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Beyond Automation: Sensemaking, Ontological Insecurity, and the Emergence of the AI-Form Organisation in the Digital Era

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ABSTRACT

The integration of generative and agentic artificial intelligence (AI) represents a profound technological disruption to contemporary organisational life. While previous literature has largely focused on productivity gains and task automation, this qualitative and theoretical paper examines the sociotechnical and psychological implications of AI integration on knowledge workers and organisational structures. Drawing on Weick's sensemaking theory and phenomenological perspectives on professional identity, this study explores how autonomous AI agents precipitate ontological insecurity among white-collar professionals and catalyse the emergence of the "AI-Form" organisation, wherein algorithmic coordination displaces middle management. Through a critical synthesis of empirical literature and qualitative case studies (2024--2026), the findings suggest that successful digital transformation requires organisations to manage identity threats, foster psychological safety, and implement human-in-the-loop governance. Practical recommendations are offered for resolving the automation-augmentation paradox and driving sustainable business model innovation.

Keywords: Artificial Intelligence, Sensemaking, Professional Identity, Organisational Structure, Digital Transformation

1. INTRODUCTION

The advent of advanced artificial intelligence (AI), specifically generative AI and agentic systems, has inaugurated a new epoch in organisational life (Chatlani, 2026; Savitri, 2026). Unlike previous waves of digital transformation that primarily automated routine physical or computational tasks, contemporary AI technologies possess the capacity to generate novel content, simulate human reasoning, and execute complex, multi-step workflows autonomously (Cerchione, 2026; Nisa, 2025). This shift fundamentally alters the nature of knowledge work, transitioning AI from a passive tool to an active, semi-autonomous colleague (Woodruff, 2024). Consequently, the integration of these systems necessitates a critical re-evaluation of how technological change shapes organisational structures, power dynamics, and the lived experiences of employees.

Current scholarship indicates that the rapid deployment of AI in the workplace generates profound disruptions that extend beyond operational efficiency. For knowledge workers, the capability of AI to perform tasks traditionally associated with human intellect and creativity poses a significant threat to professional identity and ontological security (Gunathilake, 2025; Zene et al., 2026). Simultaneously, at the macro-organisational level, the reliance on algorithmic decision-making and agentic coordination is dismantling traditional hierarchical structures, giving rise to what Savitri (2026) terms the "AI-Form" organisation.

This paper aims to bridge the gap between micro-level psychological experiences and macro-level structural transformations by employing a qualitative and theoretical lens. Drawing upon Karl Weick's (1995) sensemaking theory and phenomenological approaches to identity work, this study addresses the following research question: How do knowledge workers and organisational structures adapt to the existential and operational disruptions precipitated by agentic and generative AI? By synthesising recent qualitative research, including interview-based studies on technostress and thematic analyses of AI adoption, this paper provides a comprehensive understanding of the sociotechnical dynamics inherent in modern digital transformation. Furthermore, it offers practical recommendations for business leaders seeking to navigate these challenges and foster sustainable competitive advantage.

2. LITERATURE REVIEW

2.1 The AI-Form Organisation and Structural Disruption

Historically, organisational structures have evolved in response to technological and economic imperatives, transitioning from the functional (U-Form) to the multidivisional (M-Form) and network (N-Form) architectures (Savitri, 2026). However, the proliferation of agentic AI -- systems capable of autonomous planning, decision-making, and execution -- challenges the foundational logic of human-centric hierarchies. Savitri (2026) posits that the traditional M-Form struggles with the agility required in the AI era, while the N-Form lacks the necessary integrative control. In response, the "AI-Form" emerges as a novel archetype characterised by flattened hierarchies and algorithmic coordination.

In the AI-Form organisation, middle management roles are increasingly displaced by AI agents that route information, prioritise tasks, and facilitate cross-functional collaboration (Baumann & Wu, 2023). This algorithmic governmentality fundamentally alters power dynamics within the workplace. Foucauldian analyses of digital transformation suggest that AI systems enact a new regime of surveillance and control, wherein code dictates organisational behaviour (Firnando, 2025; Hagh Pors, 2025). Consequently, the locus of authority shifts from human managers to opaque algorithms, necessitating new frameworks for accountability and governance.

The structural disruption brought about by the AI-Form organisation is not merely a theoretical construct but a tangible reality for many modern enterprises. As organisations embed AI into their core operations, the traditional silos between departments break down, replaced by dynamic, AI-mediated workflows. This fluidity, while enhancing operational efficiency, often leaves employees disoriented, lacking the clear reporting lines and established communication channels that characterised legacy structures. The resulting ambiguity demands a higher degree of adaptability from the workforce, fundamentally altering the psychological contract between employer and employee.

