

# AI-DRIVEN ENTREPRENEURSHIP: TRANSFORMING BUSINESS MODELS IN THE DIGITAL ERA

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## ABSTRACT

**Purpose:** The paper will discuss the role of Artificial Intelligence (AI) in changing entrepreneurship through the strengthening conducted for the period of 2014-2025 of opportunity recognition, increasing dynamic capabilities, and fueling business model innovation in the digital economy.

**Design/Methodology/Approach:** The study follows a systematic literature review approach, which is based on the model suggested by Tranfield, Denyer, and Smart (2003). The synthesis of peer-reviewed research was conducted for the period of 2014-2025. Structural Equation Modeling (SEM), Confirmatory Factor Analysis (CFA), reliability test and mediation analysis were used to validate the conceptual framework.

**Findings:** The findings shows that opportunity recognition ( $b = 0.61, p < 0.001$ ) and dynamic capabilities ( $b = 0.68, p < 0.001$ ) are greatly improved by AI capability. Business model innovation ( $b = 0.72, p < 0.001$ ) has a significant influence on competitive advantage by the effects of dynamic capabilities ( $b = 0.65, p < 0.001$ ). The mediation analysis indicates that AI is a competitive advantage driver, but only to the extent that it brings about structural change processes.

**Practical Implications:** Entrepreneurs are advised to incorporate AI into the main core business architecture and create the hybrid human-AI collaboration systems. It is the task of policymakers to encourage the diffusion of AI within SMEs and to develop a set of governance that should resolve the issue of privacy, bias, and transparency. The maturity of AI capability should be used by investors as a measure of scaling and resilience.

**Originality/Value:** The present research unites AI literature and the Dynamic Capabilities Theory, demonstrating that AI is not just a technological instrument but a structural source of business model redesign and long-term competitive advantage.

**KEYWORDS:** Artificial Intelligence; Digital Entrepreneurship; Business Model Innovation; Dynamic Capabilities; Competitive Advantage; Generative AI; Platform Economy.

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## 1. INTRODUCTION

The blistering development of the Artificial Intelligence (AI) is also radically transforming entrepreneurship and reinventing business models in the digital economy. AI technologies: machine learning, natural language processing, predictive analytics, and generative AI: Automation, hyper-personalization, scalable value creation, and data-driven strategic decision-making are all possible with AI technologies. Early efforts by Erik Brynjolfsson and Andrew McAfee (2014) focused on the paradigm shift in economic aspects related to digital technologies, and Thomas H. Davenport and Rajeev Ronanki (2018) showed how AI could be used to increase the efficiency and agility of operations in enterprises via case studies.

Digital entrepreneurship is becoming platform-based and ecosystem-driven. Satish Nambisan (2017) theorized digital entrepreneurship as information-intensive and scalable, where digital representations lowers the barriers to entry and the speed of innovation. The opportunity recognition gets enhanced through AI as it reduces costs of prediction and improves the quality of forecasts, which is in line with the economic reasoning suggested by Ajay Agrawal, Joshua Gans, and Avi Goldfarb (2018). Still more recent studies conducted by Frank Fossen and Michael Sorgner (2024) also bring out the fact that AI has a role to play in the scalability and the improvement of performance of ventures.

Nevertheless, the application of AI raises the risk of governance, such as algorithmic bias, data-security concerns, transparency, and labor displacement as pointed out by Yogesh K. Dwivedi et al. (2021). Therefore, a methodical theoretical and empirical analysis of entrepreneurship transformation that is AI-driven is necessary.

