required direct relevance to AI in leadership/governance/workplace contexts, Indonesian focus, and publication between 2019-2025. Analysis treated documents as social artefacts, coding at the paragraph level using an iterative codebook (initial codes: n=24; final themes: n=4). Themes were validated through cross-source triangulation (requiring support from ≥2 document types) and peer debriefing (n=2 independent reviewers). Documentary evidence indicates that AI is framed as augmenting strategic sensing and performance monitoring, while generating concerns about data protection and algorithmic bias. National ethics circulars and sectoral guidelines begin to structure AI governance but are described as principle-heavy and unevenly translated into practice. Employee trust is portrayed as contingent on transparency, fairness, human oversight, and voice. Building exclusively on this documentary synthesis (not primary organizational field data), the article proposes a novel Indonesia-specific integrated framework in which ethical AI governance mechanisms mediate the relationship between AI-enabled strategic leadership and trust-based organizational performance. The framework's novelty lies in specifying governance mechanisms (policies, assessments, committees, transparency, training) as mediators rather than moderators, grounded in an emerging-market context with high power distance and partial regulation.

KEYWORDS

ai governance; strategic leadership; ethical leadership; employee trust; organizational performance; Indonesia; document analysis.

Introduction

The rapid diffusion of artificial intelligence (AI) technologies is transforming strategic leadership worldwide. Strategic leadership—the capacity of senior leaders to articulate vision, align capabilities, and navigate complexity—is now increasingly mediated by predictive analytics and automated decision-support systems. In Indonesia, this shift

occurs alongside the National Artificial Intelligence Strategy (Stranas KA) and accelerated digitalization, requiring leaders to re-evaluate judgment, risk management, and legitimacy (V. L. L. Kusuma Kumari, 2025).

AI's potential to enhance strategic leadership is well documented. AI supports environmental scanning, scenario generation, and real-time performance monitoring, enabling more evidence-based strategy. However, AI also raises fundamental questions about accountability and ethics—particularly in emerging economies like Indonesia, where regulatory frameworks are nascent and digital divides may amplify algorithmic bias (Yuniliza et al., 2026).

The Indonesian government has begun to respond to these concerns by articulating normative principles for responsible AI. The Ministry of Communication and Informatics (Kementerian Komunikasi dan Informatika, Kominfo) issued a Circular Letter on AI ethics that positions AI ethics as a foundation for regulating principles and norms in AI-based programming and data use, emphasizing inclusivity, transparency, humanity, and security. Complementing this, sectoral regulators such as the Financial Services Authority (Otoritas Jasa Keuangan, OJK) have released guidelines on responsible and trustworthy AI in the financial technology industry, highlighting accountability and risk management. These instruments signal a policy-level expectation that organizations will embed ethical considerations into AI deployment, including within strategic decision-making processes (Britchenko, 2025).

The Indonesian government has responded with normative principles: Kominfo's Circular Letter on AI ethics and OJK's guidelines on responsible AI in fintech emphasize inclusivity, transparency, and accountability. Yet translating these principles into corporate governance remains contested, with many organizations relying on ad hoc practices (Ruchi Sharma, 2025).

Despite growing interest, three specific gaps persist. First, most Indonesian policy debates focus on macro-regulation, with limited attention to the micro-level interplay between AI-enabled leadership, internal governance, and employee trust. Second, global AI leadership research largely abstracts from the institutional and cultural specificities of emerging markets, where high power distance and collectivism shape trust dynamics differently (Nanda et al., 2025) Third, while ethical AI and governance are rapidly developing fields, the mediating role of governance mechanisms between AI-enabled leadership and performance outcomes remains undertheorized, especially in documentary evidence.

In parallel, organizations adopt AI with clear expectations of performance improvement. AI can increase productivity, optimize business processes, and enable more personalized and responsive services to customers across sectors, including creative industries, health, and education. For strategic leaders, the challenge lies in ensuring that these performance gains do not come at the expense of ethical integrity, social legitimacy, or long-term human capital development. Overreliance on algorithmic control or performance surveillance can trigger resistance, stress, and perceptions of injustice, undermining the very performance outcomes that AI is expected to deliver. Conversely, carefully governed AI integration—anchored in ethical norms and participatory practices—may strengthen organizational learning, innovation, and resilience (Nath et al., 2025).

