

Explainable Artificial Intelligence for Executive Decision-Making: Enhancing Trust and Transparency in Management Information Systems

VIRENDRA S. GOMASE^{1*}, SUHAS B. DHANDE², PANKAJ R. NATU³

¹ S.P. Mandali's, Prin. L. N. Welingkar Institute of Management Development & Research, Mumbai, 400019, University of Mumbai, Mumbai, India. email: viren.gomase1@gmail.com ORCID: 0000-0003-2454-1779

² S.P. Mandali's, Prin. L. N. Welingkar Institute of Management Development & Research, Mumbai, 400019, University of Mumbai, Mumbai, India. email: dhande.suhas@gmail.com ORCID: 0000-0001-6118-7698

³ S.P. Mandali's, Prin. L. N. Welingkar Institute of Management Development & Research, Mumbai, 400019, University of Mumbai, Mumbai, India. email: pankaj.natu@welingkar.org ORCID: 0000-0003-1326-9773

*Corresponding Author - email: viren.gomase1@gmail.com

Abstract: AI has increasingly found its place in Management Information Systems (MIS), allowing organizations to process a huge amount of information and analyze it to find trends, predict business results, and enable decision-making. Yet, most AI technologies function as almost "black boxes," generating results without explaining the underlying logic behind them. This may lead to concerns about accountability, fairness, and ownership of decisions, hampering trust in the technology and limiting its acceptance in the company. Explainable Artificial Intelligence (XAI) solves these challenges through the provision of clear and intelligible accounts of the predictions and recommendations made by AI. This study investigates the significance of XAI in improving the executives' decision-making process with greater transparency, trust, accountability, and the human-AI collaboration. By applying a conceptual and literature research methodology, the paper proposes a new MIS framework using XAI, where quality of data, transparency of model, relevance of the explanation, and human supervision advance the executives' degree of trust and decision-making quality. The study claims that XAI must be regarded not only as a technical tool but as an organisational capability enabling managers to assess AI suggestions critically and act on them wisely. The research establishes the significance of user-centric explanations, governance systems, ongoing monitoring, and human responsibility. Findings indicate that explainable AI can boost managers' confidence and enhance the quality, speed, and defensibility of strategic choices if the provided explanations are accurate, meaningful, easy to comprehend, and correlating with the goals of the organisation.

Keywords: Explainable Artificial Intelligence; Executive Decision-Making; Management Information Systems; Trust; Transparency; AI Governance; Decision Support Systems

1. Introduction

The quick development of Artificial Intelligence (AI), machine learning, predictive analytics, and automation intelligence has changed the function of Management Information Systems (MIS). Historically, MIS has been mainly used for the collection, processing, storage, and reporting of organizational information. Modern AI-based MIS has capabilities such as predicting demand, finding operational risks, determining customers' future behavior, best utilization of resources, and providing recommendations. Thus, the influence of AI increases in the process of making executive decisions regarding investments, marketing, finance, supply-chain management, human resources, and organizational strategy [1, 2].



In spite of these benefits, the use of artificial intelligence in management activity is hampered by the lack of interpretability of complicated algorithms. For instance, deep learning, ensemble methods, and other types of advanced machine learning may allow predicting certain events with very good accuracy but without much explanation of how the conclusion was reached. Such processes are generally defined as “black boxes.” If managers are unable to know the factors behind the suggestions given by an AI program, they may not be willing to trust the program because of the large scale of financial, operational, ethical, or reputational repercussions that may arise [3].

Explainable Artificial Intelligence (XAI) is gaining importance as an approach to provide transparency and interpretability to AI systems. XAI helps users comprehend the rationale behind a model’s prediction, the variables affecting the result, the level of contribution of these variables, as well as the circumstances under which this recommendation may change. Findings show that XAI can foster transparency, comprehensibility, trust, usability, and equity when explanations are developed properly [4].

This paper aims to analyze how XAI can bring transparency and trust to AI-based MIS. The paper presents a theoretical framework linking explainability with executive trust, responsible use of AI, and the quality of decisions. It states that XAI should help to promote rather than substitute executive decisions [5].

2. Literature Review

2.1 AI-Enabled Management Information Systems

AI-based management information systems employ machine learning techniques, natural language processing, forecasts, and automated techniques for making effective decisions in corporate information systems. This technology allows management to use data in a way that provides timely and adequate suggestions. The advantages of AI include better prediction accuracy, less time needed for information processing, identification of hidden relationships, and evaluation of different strategic alternatives [6,7].