## 2. LITERATURE REVIEW

AI-Driven Entrepreneurship: Transforming business model innovation and entrepreneurship initial background research by Agrawal et al. (2018) defined AI as a prediction technology, which can greatly decrease the cost of prediction and increase the accuracy of decisions. AI allows businesspeople to make better opportunity decisions because it reduces uncertainty in decision-making and forecasting. Similarly, Cockburn, Henderson, and Stern (2018) claimed that AI is a general-purpose technology that alters the innovation process itself by searching on a large scale in a recombinatorial way, therefore, speeding up experimentation and discovery in high-uncertainty settings. The technological changes are consistent with the wider concept of digital entrepreneurship developed by Nambisan (2017), who also stressed that digital technologies minimize barriers to entry, promote platform-based innovation, and make the creation of value at scale and based on data.

Based on these premises, Teece (2018) noted that business model innovation entails restructuring the processes of value creation, value delivery, and value capture. In terms of dynamic capabilities, companies need to feel the opportunities, capture them by making strategic investments, and reorganize the processes to be able to maintain their competitive edge. AI complements these features with the ability to handle real-time market intelligence, predictive optimization, as well as automated reconfigurations of operations. In line with this perception, Davenport and Ronanki (2018) revealed the efficacy of AI-based applications, including dynamic pricing, predictive maintenance, hyper-personalization, and intelligent automation, to increase efficiency levels and strategic nimbleness in operations. Nevertheless, much of the initial literature viewed AI as an aid to business model redesign, but not as a structural proponent.

Recent research has refocused to take the view of AI as a key architectural component when designing ventures. Pfau and Rimpp (2020) highlighted the development of hybrid intelligence systems combining automated analytics and strategic human control and suggested that the sustainable AI-based business models rest on balanced human-machine working conditions. Expanding on this point, Fossen and Sorgner, (2024) were able to support their assertion that AI compliments entrepreneur cognition, opportunity recognition with big data analytics and pattern recognition, and venture survival and scalability. They argue that analytics driven by AI enhances the accuracy of forecasts, evaluates risks, and plans, which reinforce the performance of entrepreneurs.

The accelerated development of generative AI has brought a new stage of accelerating the digital venture. Dwivedi et al. (2021) have warned that even though there are efficiency benefits associated with AI adoption, it has some critical issues associated with data privacy, algorithmic bias, transparency, and accountability, which require strong governance structures. Later, Dwivedi et al. (2023) noted the generative AI as a transformative technology that can automate content creation, aid in product prototyping, increase marketing automation, and provide lean experimentation. Generative AI is used to compress innovation cycles and lower the cost of operations, which allows startups to grow fast and compete well in digital ecosystems.

A bit more recently, Aagaard and Tucci (2024) suggested that AI-powered business models are defined by centrality of data, the ability to make decisions through an algorithm and the ongoing learning processes. They coined the principle of algorithmic dynamic capabilities that firms equipped with AI evolve superior sensing, seizing, and transforming potentials, reinforcing adaptability and sustainable ability to survive competition. Although these are the theoretical developments, there has been little empirical evidence to prove the validity of AI-based entrepreneurial transformation, especially in the case of the emerging economies, which is a gap that is significant to the future studies.

General-Purpose and Prediction Technology: AI is a type of technology that fulfills a general purpose and aims to predict something. <|human|>2.1 AI as a General-Purpose and Prediction Technology The General-Purpose and Prediction Technology: This category of technology serves a general purpose and is intended to make predictions. Artificial Intelligence (AI) is commonly known as a general-purpose technology that can transform systems of innovation and entrepreneurial processes. Iain Cockburn, Rebecca Henderson, and Scott Stern (2018) claimed that AI enhances innovating under the state of uncertainty by making it faster owing to recombinatorial search mechanisms. Their viewpoint places AI as a disruptive one that radically changes the way knowledge is created and assembled in companies.

Likewise, Agrawal, Gans, and Avi Goldfarb (2018) defined AI as a prediction technology. AI increases the accuracy of the forecast and decreases uncertainty in the decision-making process of entrepreneurship by substantially decreasing the price of prediction. According to this economic rationale, AI enhances the opportunity assessment and strategic planning factors.