Compared with prior work—e.g., Suljic (2025) on strategic leadership in AI-driven transformation, Skeja & Sadiku-Dushi (2025) on the CARE governance framework, and Papagiannidis et al. (2022) on responsible AI governance and competitive performance—this study offers three novel contributions. Conceptually, it proposes an Indonesia-specific integrated framework where ethical governance mechanisms *mediate* (rather than moderate) the relationship between AI-enabled leadership and trust-based performance. Empirically, it synthesizes dispersed documentary evidence from policy, academic, and practitioner sources (2019–2025) to map how AI ethics frameworks are represented as shaping organizational practices. Practically, it offers actionable guidance for Indonesian boards and senior leaders. The study is a *conceptual synthesis* based on document analysis, not primary organizational field data (Skeja & Sadiku-Dushi, 2025).

This article addresses these gaps by focusing on Indonesia as a context in which AI integration, strategic leadership, and ethical governance are co-evolving. It asks: (1) How are Indonesian strategic leaders integrating AI into their decision-making and governance practices? (2) In what ways does AI integration reshape ethical governance mechanisms within organizations? (3) How do these developments influence employee trust in leadership and perceptions of fairness? and (4) What are the implications for organizational performance? The article adopts a qualitative research design based on document analysis and interpretive thematic analysis of Indonesian AI policy texts, academic and practitioner literature, and publicly reported practices of responsible AI.

The Indonesian context provides a particularly illuminating environment for studying these questions. Indonesia is a large, diverse, and rapidly digitalizing economy with significant ambitions in AI-related innovation, as signaled by Stranas KA and multiple digital transformation initiatives. At the same time, institutional fragmentation, regulatory gaps, and capacity constraints complicate the design and enforcement of robust AI governance mechanisms. Organizational leaders thus operate in a dynamic equilibrium: encouraged to innovate with AI, yet confronted with normative expectations for ethical conduct and trust-building under conditions of partial regulation and social scrutiny (Prabhu & Clinton Spohrer, 2025).

The contribution of this article is threefold. Conceptually, it articulates an integrated framework connecting AI-enabled strategic leadership, ethical governance structures, employee trust, and organizational performance in an emerging-market context. Empirically, it synthesizes dispersed evidence from policy documents, legal analyses, and applied management literature to map how AI ethics and governance frameworks are beginning to shape organizational practices in Indonesia. Practically, it offers recommendations for Indonesian leaders and boards seeking to harness AI strategically while strengthening ethical governance and sustaining employee trust. The analysis underscores that the successful integration of AI into strategic leadership is not primarily a technical challenge but a socio-organizational one, involving continuous negotiation between efficiency, equity, and legitimacy. q

Methods

Research Design

This study adopts a qualitative document analysis design with thematic synthesis, appropriate for examining policy texts, organizational guidelines, scholarly articles, and practitioner reports as social artefacts (Creswell, 2021). The focus is on documents illuminating: (1) strategic use of AI in leadership; (2) ethical governance of AI in Indonesia; and (3) implications for employee trust and performance. (Creswell, 2021).

The research is structured as a qualitative document analysis combined with thematic synthesis. Document analysis is a well-established method in qualitative research, suitable for examining policy texts, organizational guidelines, scholarly articles, and practitioner reports to identify patterns, meanings, and underlying assumptions. Through careful reading and interpretation, documents are treated not merely as neutral repositories of information but as social artifacts that reflect

and shape institutional priorities, power relations, and normative frameworks.

In this study, the focus is on documents that illuminate: (1) the strategic use of AI in leadership and management; (2) the ethical governance of AI in Indonesian organizational and regulatory contexts; and (3) the implications for employee trust and organizational performance. By synthesizing insights from diverse but related sources, the analysis constructs an integrated picture of current developments and future challenges.

Data Sources and Selection

Documents were retrieved from Google Scholar, institutional websites (Kominfo, OJK, Bappenas), and consultancy repositories (legal firm publications) using exact keywords: "AI leadership Indonesia", "etika kecerdasan buatan", "tata kelola AI", "kepercayaan karyawan AI", "AI governance Indonesia", and "strategic leadership AI". Search period: January 2019 – December 2025 (reflecting Stranas KA launch and subsequent policy development).

Second, academic and quasi-academic literature on AI and strategic leadership, AI ethics, and public governance in Indonesia was included. Key references comprise international work on the impact of AI on strategic leadership and organizational structures, conceptual and empirical analyses of AI in strategic management, and Indonesian studies on AI in public governance that examine ethical opportunities and challenges in national digital transformation. These sources provide theoretical lenses and empirical observations relevant to organizational contexts.

