

# Exploring the Dynamics of Artificial Intelligence Adoption in the Private-Sector

Elisa Rwagasana | Statistical and Data Sciences | Advised by Dr. Cynthia Lester

## Motivation

Artificial Intelligence (AI) is reshaping industries by enhancing productivity, innovation, and decision-making processes. As companies increasingly invest in AI technologies, understanding the dynamics of its adoption becomes essential for business leaders, policymakers, and researchers aiming to navigate and influence this technological shift.

## Research Questions

- What are the key trends in AI adoption across the private-sector?
- How do factors such as company, sector, location and workforce influence AI patent growth?
- How does AI activity relate to stock market performance?

## Literature Insights

- Yang et al. (2022):** Large firms adopt AI more easily; small firms face cost and tech barriers.
- Jan et al. (2021):** Manufacturing and agriculture lead AI adoption due to clear efficiency gains.
- Kabalisa & Altmann (2022):** National AI strategies boost patent output; key drivers include competitiveness and cost-saving.
- McElheran et al. (2020):** AI use is higher in large U.S. firms and tech hubs, showing adoption disparities.
- AfroTech 2024 – “Driving Innovation”:** Policy and regulation shape regional AI adoption patterns.
- AfroTech 2024 – “Transformational Impact”:** Inclusive workforce and ethical frameworks influence how AI is scaled.

## Methodology

- Data Source:** Emerging Technology Observatory (Georgetown University) & Quantmod Package in R
- Key Variables:** AI patent growth (dependent variable), AI workforce size, AI publications, sector, region, company stage.
- Methods Used:**
  - Multiple Linear Regression (MLR): Quantifies how predictors relate to AI patent output and identifies statistically significant drivers
  - Random Forest Regression (RF): Captures non-linear relationships, ranks feature importance, and improves prediction accuracy
  - Time Series Forecasting (TSA): Analyzes and predicts long-term trends in AI patent activity from 2013 to 2023.
- Data Processing & Evaluation:** Data was merged by company ID, missing values removed, and an 80/20 training-test split applied. AI patents were log-transformed, multicollinearity checked, and models evaluated using  $R^2$ , Adjusted  $R^2$ , and MSE.