The function of AI in corporate decision-making is shifting from being a basic analytical device to being an active partner in organizational decision-making processes. AI can influence the decision-making of executives by redirecting their focus on certain pieces of information, change the system of evaluating strategic alternatives, and change the degree of freedom in decision-making by giving authority over certain decisions to AI. Nonetheless, it is important to realize that recommendations made by AI cannot be regarded as automatically correct. AI systems may have some shortcomings deriving from data they were trained on, inclinations, and lack of information. Hence, executives should possess enough data in order to be able to assess the reliability and appropriateness of AI suggestions [8].

2.2 Explainable Artificial Intelligence

Explainable Artificial Intelligence implies techniques and processes aimed to allow people to comprehend AI systems’ functioning, forecasts and advice. XAI can give explanation in a variety of forms. Global explanation refers to the summary information about the model’s actions, while local interpretation helps to understand the motives behind a certain piece of advice or prediction [9].

Several methods can be employed to achieve explainable AI. Feature importance methods, decision rules, decision trees, counterfactual methods, Local Interpretable Model Agnostic Explanations (LIME), and Shapley Additive Explanations (SHAP) can all be considered as examples of XAI methods whereby the necessary variables can be recognized and shown to how changes in parameters potentially impact the decision solved by AI.

XAI technology is of high importance in decision-support systems since managers have to get explanations that are meaningful for strategic mission rather than mere technical descriptions of utilized algorithms. A study devoted to decision-support systems based on XAI technology pointed that transparency, interpretability, trustworthiness, and appropriate human interactions offer foundational requirements of responsible AI-based decisions [10].

2.3 Trust and Transparency in Executive Decisions

Executives' willingness to adopt and apply AI recommendations hinges on trust, a crucial factor. Trust may improve whenever users grasp the principles on which AI suggestions are based, realize the quality of the primary data, and understand the limitations and uncertainties of the model. Still, transparency does not imply divulging all the technical particulars because too much information could result in cognitive overload and diminish the effectiveness of the explanations [11].

As a result, effective explanations must be correct, brief, and relevant - as well as made for the person making a decision. For instance, someone working in an executive position may want something that describes significantly important factors and projections while someone working as a data scientist may want informations concerning the system's construction. Automatic machine learning can help with correct endorsement. A person in a leading position may embrace recommendations if convincing enough but will be cautious when it comes to accepting recommendations based on questionable evidence. It has been proven by the researchers that the presence of so-called automatic machine learning could improve the quality of decisions made by human beings [12].

3. Research Methodology

This study adopts a literature-based and concept-based research design. The related literature on XAI, AI-supported decision-making, executive decision-making, organizational trust, transparency, and governance of AI is analyzed. The study highlights the interrelationships between explainability, executive trust, transparency, human oversight, and decision quality [13,14].

The conceptual analysis is based on three assumptions:

1. AI-generated recommendations are more likely to be accepted when executives understand their rationale.
2. Transparent and relevant explanations improve executive confidence and facilitate informed evaluation.
3. Human oversight and organizational governance are necessary to ensure responsible use of AI-supported recommendations.

The suggested framework considers XAI as a capability of the organization instead of being just a technical aspect. The framework proposes accountability of explanation quality in terms of building trust and transparency for the executives, which will lead to either adoption of AI and quality decision-making [15].

4. Proposed XAI-Enabled Executive Decision Framework

The framework that is being suggested consists of five various features:

Data Quality → AI model → Explainability Layer → Executive Trust → Decision Quality

To begin with, it is essential to have quality, precise, full, and pertinent data in order to get accurate AI results. Then, the AI model processes the data and provides forecasts, predictions, or recommendations. After that, the explainability layer explains technical results to the decision maker in simple language [16].

The next step consists of senior managers assessing the provided explanations and forming trust. Trust is determined by the impartiality of the explanation. Ultimately, trust results in the quality of decisions if AI information is coupled with managerial knowledge and experience. Executive trust plays an important role in improving quality of decisions made on the basis of AI information as AI output gets combined with knowledge gained through managerial experience, company's experience, morals, and strategy decisions (Figure 1) (Table 1). This model stresses the role of people and states that people should not be replaced by AI but rather AI should supplement the executive potential of people [17,18].