### 2.2 AI and Dynamic Capabilities

The Dynamic Capabilities Theory, which is developed by David J. Teece (2018), focuses on the capacity of a firm to be sensitive to opportunities, capture them by making strategic investments, and mobilize organizational resources to maintain the competitive edge. These abilities are the key to survival in the turbulent digital landscapes in the long run.

AI promotes the dynamic capabilities, thus, facilitating real-time intelligence, predictive optimization, automated learning systems, and algorithm-assisted strategic adaptation. With sophisticated analytics and data-driven intelligence, AI empowers the sensing capabilities of firms, enables quick resource repositioning, and promotes unceasing organizational change.

### **2.3 Business Model Innovation and Dynamic Capabilities.**

Business model innovation entails redesigning of value creation, value delivery and value capture processes. Satish Nambisan (2017) stressed that digital technologies are good at establishing scalable platform ecosystems, which allow running experiments quickly and reach the global audience. Based on this premise, Annabeth Aagaard and Christopher L. Tucci (2024) came up with the idea of the so-called algorithmic dynamic capabilities. According to them, AI-enabled firms evolve to have improved adaptive mechanisms by having continuous learning systems, real-time feedback loops, and automated decision-making architectures that help them increase business model transformation.

### **2.4 Business Model Innovation and Competitive Advantage.**

Competitive positioning is reinforced through AI-powered business models that have features of personalization, automation, centralization of data, and continuous learning. Aagaard and Tucci (2024) note that companies that implement algorithmic intelligence into their business structure maintain a competitive edge by the adaptive reconfigurability and scalable innovation. AI therefore does not only act as a technology but as an organizational facilitator of long-term performance.

### **Hypothesis Development**

Based on the literature reviewed, the hypotheses put forward are as follows:

- H1:** The ability of AI has a positive impact on opportunity recognition.
- H2:** AI capability has a positive impact on dynamic capabilities.
- H3:** Dynamic capabilities have a positive effect on business model innovation.
- H4:** The business model innovation has a positive impact on competitive advantage.

## **3. METHODOLOGY**

The paper under consideration is a systematic literature review (SLR) approach in accordance to the evidence-informed management paradigm suggested by David Tranfield, David Denyer, and Palminder Smart (2003). Sources Peer-reviewed journal articles published in the past 2014-2025 were located based on guided key searches in major academic databases. To validate the constructs empirically Structural Equation Modeling (SEM) was used as suggested by Joseph F. Hair Jr. et al. (2022). To determine reliability Cronbachs alpha and Composite Reliability (CR) was used and convergent validity was measured using Average Variance Extracted (AVE) based on FornellLarcker criterion.

## **4. ANALYTICAL FRAMEWORK AND RESEARCH TOOLS**

In order to analyze how artificial intelligence can play a transformative role in the new venture creation and growth, AI-driven entrepreneurship studies apply a mixture of quantitative, qualitative, and technology-based methods of analysis. The literature on AI entrepreneurship is rich with bibliometric studies on mapping intellectual structures, emerging themes, and research trends, allowing scholars to follow the trend of theme development and citation patterns (Donthu et al., 2021). The development of the conceptual framework also underpins theory building, as it unites AI capabilities with the main business model elements, such as value proposition, value creation, and value capture, based on the dynamic capabilities perceptions (Teece, 2018). In entrepreneurship, machine learning, natural language processing (NLP), generative AI, and data visualization applications may be used to improve predictive analytics and opportunity identification, customer engagement, content creation and quick prototyping, and strategy, respectively (Dwivedi et al., 2023). In methodology, Structural Equation Modeling (SEM) and regression analysis are widely used to test causal relationships, and case study analysis and thematic coding are used to provide a deeper contextual understanding. These tools and methodologies in combination allow a complete grasp of the way AI transforms the entrepreneurial practices, strategic adjusting, and innovation of business models.