2.2 Professional Identity and Ontological Insecurity

At the micro-level, the automation of knowledge work precipitates significant psychological challenges for employees. Professional identity is deeply intertwined with one's perceived competence, autonomy, and contribution to the organisation (Zulu, 2026). When generative AI demonstrates proficiency in tasks central to a worker's identity -- such as drafting reports, analysing data, or generating creative concepts -- it triggers professional identity threat and ontological insecurity (Gunathilake, 2025).

Ontological insecurity, in this context, refers to the disruption of a stable sense of self and meaning in the workplace. Phenomenological studies highlight that workers experience anxiety, alienation, and a perceived loss of purpose when their expertise is commodified or replicated by machines (Sharma et al., 2025; Dipoatmodjo, 2025). Qualitative research by Hogemann et al. (2025) on technostress among young professionals reveals that while workers may not immediately fear job loss, they experience profound anxiety regarding skill degradation and the changing nature of their

daily tasks. As one participant in that study observed: "When I imagine that it takes me eight hours to create a commercial and then a computer does it in two minutes, that can be stressful" (Hogemann et al., 2025, p. 8). Another participant reflected that media coverage of new AI models "can make you question your own skills. That can be stressful" (Hogemann et al., 2025, p. 9). These verbatim accounts illustrate the visceral, lived dimension of ontological insecurity that aggregate statistics alone cannot capture.

The erosion of human autonomy and the potential for "deskilling" further exacerbate these anxieties, leading to resistance and maladaptive coping strategies among employees (Zene et al., 2026). The perceived devaluation of human expertise in the face of algorithmic efficiency creates a paradoxical situation where employees are simultaneously expected to leverage AI for increased productivity while grappling with the existential threat it poses to their professional relevance. This tension highlights the urgent need for organisations to address the psychological dimensions of AI integration alongside the technical challenges.

2.3 Sensemaking in the Age of AI

To navigate these structural and psychological disruptions, individuals and organisations engage in sensemaking -- the process of structuring the unknown to facilitate action (Weick, 1995). In the context of AI integration, sensemaking involves interpreting the role of AI, renegotiating professional boundaries, and reconstructing organisational narratives. Yaroglu (2025) applies Weick's framework to show how the language organisations use to describe AI -- whether as a "tool," a "colleague," or a "threat" -- directly shapes the sensemaking processes of employees and, in turn, their willingness to engage with digital transformation.

Recent research emphasises the critical role of collective sensemaking in mitigating resistance to AI. When AI is framed merely as an automation tool designed to reduce headcount, it amplifies existential threats. Conversely, when organisations foster an environment where AI is viewed as a collaborative partner, employees are more likely to engage in constructive identity work, adapting their roles to focus on higher-order, uniquely human capabilities (Goto, 2022; Yaroglu, 2025). Sensemaking is not a solitary endeavour; it is deeply embedded in the social fabric of the organisation. Leaders play a pivotal role in shaping this process by articulating a clear, compelling vision for the future of work that explicitly values human contribution. Through transparent communication and the co-creation of new work practices, organisations can guide employees from a state of ontological insecurity toward a renewed sense of professional identity and purpose.

3. METHODOLOGY

This study adopts a conceptual and integrative literature review methodology, aligned with the qualitative and interdisciplinary orientation of the *British Business Review*. The chosen approach is appropriate for examining emerging and rapidly evolving phenomena, such as agentic artificial intelligence (AI), where theoretical development often precedes the establishment of stable empirical consensus. The review synthesises empirical research, theoretical contributions, conceptual essays, and phenomenological studies published primarily between 2022 and 2026.

Relevant literature was identified through systematic searches of major academic databases, including Scopus, Web of Science, and Google Scholar. Search strategies focused on key terms and combinations of terms including *"agentic AI," "sensemaking," "professional identity," "organisational structure," "algorithmic governmentality,"* and *"technostress."* Additional sources were identified through backward and forward citation tracking to ensure broader coverage of influential and emerging scholarship.

The analysis employed a thematic synthesis approach, enabling the identification and integration of recurring patterns across diverse bodies of literature. The reviewed studies were organised into three principal analytical domains: (1) macro-structural transformations associated with the emergence of the AI-Form organisation; (2) micro-psychological consequences, particularly experiences of ontological insecurity among knowledge workers; and (3) the mediating role of cognitive and interpretive processes, specifically sensemaking. A fourth domain, strategic interventions and practical recommendations, was subsequently developed to translate theoretical insights into actionable organisational guidance.