Third, practitioner-oriented analyses and commentaries were incorporated, particularly those addressing responsible AI, corporate governance, and workforce implications in Indonesia. Legal and consulting firm publications discussing corporate accountability, AI risk management, and board responsibilities offer insight into how organizational leaders and advisors conceptualize AI as a governance subject and strategic risk. These documents complement more formal policy texts by revealing emergent practices and concerns at the corporate level.

Selection was guided by relevance to the research questions, recency, and credibility. Documents were included if they addressed AI use in leadership, governance, or workplace contexts; discussed ethical or regulatory dimensions of AI in Indonesia; or analyzed trust, accountability, and performance implications of AI-enabled management. The selection is purposive rather than exhaustive, reflecting the exploratory nature of the study. The emphasis is on capturing diverse yet convergent perspectives that together shed light on the phenomena of interest (Sugiyono., 2019).

Inclusion: (a) direct relevance to AI in leadership/governance/workplace contexts; (b) Indonesian focus (national or organizational); (c) publication date 2019-2025; (d) credible source (peer-reviewed, government, or established consultancy/legal firm). Exclusion: (a) purely technical AI papers without leadership/governance dimensions; (b) non-Indonesian contexts; (c) opinion pieces without explicit documentary basis

Data Analysis

Analysis followed an iterative interpretive thematic approach. Coding unit: paragraph level. Codebook development: Initial holistic reading generated 24 preliminary codes (e.g., "AI environmental scanning," "AI risk assessment," "transparency," "surveillance concerns"). Codes were both deductive (from RQs) and inductive (Arikunto, 2016). Through iterative comparison, codes were clustered into four higher-order themes: (1) AI-enabled strategic practices; (2) ethical governance mechanisms; (3) trust dynamics; (4) performance contingencies.

Validation: Cross-source triangulation required each theme to be supported by at least two document categories (e.g., policy + academic). Peer debriefing involved two independent researchers reviewing 20% of coded excerpts; inter-coder agreement was 87%. Disagreements were resolved through discussion. Theme saturation was achieved after 35 documents (no new codes emerged).

Trustworthiness and Limitations

A traceability matrix (Appendix A, available from authors) maps each theme to specific document types. The study does not claim prevalence quantification but offers qualitative patterns. Limitations: reliance on public documents (no internal organizational records), no primary data (interviews/surveys), and potential publication bias (overrepresentation of formal guidelines over informal practices)(Miles, M. B., & Huberman, 2014).

Reflexivity was maintained by explicitly recognizing the interpretive nature of the analysis and the evolving state of AI-related knowledge. The study does not claim to provide a definitive mapping of AI governance and leadership in Indonesia but rather an informed, theoretically grounded synthesis that reflects available evidence at a specific point in time. Given the rapid pace of regulatory and technological change, findings should be revisited as new policies are enacted and organizational practices mature.

The study has several limitations. It relies on publicly accessible documents and does not incorporate primary data from interviews or internal organizational records. As such, certain internal dynamics—such as informal practices, organizational politics, or unreported failures—may not be captured. Additionally, the analysis does not quantify the prevalence of particular practices or outcomes across organizations; instead, it offers qualitative insights into patterns and relationships. These limitations are consistent with the exploratory and theory-building aims of the study but suggest avenues for future empirical research using interviews, surveys, or case studies in specific Indonesian organizations.

Result and Discussion

The thematic analysis yielded four interrelated clusters of findings: (1) AI-enabled transformations in strategic leadership practices; (2) emerging ethical governance mechanisms for AI in Indonesian organizations; (3) shifting dynamics of employee trust under AI-augmented leadership; and (4) contingent impacts of AI integration on organizational performance. Each cluster is presented below, accompanied by qualitative data tables that synthesize key themes, descriptions, and illustrative examples derived from the analyzed documents.

AI integration is reshaping how Indonesian strategic leaders scan environments, formulate strategies, and monitor execution. Documents and commentaries emphasize that AI is increasingly used for real-time analytics, predictive modeling, and scenario analysis, enabling more responsive and evidence-based leadership. AI tools support leaders in making sense of complex markets, customer behaviors, and operational performance, thereby complementing experiential judgment.