## Results

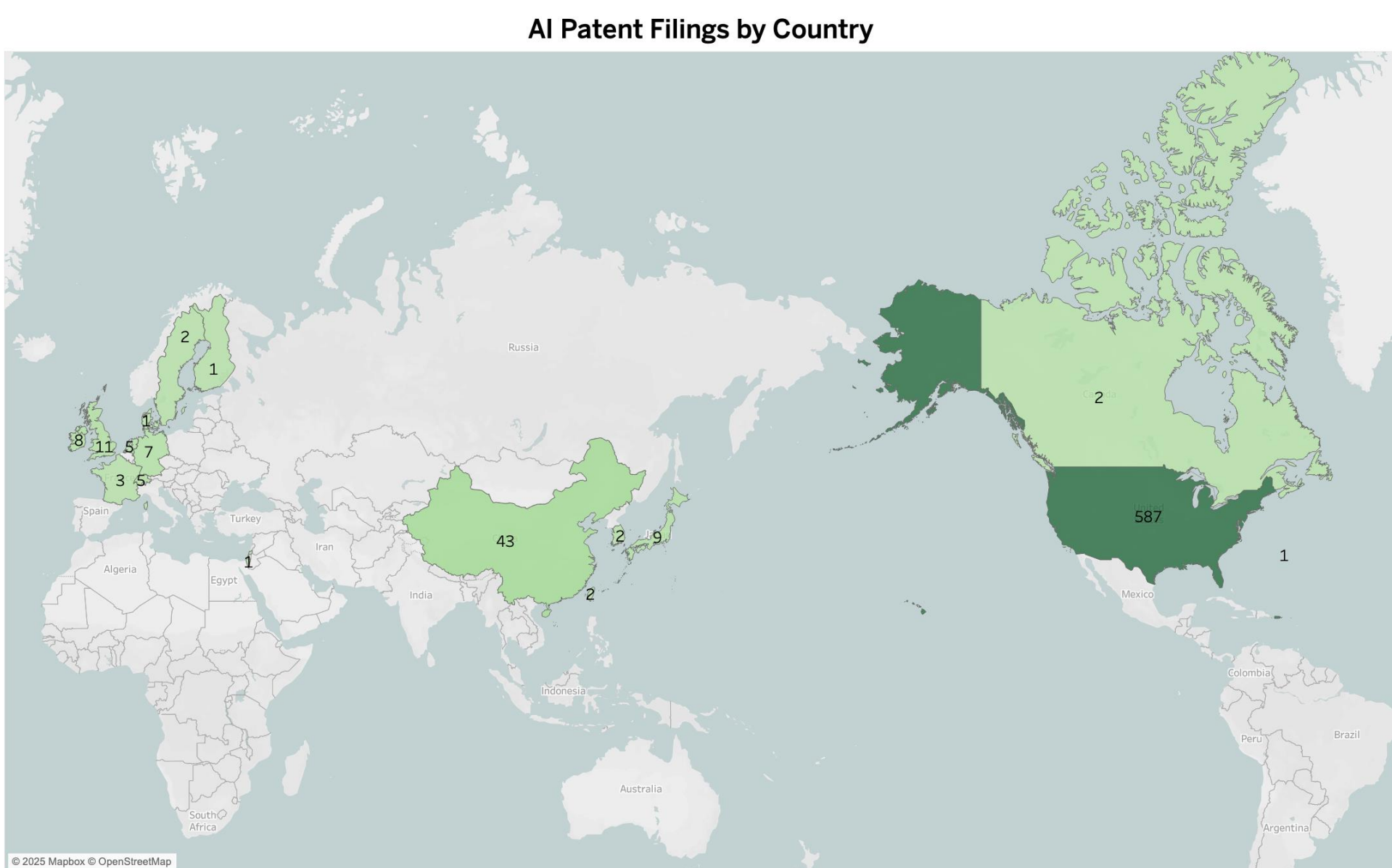


Figure 1: AI adoption is highest in the USA and China, showing strong regional concentration in North America and Asia