Table 1. Components of the Proposed XAI-Enabled Executive Decision Framework

Framework Component	Description	Executive Benefit
Data Quality	High-quality, complete, accurate and relevant organizational data	Improves reliability of AI predictions
AI-Based Analytics and Prediction	AI and machine learning models generate forecasts and recommendations	Supports faster evidence-based decision-making
Explainability Layer	XAI methods explain predictions through feature importance, confidence scores and reasoning	Enhances understanding and interpretability
Transparency and Executive Trust	Clear explanations increase confidence in AI recommendations	Improves trust and willingness to adopt AI
Human Evaluation and Oversight	Executives validate AI outputs using experience, ethics and organizational knowledge	Ensures accountability and responsible decisions
Improved Strategic Decision Quality	Integration of AI insights with managerial judgment	Produces accurate, transparent and defensible strategic decisions

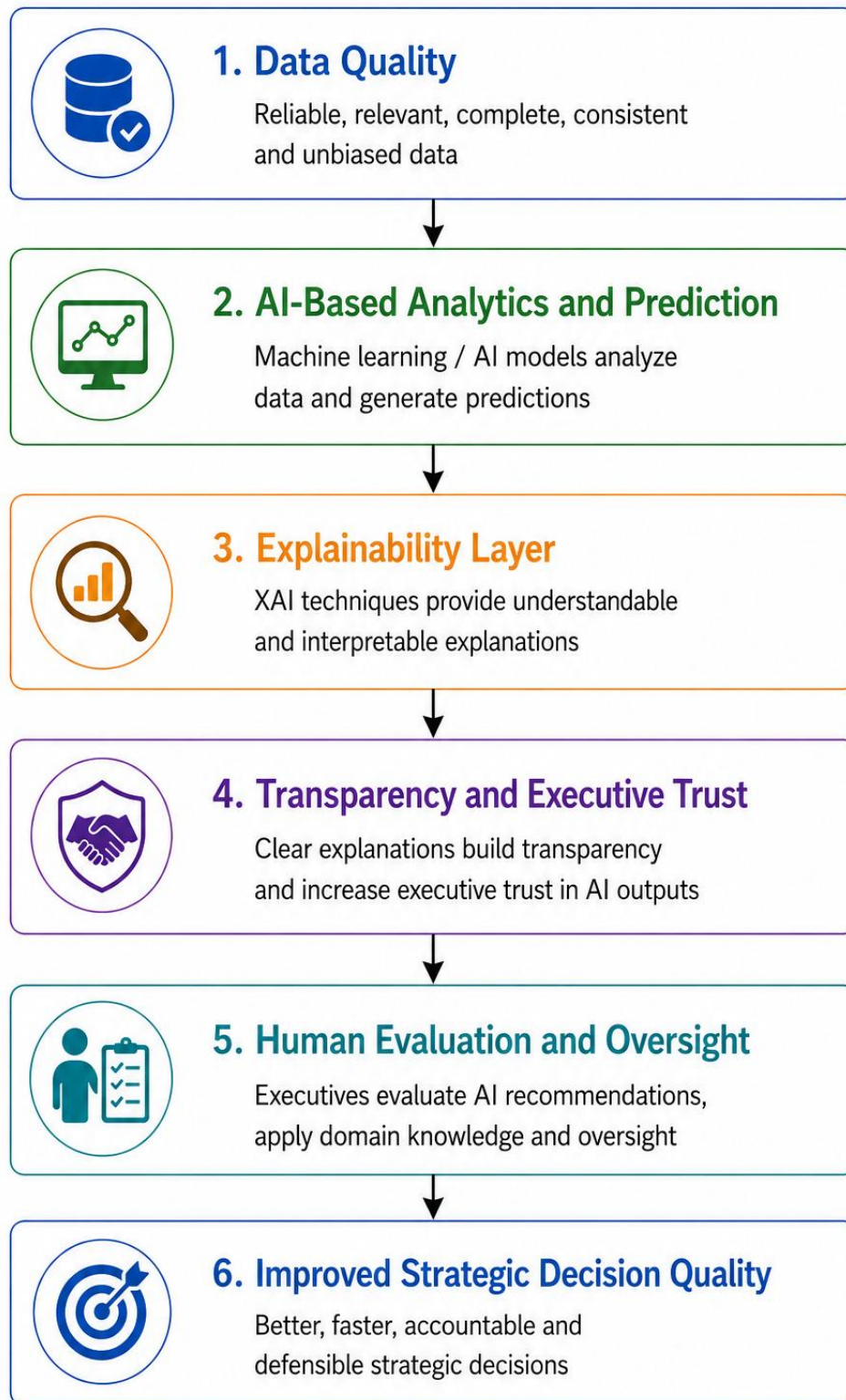


Figure 1. Conceptual XAI Framework

5. Discussion and Managerial Implications

There are multiple ways through which XAI advances the decision-making abilities of executive leaders. First, by enhancing the transparency of AI-generated recommendations that help executives understand which aspects contributed to a recommendation and whether they resonate with the organizational experience and strategy [19].