Table 1 shows that AI-supported practices have permeated various aspects of strategic leadership, ranging from initial monitoring to performance management in the final stages. Importantly, each of these practices raises specific governance and ethical considerations. For example, AI-supported environmental scanning relies on the collection and analysis of large-scale data, raising questions regarding privacy, consent, and potential profiling biases, particularly when data sources include social media or inferred personal attributes. Similarly,

Table 1. AI-enabled strategic leadership practices and governance implications

Dimension of strategic leadership	AI-related practice in Indonesian organizations (as described in documents)	Governance and ethical implications
Environmental scanning and sensing	Use of AI-driven analytics to monitor market trends, customer sentiment, and competitor activity in near real time	Necessity to ensure data quality, privacy compliance, and avoidance of discriminatory profiling; need for clear accountability for insights acted upon
Strategic planning and scenario analysis	Application of predictive models and simulations to test strategic options and stress-test assumptions	Risk of overreliance on model outputs; requirement for human oversight and critical reflection; transparency about model assumptions and limitations
Resource allocation and portfolio management	Algorithmic tools for prioritizing investments, optimizing budgets, and allocating resources across business units	Need for fairness and explainability in resource decisions; potential impacts on internal power dynamics and perceptions of favoritism
Human capital and workforce planning	AI-assisted forecasting of talent needs, identification of skill gaps, and optimization of workforce deployment	Potential bias in training data affecting workforce decisions; implications for job security and reskilling obligations; need for clear communication with employees
Performance monitoring and control	Use of AI to track key performance indicators, detect anomalies, and support performance reviews	Heightened risk of perceived surveillance and micromanagement; importance of proportional use, consent where applicable, and channels for contestation

Table 2. Representations of AI-Enabled Strategic Leadership in Documents

Dimension	As Stated/recommended in documents (with source type)	Inference
Environmental scanning	Use of AI-driven analytics for market monitoring (policy, practitioner)	Privacy/data quality concerns noted but not operationalized
Strategic planning	Predictive models for scenario testing (academic, e.g., Kusuma Kumari, 2025)	Risk of overreliance on models acknowledged
Resource allocation	Algorithmic tools for investment prioritization (practitioner)	Fairness/explainability cited as concerns
Performance monitoring	AI tracking KPIs and detecting anomalies (sectoral guidelines, OJK, 2024)	Surveillance risk highlighted; calls for proportional use

algorithmic support for resource allocation can exacerbate or mitigate perceptions of fairness depending on how transparent and participatory the decision-making process is.

The analysis suggests that Indonesian strategic leaders are encouraged by advisors and policy frameworks to view AI not as an autonomous decision-maker but as an augmentation to human strategic judgment. Nonetheless, there is a risk that, under pressure for speed and efficiency, leaders may defer excessively to algorithmic recommendations, potentially diminishing accountability and critical scrutiny. This underscores the need for ethical governance mechanisms discussed in the next subsection.

The documents reveal a growing emphasis on formalizing ethical governance mechanisms for AI in Indonesia. National-level guidelines articulate high-level principles, while corporate actors are urged to translate these into concrete governance structures and processes. The Kominfo AI Ethics Circular and OJK's guidelines both stress values such as inclusivity, transparency, accountability, and security, and encourage organizations to develop internal policies that operationalize these norms.

From practitioner and legal analyses, several governance mechanisms emerge as recommended or observed in Indonesian organizations experimenting with AI. Table 2 summarizes these mechanisms, their typical manifestations, and their relationships to employee trust and ethical leadership.

Table 2 shows that these documents recommend five governance mechanisms, but distinguish between policy-level support and observed organizational implementation.

The analysis also reveals tensions between normative aspirations and practical implementation. Policy documents and commentaries frequently describe governance mechanisms in aspirational terms, while acknowledging that many organizations are at early stages of institutionalizing such practices. Resource constraints, limited technical understanding among senior leaders, and the novelty of AI use cases in certain sectors can impede the establishment of robust governance structures. As a result, ethical governance in practice may be ad hoc, relying on individual leaders' values and informal norms rather than codified procedures.

Employee trust emerges in the corpus as a critical but often implicit element of AI integration. While few documents focus exclusively on employee experiences, references to transparency, fairness, participation, and human oversight are closely linked to how employees are expected to respond to AI-mediated decisions. The analysis suggests that employee trust in AI-augmented leadership depends on both procedural and relational factors.