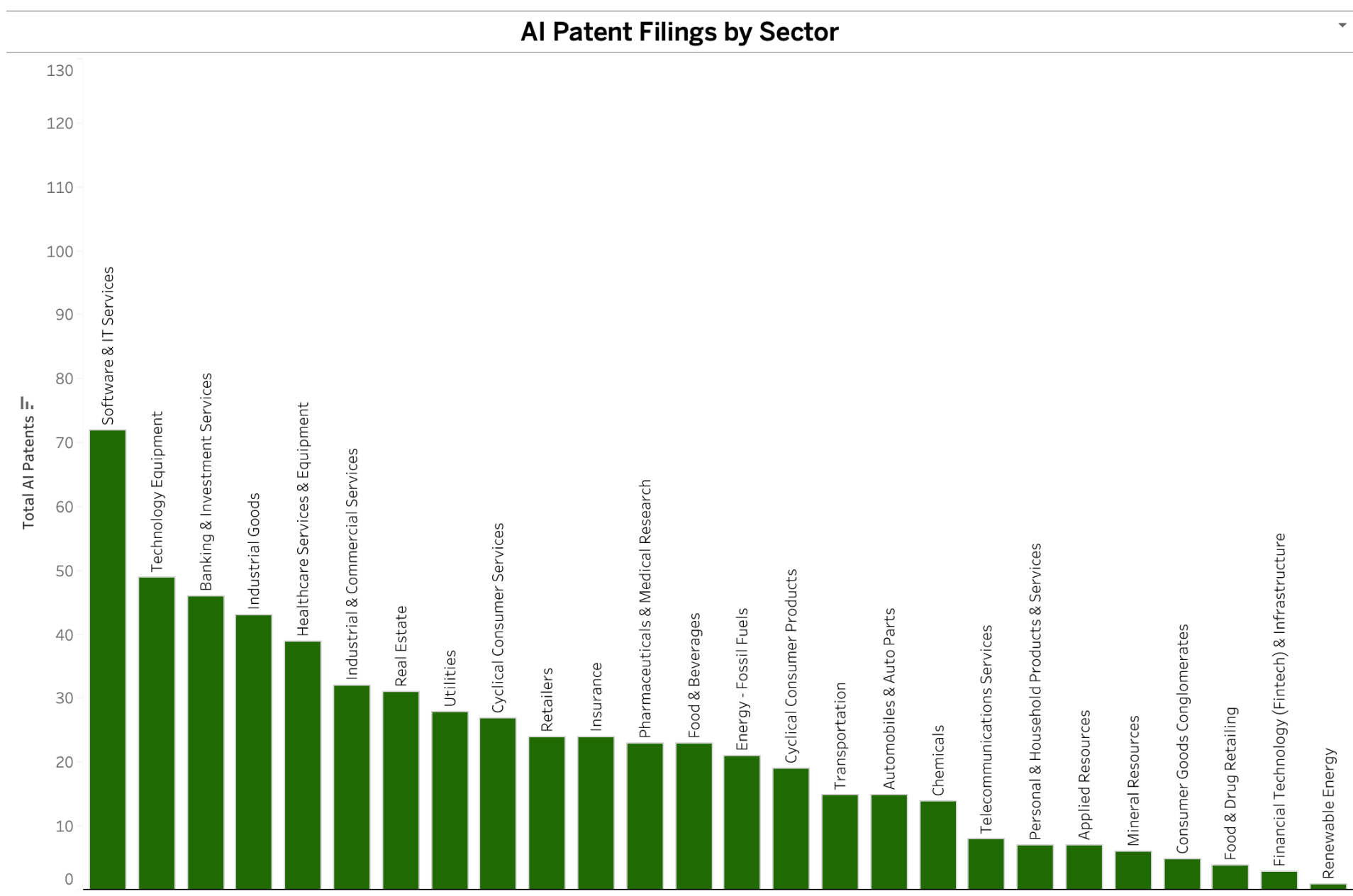


Figure 2: Tech-related sectors lead in AI adoption

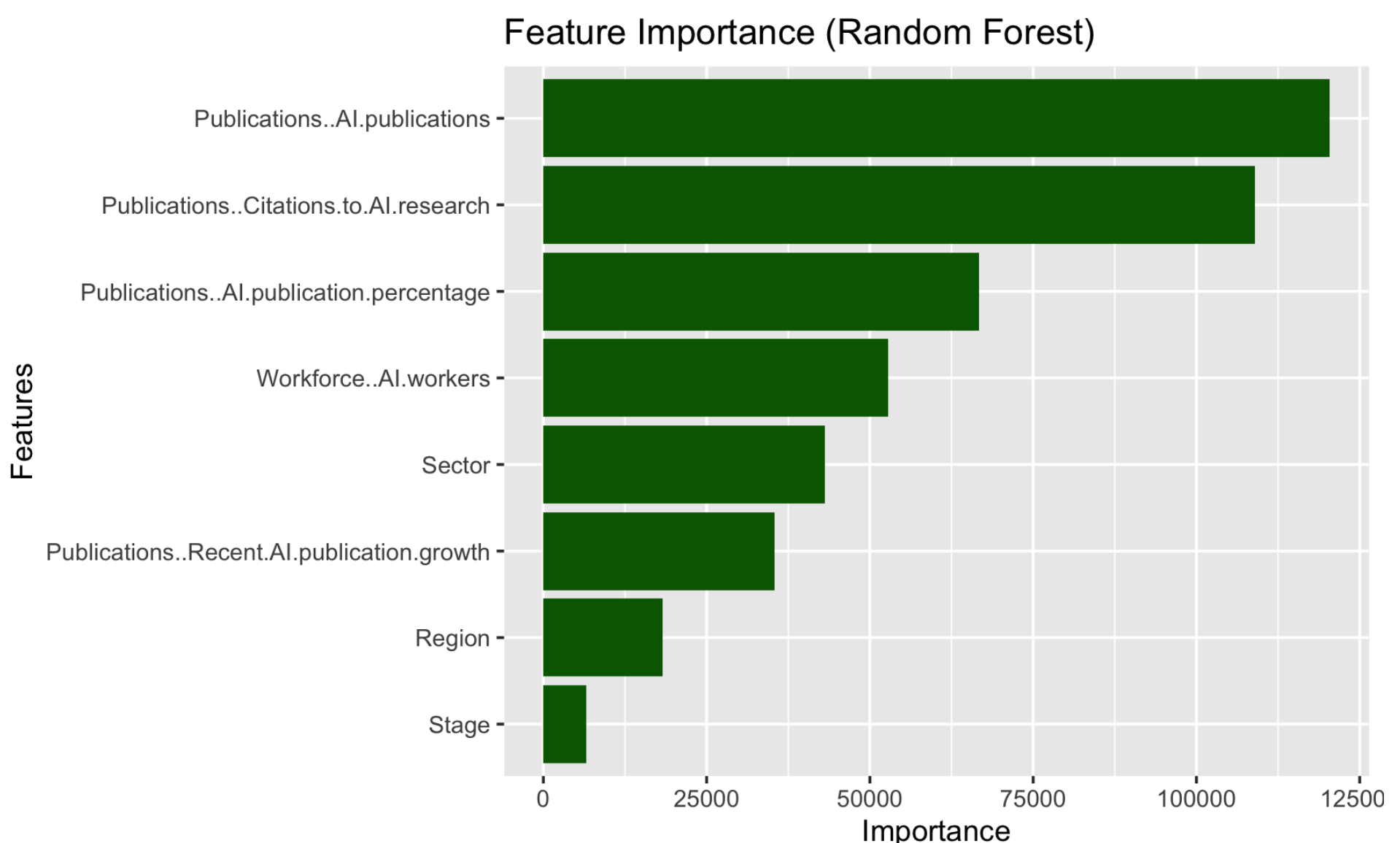


Figure 3: AI research output is strongly linked to patent growth, highlighting research as a key driver of innovation