Second, XAI enables accountability. In case an AI-aided decision is challenged, the organization will be able to check all relevant information, including data, rationale, and confirmation by human beings.

Third, XAI can facilitate communication among executives, managers, data scientists, and other stakeholders. Clear explanations allow technical outputs to be translated into business-oriented insights. For example, an AI model may predict a decline in customer retention, while an XAI interface may show that service quality, pricing, and response time are the major contributing factors. Executives can then design targeted interventions [20,21].

Fourthly, XAI is important in discovering the bias and limitations of a model. It enables the organization to get access to sensitive features creating a great impact on the recommendation and makes it feasible to modify the underlying data. Thus, explainability provides support for fairness, risk mitigation, and responsible AI governance.

XAI has obstacles. The explanations can be incomplete, difficult to understand, inconsistent, or misleading. The simple explanation may be easily understood yet does not perfectly explain the model's operation. On the contrary, the explanation that is too detailed may confuse the leaders. It is essential that the organizations manage the balance between simpleness and accuracy (Table 2) [22].

Executives should refrain from trusting too much in explanations. Just because an AI model has an explanation does not mean that it is right. Decision-makers should take into account the uncertainty of the model, the limitations of the data, and shifting market conditions and context. AI recommendations should be seen as support for decisions, not as the objectivity of the answer [23-25].

Table 2. Managerial Benefits of Explainable AI in Executive Decision-Making

XAI Capability	Management Application	Organizational Outcome
Model Transparency	Understanding why AI generated a recommendation	Greater executive confidence
Feature Importance Analysis	Identifying key business drivers	Better strategic planning
Confidence Scores	Assessing prediction reliability	Reduced decision uncertainty
Bias Detection	Identifying unfair or inappropriate model behaviour	Improved fairness and compliance
Human Oversight	Executive review before implementation	Responsible AI governance
Explainable Recommendations	Communicating AI results to stakeholders	Improved collaboration and accountability
Continuous Monitoring	Evaluating AI performance over time	Sustainable AI adoption and continuous improvement

6. Conclusion

The Explainable Artificial Intelligence has a big chance of improving executive decision-making when it comes to transparency, trust, accountability, and the effectiveness of the human–AI collaboration. The executives can utilize explainable AI in their AI-enabled Management Information System to clarify the logic behind predictions and recommendations, assess the reliability of the provided information, and make appropriate strategic decisions.

The research indicates that the effectiveness of XAI is based not only on its technical interpretability but also on the appropriateness of its explanations in terms of relevance and use. Effective XAI should provide information about the essentials of the decision-making process, the level of uncertainty involved, risks, assumptions made and options available to decision-makers in the right manner. Human supervision should remain important in the decision-making process as strategic decisions always imply organization values, contextual knowledge, ethical issues and management concerns.

Data quality, AI effectiveness, quality of explanations, trust of managers, and human monitoring are linked in the framework presented. Thus, organizations should incorporate XAI into their wider AI governance and decision-making procedures. Future studies could assess the suggested relations using surveys, structural equation modeling, experiments, and organizational cases.

In conclusion, it can be said that the introduction of explainable AI (XAI) can change the use of AI in MIS from a lack of transparency in predicting systems to an explanatory system. When done in the right manner, the use of XAI increases the level of confidence of the decision-making executive while keeping the value of human judgment effective and improving its strategic decision making.

ABBREVIATIONS

AI	Artificial Intelligence
XAI	Explainable Artificial Intelligence
MIS	Management Information Systems
ML	Machine Learning
DSS	Decision Support System
LIME	Local Interpretable Model-Agnostic Explanations
SHAP	Shapley Additive Explanations
NLP	Natural Language Processing

AI DISCLOSURE STATEMENT

During the preparation of this manuscript, the author(s) used an online tool solely for language checking, grammar and spelling checks, grammar improvement, enhance image quality. No AI tools were used for concept development, hypothesis formulation, data collection, analysis, or interpretation. After its use, the author(s) thoroughly reviewed, verified, and revised content to ensure accuracy and originality.

AVAILABILITY OF DATA AND MATERIALS

All data generated or analyzed during this study are included in this published article.

ETHICS APPROVAL AND CONSENT TO PARTICIPATE

Not applicable.

HUMAN AND ANIMAL RIGHTS

Not applicable.

INFORMED CONSENT

The research does not contain any study with human participants

CONSENT FOR PUBLICATION

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CONFLICT OF INTEREST

The authors declare no conflict of interest, financial or otherwise.

AUTHORS CONTRIBUTIONS

V.S.G., S.B.D. and P.R.N., contributed to the derived the model, research design and implementation, as well as the data analysis and manuscript writing.

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