

How AI integrators translate AI regulation into innovation: a qualitative study

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Abstract

Purpose – This study investigates how AI integrator firms perceive and respond to the EU AI Act during its early enforcement phase, by jointly leveraging institutional theory and dynamic capabilities to explain impacts on AI governance and responsible innovation.

Design/methodology/approach – The study adopts a qualitative exploratory design grounded in institutional theory and dynamic capabilities theory. Data were collected from seven AI integrator firms operating in the EU market and analysed by employing a Gioia-inspired approach.

Findings – The findings show that AI integrators articulate a dual perception of regulation as both a constraint and an enabler of AI innovation. Coercive and normative institutional pressures stimulate organizational responses that extend beyond compliance, activating sensing, seizing and emerging transforming capabilities. Regulatory uncertainty, rather than hindering innovation, reshapes it toward anticipatory compliance and flexible AI governance. The impact of uncertainty varies across firms depending on governance maturity and capability development, positioning dynamic capabilities as a moderator that can mitigate challenges and transform compliance into a competitive advantage.

Originality/value – This study shifts attention from AI developers and adopters to AI integrators as pivotal intermediaries that translate AI regulation into governance routines and client-facing solutions across heterogeneous AI innovation contexts. Drawing on institutional theory and dynamic capabilities, this study extends prior research by providing an integrative lens to explain how institutional pressures are enacted through sensing, seizing and transforming activities, providing theory-informed and empirically grounded evidence on how firms transform regulatory demands into innovation-supporting routines and flexible governance in the context of emergent AI regulation.

Keywords Artificial intelligence, AI regulation, EU AI act, Institutional theory, Dynamic capabilities, Qualitative research, Innovation

Paper type Research article

1. Introduction

Artificial intelligence (AI) is rapidly transforming industries, but its deployment raises novel safety, ethical and quality concerns (Al Halbusi *et al.*, 2025; Sedkaoui and Benaichouba, 2024; Wang *et al.*, 2025). In response, governments and regulators are racing to establish AI-specific rules, such as the AI Act proposed in the European Union (EU) (Act, 2024). As a result, regulators have become central actors in defining the rules and shaping the conditions under which AI innovation unfolds (Judge *et al.*, 2025; Wang *et al.*, 2025). On one hand, regulators define standards aimed at protecting users and the public in general, by defining safety, privacy, fairness and accountability requirements (Boakye *et al.*, 2022; Bonnin Roca, 2024;



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