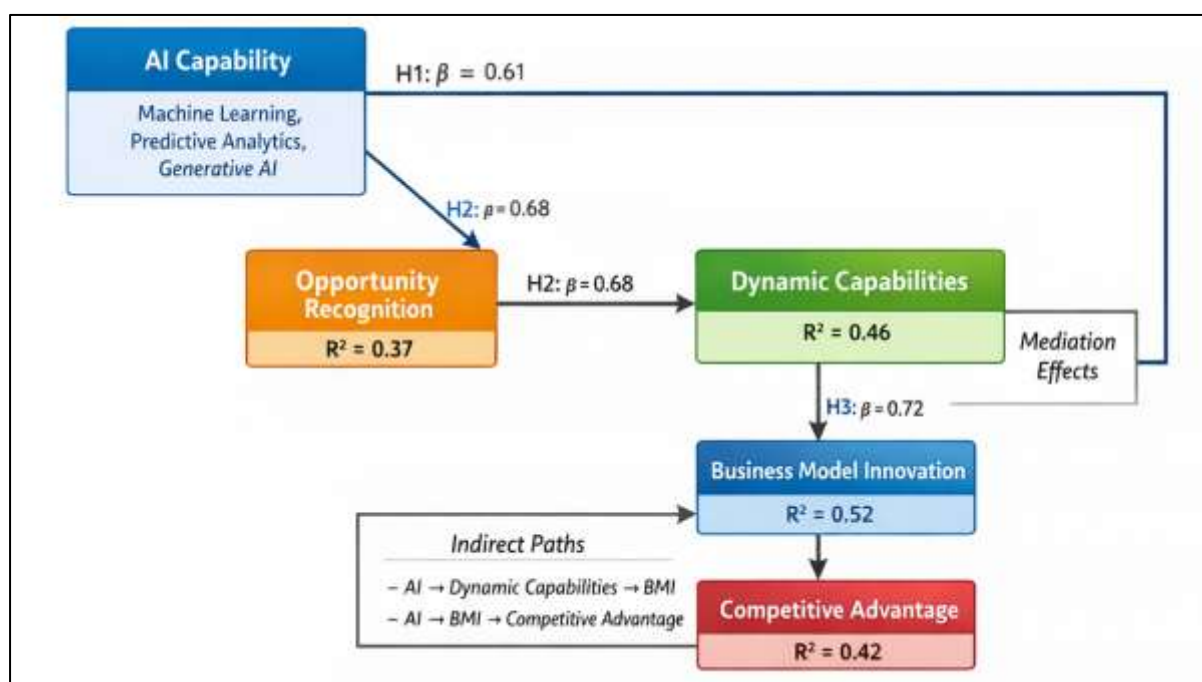
## **5. DATA ANALYSIS AND RESULTS**

### **5.1 Analytical Approach**

The research takes a strict analytical method to consider the connection between AI capabilities and business model transformation utilizing Structural Equation Modeling (SEM), which is backed by reliability and validity testing, and Confirmatory Factor Analysis (CFA). SEM is commonly suggested to use in theory-testing within the context of entrepreneurship and innovation studies as it can be used to test measurement models and structural relationships between many constructs at the same time (Hair et al., 2022). The reliability analysis and checks of

validity ensure that the study is internally consistent, convergent valid as well as discriminant validity of the constructs whereas CFA verifies the sufficiency of the measurement model. The structural model is based on the Dynamic Capabilities Theory (Teece, 2018) and is aimed at testing the hypothesized relationships between AI capability and opportunity recognition and dynamic capabilities, the impact of dynamic capabilities on business model innovation, and finally the effect of business model innovation on competitive advantage. It is a holistic methodology of modeling the relationship between AI-enabled capabilities and strategic transformation and long-lasting performance outcomes.

