Harnessing AI Human Capital: A strategic trade-off and its impact on firm performance

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Abstract

As firms invest in Artificial Intelligence (AI), a key strategic question is how to benefit from AI in ways competitors cannot easily replicate. Prior research suggests recruiting AI human capital to develop innovation and marketing capabilities. Using longitudinal firm-level data on investments in AI human capital, we examine its effects on innovation capability, marketing capability, and firm performance. We find that AI human capital enhances firm performance through its positive effect on innovation capability, but simultaneously undermines performance through its negative effect on marketing capability. This finding reveals a novel strategic trade-off when firms recruit AI human capital to enhance their performance. Moreover, we show that financial slack enables firms to overcome this trade-off by reducing internal competition for organizational resources. Our study provides novel insights into the performance implications of AI human capital and suggests a potential diminishing role of marketing in the age of AI.

Track: Marketing Strategy & Theory