The study constructs a comprehensive conceptual framework that explains the dynamic and bidirectional relationship between technological transformation and organisational life. Furthermore, the incorporation of qualitative evidence, including interview excerpts and experiential accounts from recent phenomenological studies, strengthens the analysis by connecting abstract theoretical discussions with the lived realities of contemporary knowledge workers.

4. FINDINGS AND DISCUSSION

The synthesis of the literature reveals a complex interplay between AI technology, organisational structure, and human identity. The findings are encapsulated in the conceptual framework presented in Figure 1, which maps the flow from AI disruptions through collective sensemaking to strategic interventions and, ultimately, sustainable competitive advantage.

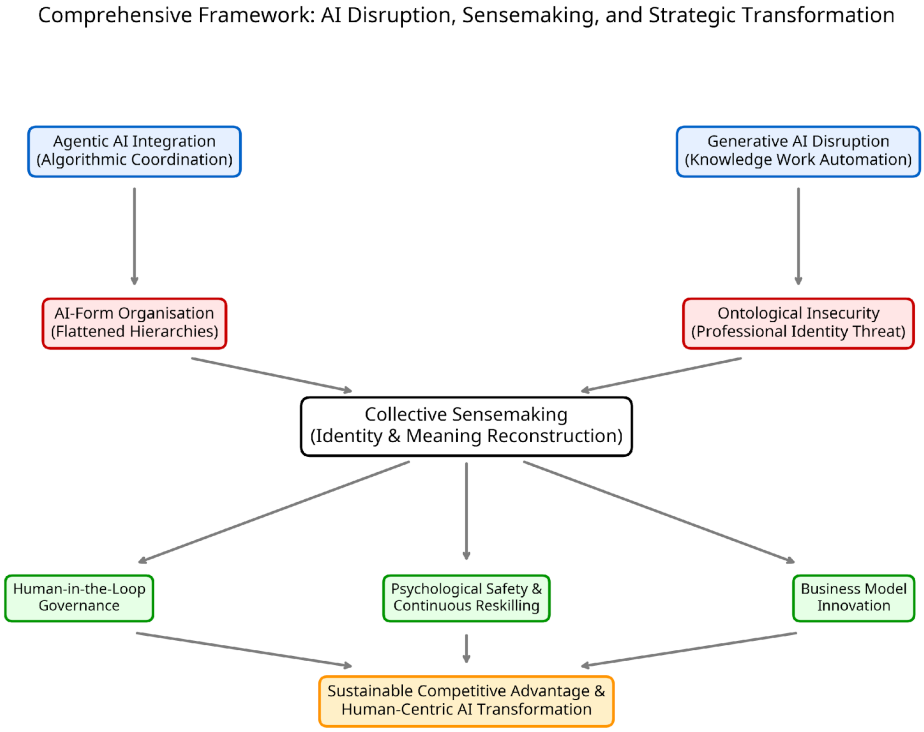

Figure 1: Comprehensive Framework of AI Disruption, Sensemaking, and Strategic Transformation

4.1 The Dual Nature of AI Disruption

The deployment of AI in organisations operates along two parallel trajectories. First, agentic AI drives structural disruption by automating coordination and decision-making processes. This algorithmic integration facilitates the emergence of the AI-Form organisation, characterised by increased efficiency but flattened hierarchies. Middle managers, traditionally the conduits of information and culture, find their roles disintermediated by intelligent systems. This structural shift requires a fundamental reimagining of leadership, moving away from command-and-control models toward facilitation, coaching, and strategic alignment.

Second, generative AI drives operational disruption by automating knowledge creation. This challenges the professional identity of individual contributors, precipitating ontological insecurity. The convergence of these two trajectories creates an environment of profound uncertainty, where both the structure of the organisation and the nature of the work are simultaneously destabilised. The qualitative evidence underscores the emotional toll of this dual disruption, highlighting the need for

robust support systems and proactive change management strategies. Table 1 summarises the key dimensions of this dual disruption and their organisational implications.

Table 1: Dual Dimensions of AI Disruption and Organisational Implications

Dimension	Driver	Organisational Impact	Employee Experience
Structural Disruption	Agentic AI	Flattened hierarchies; AI-Form organisation	Role ambiguity; loss of managerial identity
Operational Disruption	Generative AI	Automation of knowledge work	Deskilling anxiety; ontological insecurity
Governance Challenge	Algorithmic decision-making	Opaque authority structures	Perceived loss of autonomy; technostress
Strategic Opportunity	Human-AI collaboration	Business model innovation	Augmented capability; renewed purpose

4.2 The Imperative of Organisational Sensemaking and Psychological Safety

The central finding of this analysis is that the successful transition to an AI-integrated organisation is contingent upon effective sensemaking, which in turn relies heavily on psychological safety. Technological deterministic views, which assume that structural changes will automatically yield productivity gains, fail to account for the human element. When employees experience ontological insecurity, their capacity for innovation and engagement diminishes.