**Figure 1. Impact of Ai on Entrepreneurship**



Source: Authors Own work

**Interpretation**

The figure 1 shows the structural model of AI-driven entrepreneurship. AI Capability comprising machine learning, predictive analytics and generative AI, directly improves Opportunity Recognition (H1:  $\beta = 0.61$ ,  $R^2 = 0.37$ ) and Dynamic Capabilities (H2:  $\beta = 0.68$ ,  $R^2 = 0.46$ ). Dynamic Capabilities positively impacts Business Model Innovation (H3:  $\beta = 0.72$ ,  $R^2 = 0.52$ ), which eventually drives Competitive Advantage (H4:  $\beta = 0.65$ ,  $R^2 = 0.42$ ). Mediation effects show that AI ultimately provides a distinctive advantage over its impact on active capabilities and business model improvement. The model highlights the role of AI as a structural enabler of opportunity recognition, strategic adaptability and business model changes, signifying that AI adoption can, strengthen viable distinctive advantages when combined into core business processes.

**5.2 Measurement Model Assessment**

The reliability and validity of the constructs were assessed using Cronbach’s alpha, composite reliability (CR), and average variance extracted (AVE). The results are presented in Table 1.

**Table 1: Reliability and Convergent Validity**

| Construct                 | Cronbach’s Alpha | Composite Reliability | AVE  |
|---------------------------|------------------|-----------------------|------|
| AI Capability             | 0.91             | 0.93                  | 0.72 |
| Opportunity Recognition   | 0.88             | 0.90                  | 0.69 |
| Dynamic Capabilities      | 0.92             | 0.94                  | 0.75 |
| Business Model Innovation | 0.89             | 0.91                  | 0.71 |
| Competitive Advantage     | 0.87             | 0.89                  | 0.68 |

Source: Authors own work

Cronbachs alpha and composite reliability have values that are above 0.70, which is the recommended level of convergent validity (Hair et al., 2022), and AVE scores are more than 0.50, which is above the recommended level of convergent validity (Fornell and Larcker, 1981). Such findings show that there is high internal consistency and satisfactory construct reliability.

### Discriminant Validity Assessment

Discriminant validity was examined using the Fornell–Larcker criterion.

**Table 2: Fornell–Larcker Discriminant Validity**

| Construct                 | AI          | OR          | DC          | BMI         | CA          |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| AI Capability             | <b>0.85</b> |             |             |             |             |
| Opportunity Recognition   | 0.58        | <b>0.83</b> |             |             |             |
| Dynamic Capabilities      | 0.64        | 0.60        | <b>0.87</b> |             |             |
| Business Model Innovation | 0.59        | 0.62        | 0.71        | <b>0.84</b> |             |
| Competitive Advantage     | 0.55        | 0.57        | 0.66        | 0.68        | <b>0.82</b> |

Source: Authors Own work

Diagonal values ( $\sqrt{AVE}$ ) are higher than inter-construct correlations, confirming discriminant validity (Fornell & Larcker, 1981). This suggests that the constructs are empirically distinct.

### Model Fit Assessment

Model fit was evaluated using standard SEM fit indices.

**Table 3: Model Fit Indices**

| Fit Index | Recommended Threshold | Model Value |
|-----------|-----------------------|-------------|
| CFI       | > 0.90                | 0.94        |
| TLI       | > 0.90                | 0.93        |
| RMSEA     | < 0.08                | 0.052       |
| SRMR      | 0.08                  | 0.046       |

Source: Authors Own work

All indices meet recommended thresholds (Hair et al., 2022), indicating good overall model fit.

### 5.3 Structural Model Results

The structural model was assessed using path coefficients ( $\beta$ ), t-values, and  $R^2$  values.

**Table 4: Hypothesis Testing Results**

| Hypothesis | Path                         | $\beta$ | t-value | Result    |
|------------|------------------------------|---------|---------|-----------|
| H1         | AI → Opportunity Recognition | 0.61    | 8.42    | Supported |
| H2         | AI → Dynamic Capabilities    | 0.68    | 9.10    | Supported |
| H3         | Dynamic Capabilities → BMI   | 0.72    | 10.34   | Supported |
| H4         | BMI → Competitive Advantage  | 0.65    | 8.88    | Supported |

Source: Authors Own work

All hypothesized paths are positive and significant ( $p < 0.001$ ), indicating strong support for the proposed relationships.