From a procedural perspective, trust is influenced by perceptions of fairness, transparency, and voice in AI deployment. For example, when AI is used in HR or performance management, employees may question whether algorithms are trained on representative data, whether they can understand how decisions are made, and whether there are avenues to contest decisions perceived as erroneous or unjust. From a relational perspective, trust is linked to whether leaders demonstrate care, respect, and accountability when adopting new technologies—whether they communicate openly about AI's role, address concerns, and remain accessible as responsible decision-makers.

As shown in Table 3, these themes highlight that employee trust is not automatically enhanced by AI's technical reliability or performance benefits. Rather, trust depends on how leaders integrate AI into socio-organizational processes, including communication, participation, and accountability. In Indonesia, where hierarchical structures and relational expectations coexist, leaders must navigate trust-building carefully. Overemphasis on AI-driven monitoring and unilateral decisions can undermine psychological safety and engagement, even if framed as productivity-enhancing. The analyzed documents collectively suggest that AI can

Table 3. Ethical AI Governance Mechanisms: Representations in Documents

Governance Mechanism	As described/recommended in documents (source)	Evidence of implementation (documented)
AI ethics policies	Adoption of internal codes referencing national principles (policy, Kominfo)	Described as "principle-heavy, unevenly translated" (practitioner, Sharma, 2025)
AI risk assessment	Conducting legal/ethical impact assessments (sectoral, OJK)	"Many organizations still ad hoc" (legal commentary)
Governance committees	Cross-functional teams (HR, IT, legal) (academic, Skeja & Sadiku-Dushi, 2025)	Documented in some multinational subsidiaries, rare in SMEs
Transparency measures	Documenting model rationales; providing explanations (practitioner)	Recommended but "limited adoption" (consultancy report)
Training programs	Educating leaders/employees on AI ethics (academic, Bhegade, 2026)	"Nascent" – mostly pilot programs

Table 4. Representations of Employee Trust in AI-Augmented Leadership

Trust-related theme	As stated in documents (source type)	Indonesia-specific evidence cited
Transparency & explainability	Disclosure of AI use and understandable explanations (academic, e.g., Schilke & Reimann, 2025)	Kominfo Circular emphasizes transparency as a principle
Perceived fairness	Concerns about algorithmic bias in HR/access (practitioner, Nath et al., 2025)	Cited as particularly salient in high power-distance contexts (Nanda et al., 2025)
Human oversight	Maintaining meaningful human control (policy, OJK)	Final accountability rests with human leaders (legal commentary)
Participation & voice	Involving employees in AI design/evaluation (academic, Enang et al., 2026)	Aligns with collectivist norms, but rarely documented in practice
Surveillance & autonomy	Fears of increased monitoring (practitioner)	Noted as a risk in Indonesian platform work contexts

improve organizational performance by increasing efficiency, enabling better risk management, and supporting innovation. However, they also emphasize that these benefits are contingent on effective governance and trust-based implementation. Without such foundations, performance gains may be short-lived or offset by unintended negative consequences.

The performance-related findings can be synthesized along two axes: direct operational benefits and broader strategic and reputational outcomes. Operationally, AI contributes to faster and more accurate decision-making, optimized resource use, and more personalized services. Strategically, organizations that are perceived as responsible AI users may enhance their legitimacy, attract talent, and differentiate themselves in markets increasingly sensitive to ethical and sustainability considerations.

Conversely, inadequate governance and erosion of trust can generate costs that undermine performance: regulatory sanctions, reputational damage, employee disengagement, and resistance to change. For example, if AI-based HR decisions are perceived as opaque or biased, organizations may face grievances, legal challenges, or talent attrition. If customer-facing AI systems mismanage data or discriminate, reputational damage can rapidly offset efficiency gains.

These dynamics indicate that AI integration's net performance effect is mediated by ethical governance and trust. Organizations that integrate AI into strategic leadership without commensurate attention to governance and people dynamics risk generating "performance volatility": periods of short-term gain followed by crises of legitimacy or internal conflict.

As shown in Table 4, documents suggest that AI's performance effects are contingent on governance and trust. Operational benefits (efficiency, risk management) are widely claimed, but so are risks (reputational damage, disengagement) when governance is weak. No document provides causal evidence; all present conceptual or illustrative claims.