Organisational leaders must actively facilitate sensemaking processes. This involves transparent communication regarding the purpose of AI, establishing ethical guidelines for algorithmic governance, and redesigning job roles to emphasise human-centric skills such as empathy, complex problem-solving, and ethical judgment. By guiding the narrative away from obsolescence and toward augmentation, organisations can help employees reconstruct their professional identities in a manner that aligns with the new technological reality. Furthermore, fostering psychological safety is paramount. Employees must feel secure in expressing their anxieties, experimenting with new tools, and making mistakes without fear of punitive repercussions. A psychologically safe environment encourages open dialogue, facilitating the collective sensemaking necessary for successful AI adoption.

4.3 Reconceptualising Power, Autonomy, and Governance

The rise of algorithmic governmentality necessitates a critical examination of power dynamics. As decision-making authority is delegated to AI agents, there is a risk of creating opaque work environments where employees feel subjected to arbitrary algorithmic control. To counter this, organisations must design AI systems that enhance, rather than erode, worker autonomy. This involves implementing "human-in-the-loop" frameworks and ensuring that AI serves as a tool for empowerment rather than mere surveillance.

Human-in-the-loop governance is not merely a technical safeguard; it is a strategic imperative for maintaining trust and accountability. By embedding human oversight into AI-driven processes, organisations can mitigate the risks of algorithmic bias, ensure compliance with emerging

regulations such as the EU AI Act (European Union, 2024), and preserve the essential role of human judgment in complex decision-making. This approach not only safeguards ethical standards but also reinforces the value of human expertise, directly addressing the ontological insecurity experienced by knowledge workers.

4.4 Integrating AI into the Core Business Model

To achieve a sustainable competitive advantage in the digital era, organisations must move beyond superficial AI implementations and integrate agentic systems into the core of their business models. Qualitative case studies of digital sustainability companies reveal that successful AI adoption is not merely about deploying new tools; it is about fundamentally rethinking how value is created, delivered, and captured (Mohamad, 2025). This involves leveraging AI to optimise resource allocation, personalise customer experiences, and accelerate product development cycles. However, this transformation must be carefully managed to ensure alignment with the organisation's strategic objectives and ethical commitments.

A critical aspect of this integration is the development of dynamic organisational capabilities. Generative AI, when deployed strategically, enables organisations to sense market shifts more rapidly, seize new opportunities, and reconfigure their operations with unprecedented agility. Yet, the cultivation of these capabilities requires a workforce that is not only technologically proficient but also adaptable and resilient. Therefore, the strategic renewal facilitated by AI must be underpinned by a robust human resource management framework that prioritises continuous learning and psychological safety (Cardon et al., 2023).

4.5 Overcoming the Automation-Augmentation Paradox

A significant challenge identified in the literature is the automation-augmentation paradox. Organisations often struggle to balance the desire for cost-saving automation with the need to augment human capabilities for long-term innovation. Kumar et al. (2024) found that an overemphasis on automation can exacerbate technostress and diminish employee engagement, ultimately undermining the very productivity gains the organisation sought to achieve. Conversely, a strategy focused primarily on augmentation may fail to realise the operational efficiencies necessary to remain competitive in a rapidly evolving market.

Resolving this paradox requires a nuanced, socio-technical systems approach. Leaders must carefully delineate which tasks are best suited for algorithmic execution and which require human judgment, creativity, and empathy. By consciously designing workflows that leverage the complementary strengths of humans and machines, organisations can create a synergistic environment where AI acts as a catalyst for both efficiency and innovation. This delicate balance is the hallmark of the mature AI-Form organisation.

4.6 The Role of Trust in AI Adoption

Trust is the foundational currency of successful AI adoption. Employees must trust that the AI systems they interact with are reliable, unbiased, and aligned with their interests. Furthermore, they

must trust that the organisation will support them through the transition, providing the necessary resources for reskilling and ensuring their psychological safety. Qualitative research indicates that when trust is lacking, employees are more likely to engage in "shadow IT" practices, covertly using unauthorised AI tools, or actively resisting the implementation of official systems (Issa et al., 2024).
Building and maintaining this trust requires transparent communication and inclusive decision-making processes. Organisations should establish cross-functional AI governance councils that include representatives from diverse departments, ensuring that the perspectives of all stakeholders are considered. Additionally, providing employees with clear explanations of how AI algorithms make decisions -- a concept known as explainable AI (XAI) -- can significantly enhance trust and facilitate more effective human-machine collaboration.