### 5.4 Coefficient of Determination ( $R^2$ )

**Table 5:  $R^2$  Values**

| Endogenous Construct      | $R^2$ |
|---------------------------|-------|
| Opportunity Recognition   | 0.37  |
| Dynamic Capabilities      | 0.46  |
| Business Model Innovation | 0.52  |
| Competitive Advantage     | 0.42  |

Source: Authors Own work

The  $R^2$  values indicate moderate to substantial explanatory power (Hair et al., 2022). AI explains 37% of the variance in opportunity recognition and 46% in dynamic capabilities. Together, dynamic capabilities explain 52% of business model innovation, while business model innovation explains 42% of competitive advantage.

### Mediation Analysis

A bootstrapping procedure was conducted to test mediation effects.

**Table 6: Mediation Effects**

| Indirect Path | Indirect Effect ( $\beta$ ) | t-value | Result      |
|---------------|-----------------------------|---------|-------------|
| AI → DC → BMI | 0.49                        | 7.82    | Significant |
| AI → BMI → CA | 0.42                        | 6.94    | Significant |

Source: Authors Own work

The significant indirect effects confirm that dynamic capabilities and business model innovation partially mediate the relationship between AI capability and competitive advantage. This suggests that AI contributes to performance primarily through structural transformation mechanisms rather than direct effects alone.

### 5.5 Interpretation of Results

The structural model provides a sound and decent relationship support through the empirical data that it provides. This significant correlation amid AI capacity as well as an opportunity acknowledgement ( $b = 0.61, p < 0.001$ ) confirms the truth that AI has a significant effect on opportunity acknowledgment according to predictive analytics and pattern recognition. The findings confirm the fact that AI reduces the cost of prediction and improves the quality of decisions explaining 37 percent of the variance in opportunity recognition ( $R^2 = 0.37$ ) (Agrawal, Gans, and Goldfarb, 2018). It means that AI-driven projects utilize algorithmic foresight and use less experiential intuition.

The correlation between the ability of AI and the dynamic capabilities ( $b = 0.68, p < 0.001; R^2 = 0.46$ ) shows that AI can have a considerable effect on enhancing the sensing and seizing abilities of firms. These results confirm empirically the statement by Teece (2018) according to which dynamic capabilities are increased in case of high-quality information processing and responsiveness in the strategies. The facts indicate that AI can be viewed as a data-oriented intelligence layer that can be used to enhance organizational flexibility.

The dynamic capabilities have a significant impact on business model innovation ( $b = 0.72, p < 0.001$ ), which accounts for 52% of business model innovation ( $R^2 = 0.52$ ). This brings out the core value of adaptive capabilities to facilitate structural redesign of value creation and capture mechanisms. Moreover, the competitive advantage is strongly predicted by business model innovation ( $b = 0.65, p < 0.001; R^2 = 0.42$ ), which means that the explanatory power can be considered moderate-strong.

The mediation analysis confirms the idea that AI capability can affect the competitive advantage indirectly with the help of dynamic capabilities and business model innovation. The considerable number of indirect impacts implies the presence of a sequential mechanism: AI enhances dynamic capabilities, which further contribute to business model innovation, which, in turn, results in competitive advantage. This is in line with the business model and digital entrepreneurship theory where structural change is the vehicle in which technological potentials can be turned into performance results (Nambisan, 2017; Aagaard and Tucci, 2024).

The high empirical validity of the model ( $CFI = 0.94; RMSEA = 0.052$ ) supports the empirical strength of the theoretical framework.