The findings support global scholarship on AI transforming strategic leadership but add a crucial nuance: in Indonesian documentary representations, AI-enabled leadership is portrayed as effective only when embedded within ethical governance and relational trust. We propose the concept of augmented stewardship—defined as leaders' orchestration of human and algorithmic resources toward long-term goals while shouldering ultimate accountability for outcomes. This concept emerged from the convergence of three themes: (a) AI as augmenting (not replacing) judgment (Theme 1); (b) governance mechanisms as mediating trust (Themes 2 & 3); and (c) performance as contingent on both (Theme 4).

Compared with existing constructs—digital leadership (focuses on technology adoption), algorithmic management (emphasizes control), responsible leadership (underscores stakeholder values)—augmented stewardship uniquely integrates stewardship (long-term accountability) with augmentation (human-AI complementarity) in an emerging-market context with partial regulation. Global scholarship has framed AI as a transformative force that redefines strategic leadership capabilities.

The findings here support this view while highlighting a crucial nuance: in Indonesia, AI-enabled strategic leadership is likely to be effective only when embedded within robust ethical governance and relational trust (Suljic, 2025). AI systems extend leaders' analytical reach, enabling faster and more granular understanding of complex environments. Yet, these systems also introduce new opacities and dependencies that can disrupt traditional bases of authority and legitimacy (Sampath, 2025).

From a theoretical standpoint, strategic leadership in an AI-rich context can be conceptualized as a form of "augmented stewardship," where leaders orchestrate human and algorithmic resources toward long-term organizational and societal goals while shouldering ultimate accountability for outcomes (Şahin, 2025). This stewardship includes curating data sources, evaluating model assumptions, and balancing efficiency with fairness. Indonesian strategic leaders, operating within evolving regulatory frameworks and diverse stakeholder expectations, must cultivate digital judgment—an integration of technical awareness, ethical reasoning, and contextual sensitivity (Sparsha S. Shetty et al., 2025).

The results also suggest that AI integration can reshape the temporal horizons of strategic leadership (Lawani, 2025). Real-

time analytics and predictive models encourage shorter feedback loops and more continuous strategic adaptation. While this agility can be advantageous, it may also incentivize a focus on quantifiable, near-term metrics at the expense of qualitative, long-term considerations such as employee well-being, capability development, and social impact. Leaders therefore need to retain a long-term perspective, ensuring that AI-enabled optimizations do not quietly erode human capital or trust (Karami & Ghasemi, 2026).

Ethical Governance as a Strategic Asset

The findings suggest that governance mechanisms translate into organizational outcomes through specific mechanisms. AI ethics policies signal leadership commitment, reducing uncertainty. Risk assessments demonstrate anticipatory care, building procedural justice. Governance committees provide voice channels, enhancing psychological safety. Transparency measures enable contestability, reinforcing fairness perceptions. Training programs empower employees, reducing fear of inscrutable decisions. These mechanisms are not merely compliance tools but active trust-builders—a point implied in documents but not explicitly theorized. Our framework makes this mediating logic explicit (Ruchi Sharma, 2025). Ethical governance structures—AI ethics policies, risk assessments, governance committees, and transparency measures—serve multiple functions. They help prevent harms and legal violations, but they also shape organizational identity and culture, signaling to employees and external stakeholders how seriously leaders take their responsibilities (Sharma & Haralayya, 2025).

The findings suggest that organizations that treat AI governance as integral to strategic leadership may gain several advantages. Internally, clear governance mechanisms create predictability and fairness in how AI is introduced and used, reducing uncertainty and enabling employees to engage constructively with change. Leaders who involve employees in discussions about AI deployment and governance can access frontline knowledge, identify context-specific risks, and co-create solutions. This participatory approach aligns well with collectivist norms and can strengthen relational trust (Bhegade, 2026).

Externally, organizations perceived as responsible AI users may attract partners, investors, and customers who prioritize ethical considerations. As Indonesia continues to articulate AI ethics at the national level, alignment with these principles can enhance regulatory goodwill and reduce exposure to future policy shifts. Ethical governance thus becomes a form of strategic risk management and reputational capital (Mahajan, 2025).

However, the study also reveals a gap between normative frameworks and practical implementation. Many of the governance mechanisms described are aspirational or early-stage; they require sustained investment in capabilities, processes, and culture change. Indonesian organizations vary widely in resources and digital maturity, which may exacerbate disparities in AI governance quality. Policymakers and industry associations may therefore need to support capacity-building initiatives, templates, and sector-specific guidance to make ethical governance more accessible, particularly for small and medium-sized enterprises (Ayodele et al., 2025).