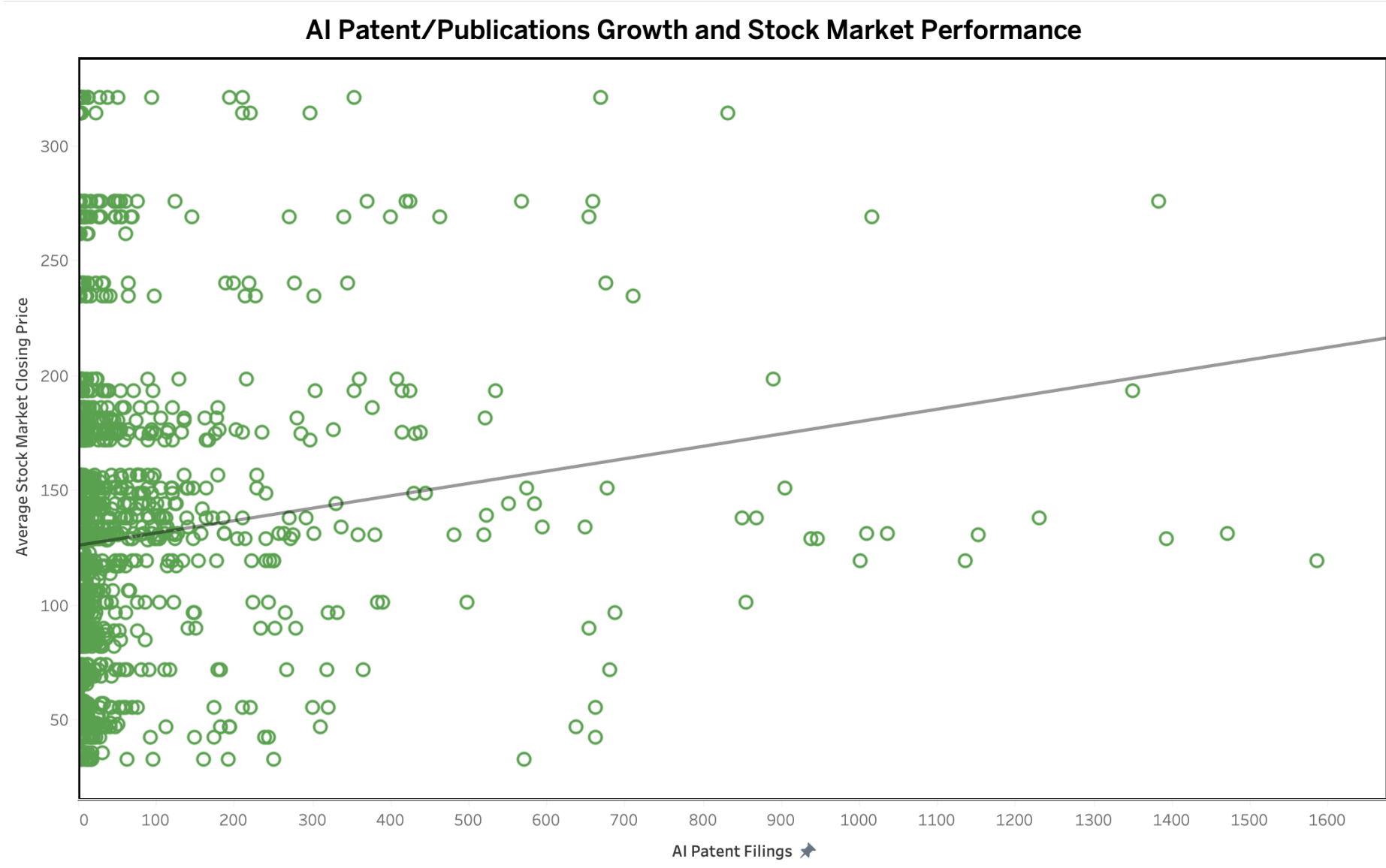


Figure 4: AI adoption shows a weak link to stock performance, suggesting limited short-term financial impact

## Limitations, Future Research, and AI Implications

### Limitations:

- Data skewed toward North America, China, and Europe.
- Limited stock market data analysis due to technical issues.
- Underrepresentation of small firms and emerging sectors.

### Recommendations:

- Expand data to include more regions and industries.
- Study AI ethics (fairness, privacy, transparency).
- Conduct long-term studies on AI’s economic impact.
- Explore how AI affects jobs and workforce skills.

### Implications:

- Businesses:** Need strategic AI plans and training.
- Policymakers:** Support responsible AI with inclusive policies.
- Workers:** Upskilling is key to adapting to AI-driven changes.

## Conclusions

AI adoption is concentrated in North America (USA) and Asia (China), especially within the Software & IT Services and Technology Equipment sectors. Research output is the strongest predictor of patent growth, with a clear link between publications and filings. Workforce specialization particularly AI-focused talent further drives innovation. The weak correlation with stock market performance suggests AI’s long-term impact on innovation may not be immediately reflected in financial outcomes.

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