4.7 Expanding the Scope of Sensemaking: Beyond the Individual

While individual sensemaking is crucial for mitigating ontological insecurity, the transition to the AI-Form organisation also necessitates collective sensemaking at the macro level. This involves renegotiating the organisation's identity, its role in the broader ecosystem, and its commitment to societal well-being. As AI increasingly mediates interactions with customers, suppliers, and regulatory bodies, the organisation must develop a coherent narrative that articulates its values and ethical principles in the digital age.
This expanded scope of sensemaking is particularly relevant in the context of emerging regulatory frameworks such as the EU AI Act. Compliance with these regulations is not merely a legal obligation; it is an opportunity for organisations to demonstrate their commitment to responsible AI governance. By proactively engaging in collective sensemaking around these regulatory requirements, organisations can build a culture of ethical awareness and position themselves as leaders in the responsible deployment of artificial intelligence.

5. PRACTICAL RECOMMENDATIONS FOR BUSINESS AND INDUSTRY

Based on the theoretical and qualitative insights synthesised in this paper, the following practical recommendations are offered for business leaders and organisations navigating the transition to the AI-Form organisation.

1. Implement Human-in-the-Loop Governance: Establish clear frameworks for human oversight of AI systems. Critical decisions, particularly those impacting personnel or strategic direction, must involve human judgment. This not only mitigates risk but also reinforces the value of human expertise, alleviating ontological insecurity among the workforce.

2. Foster Psychological Safety: Create an environment where employees feel safe to voice concerns, experiment with AI tools, and share their learning experiences. Transparently communicating the organisation's AI strategy and its commitment to workforce development is essential for addressing the anxieties surrounding job security and skill degradation.

3. Prioritise Continuous Reskilling and Upskilling: Shift the focus from task-specific training to broader AI literacy and the cultivation of uniquely human skills, such as complex problem-solving, emotional intelligence, and ethical reasoning. Investment in comprehensive reskilling programs empowers employees to collaborate effectively with AI systems.

4. Redesign Roles and Workflows Collaboratively: Involve employees in the redesign of their own roles to foster a sense of ownership and agency, facilitating positive identity work and collective sensemaking. Bottom-up innovation should be actively encouraged, empowering workers to identify how AI can augment their specific tasks.

5. Reimagine Leadership for the AI-Form Organisation: Transition leadership models from command-and-control to facilitation and coaching. Leaders must excel at managing cross-functional, AI-augmented teams, fostering collaboration, and navigating the ethical complexities of algorithmic decision-making.

6. Adopt a Human-Centric AI Strategy: Ensure that the primary goal of AI integration is the augmentation of human capabilities rather than mere cost reduction. A human-centric approach not only improves employee well-being but also drives sustainable competitive advantage by unlocking the synergistic potential of human-AI collaboration.

6. CONCLUSION

The emergence of the AI-Form organisation represents a watershed moment in the history of management and organisational design. The disruption caused by agentic and generative AI extends far beyond the automation of routine tasks; it strikes at the very heart of professional identity, organisational structure, and the nature of work itself. The automation of knowledge work and managerial coordination threatens the professional identity and ontological security of employees, creating a complex landscape of technostress and existential anxiety that demands urgent organisational attention.

To navigate this paradigm shift, organisations must move beyond technological determinism and adopt a deeply human-centric leadership approach. This involves resolving the automation-augmentation paradox by designing socio-technical systems that leverage the complementary strengths of humans and machines. Furthermore, organisations must prioritise collective sensemaking, psychological safety, and identity work. By acknowledging the existential anxieties associated with AI and actively redesigning roles to foster human-AI collaboration, leaders can mitigate resistance and harness the full potential of digital transformation. The implementation of human-in-the-loop governance, transparent communication, and a steadfast commitment to continuous reskilling are essential components of a strategy aimed at building trust and achieving sustainable competitive advantage through business model innovation.

Future qualitative research should continue to explore the lived experiences of workers in AI-Form organisations, providing empirical insights into the long-term implications of algorithmic governmentality on human flourishing in the workplace. Longitudinal case studies and cross-sector comparative analyses would be particularly valuable in illuminating how different industries navigate the dual disruption of structural and operational AI integration. Ultimately, the organisations that will thrive in the AI era are those that recognise that technology is only as effective as the humans who guide it, and that sustainable competitive advantage lies in the successful synthesis of artificial intelligence and human ingenuity.

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