Employee Trust as a Mediator of AI's Organizational Impact

The findings emphasize that employee trust is a central mediator between AI integration and organizational performance. Trust in AI-augmented leadership is multi-dimensional, encompassing trust in the technology, trust in leaders' intentions and competence, and trust in organizational processes. When employees perceive AI systems as transparent, fair, and subject to meaningful human oversight, and when they feel that leaders are accountable and responsive, they are more likely to accept AI-assisted changes, share data, and collaborate in process improvements (Enang et al., 2026).

Conversely, if AI is experienced as an opaque tool of surveillance or unilateral control, trust may erode. In Indonesian workplaces, where hierarchical deference can coexist with strong expectations of paternalistic care, perceived abuse of AI technologies—for example, for excessive monitoring or unexplained performance grading—can be interpreted as a breach of relational obligations. Such breaches may not always surface as open conflict; they can manifest as passive resistance, reduced engagement, or silent attrition (Schilke & Reimann, 2025).

These dynamics have theoretical implications. They suggest that classic models of trust in leadership need to incorporate algorithmic and data-driven dimensions. Trust is no longer only about interpersonal characteristics (e.g., integrity, benevolence, competence) but also about how leaders handle complex socio-technical systems. For Indonesian leaders, trust-building in the AI era may require new forms of symbolic action—such as public commitments to AI ethics, visible participation in governance committees, and personal involvement in explaining AI-related decisions—to demonstrate that human values remain central (Kulin et al., 2024).

Performance: Beyond Efficiency to Sustainable Value Creation

The performance implications of AI integration are often framed in terms of efficiency and innovation. The findings here support these benefits but also highlight the potential for performance volatility if ethical governance and trust are neglected. Short-term gains in efficiency may be offset by long-term costs associated with legal disputes, reputational harm, and weakened organizational cohesion (Morales-Muñoz et al., 2026).

Sustainable performance in AI-rich environments appears to depend on alignment among three domains: (1) technological capabilities and use cases; (2) governance structures and ethical norms; and (3) human factors, including trust, skills, and culture (Anubhav Mittal, 2025). When AI use cases are carefully selected to align with organizational strategy, governed by clear ethical policies, and implemented with attention to employee experiences, organizations can realize enduring performance benefits. For example, AI-driven analytics in operations can free up human capacity for higher-value tasks, while fair and transparent AI-supported HR decisions can reinforce meritocracy and motivation.

In contrast, if AI is adopted in pursuit of quick wins or competitive signaling, without the governance and relational foundations described, performance may suffer (Sankheangaew et al., 2025). Misaligned or poorly governed AI systems can produce biased outcomes, demoralize employees, and provoke stakeholder backlash. In Indonesia's dynamic regulatory environment, organizations that underinvest in governance risk being caught off-guard by stricter enforcement or new requirements (Papagiannidis et al., 2022).

Thus, strategic leaders must integrate performance considerations with ethical and trust-related concerns (Al-Mutawa et al., 2025). Performance dashboards and KPIs should not only track financial or operational indicators but also monitor signals of trust and ethical climate—such as employee feedback on AI use, reports of perceived unfairness, or incidents involving data or privacy concerns. This integrated view supports a broader conception of performance as sustainable value creation rather than short-term optimization.

Conclusion

This article examined representations of AI integration into

strategic leadership in Indonesian policy, academic, and practitioner documents. Based on thematic synthesis of 42 documents (2019–2025), three key takeaways emerge such as Documented gap: AI ethics principles are well-articulated in national policies and sectoral guidelines, but their translation into organizational governance mechanisms (policies, assessments, committees, transparency, training) is described as uneven and ad hoc. Trust as mediator: Employee trust is portrayed in documents as contingent on procedural fairness, transparency, human oversight, and voice—not AI's technical performance alone. This positions trust as a critical mediator between governance and performance. Proposed framework: We propose an Indonesia-specific integrated framework where ethical governance mechanisms mediate the relationship between AI-enabled strategic leadership and trust-based organizational performance. The framework's novelty lies in specifying five governance mechanisms as mediators in an emerging-market context.

Author contributions

Authors explicitly outline and describe their individual contributions to the research and the development of the manuscript. This statement is intended to provide transparency and clarity regarding each author's role in the project. It helps readers and reviewers understand the specific contributions of each author to the research process.

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