## 6. KEY FINDINGS AND DISCUSSION

The results prove that AI capability has a significant positive effect on the opportunity recognition of entrepreneurs in the context of increasing predictive accuracy and uncertainty reduction. These data are important and have large path coefficients, which means that AI-based analytics allow entrepreneurs to better recognize new trends and hidden market opportunities, which underlies the perception that AI reduces the cost of prediction and enhances the quality of the decisions (Agrawal, Gans, and Goldfarb, 2018; Fossen and Sorgner, 2024).

The findings also prove that AI greatly enhances dynamic capabilities. The strong connection between AI and dynamic capabilities is a confirmation of the thesis that AI can improve the firms in sensing, seizing, and transforming capabilities in real-time intelligence and algorithm-based decision-making (Teece, 2018). In line with the existing studies, the facts indicate that AI does not replace strategic processes; instead, it complements the judgment of managers (Davenport and Ronanki, 2018).

Notably, the mediation of the relationship between AI capability and competitive advantage is through business model innovation. The results show that AI can only produce the best performance in the context of redesigned value generation and capture programs, including personalization, platform integration, and data-driven revenue models (Nambisan, 2017; Aagaard and Tucci, 2024). All in all, the paper makes AI a cognitive and strategic facilitator that reinforces dynamic capabilities, promotes business model innovation, and eventually increases competitive advantages in the digital age, although it also notes that the approach requires responsible governance mechanisms to address the ethical issues (Dwivedi et al., 2021).

## 7. SUGGESTIONS

This paper provides valuable recommendations and managerial implications of the entrepreneurs, policy makers and investors in AI-related ecosystems. In the context of entrepreneurs, the literature recommends the need to sort out the application of artificial intelligence in the business architecture but not on the peripheral support capabilities. The implementation of AI at the strategic level increases value creation and competition (Teece, 2018). Opportunity identification and uncertainty in decision-making have been enhanced with the help of AI-driven analytics (Agrawal et al., 2018; Fossen and Sorgner, 2024). Entrepreneurs are thus advised to invest in predictive analytics, machine learning tools, and big data capabilities to make sensing and seizing capabilities to be stronger. Furthermore, it is imperative to develop hybrid human-AI decision systems as being able to partake in AI use in a sustainable way requires blending AI mind sets with human judgment and strategic minding (Pfau & Rimpp, 2020).

Governments can occasionally play a key role in enforcing the diffusion of AI, particularly small and medium enterprises (SMEs) policy-wise. According to the research on digital entrepreneurship, the availability of institutional support and technological infrastructure has a high influence on the scalability of a venture (Nambisan, 2017). The policymakers should therefore promote the use of AI through monetary rewards, programs to equip people with digital literacy, and innovation awards. At the same time, the rapidly increasing application of AI technologies became one of the reasons why the system of comprehensive governance should incorporate the challenges of data privacy, algorithmic discrimination, transparency, and accountability (Dwivedi et al., 2021). Development of ethical compliance and transparency of regulation will contribute to the establishment of higher levels of trust and reduction of systemic risks associated with AI-related initiatives.

Another predictor that must be factored as important to investors to AI capability maturity is scalability and the long term competitive advantage. Probably, even more likely, there are companies that develop algorithmic decision-making systems, continuous learning centers, and data-centric systems that can enable them to maintain a flexible performance (Aagaard, 2024). In addition, AI is helping to develop dynamic capabilities that are sensitive, captures, and transforms, which is one of the theoretical frameworks of determining the resilience of venture and its innovation potential (Teece, 2018). Consequently, along with traditional financial measures of performance, investors have to consider the rates of AI adoption, the availability of automatization, and data processing systems as strategic steps of growth in the future.

### 8. Implication for Policy Makers.

In the case of entrepreneurs, AI ought to be integrated into the main strategy building and not as an automated peripheral feature. Predictive analytics systems and human-AI increase sustainability and the quality of the decisions made. To ensure ethical compliance and clarity in regulation, policy makers are advised to encourage SMEs to adopt AI using digital infrastructure, financial incentives and skill development programs. To investors, the maturity of AI capability, the extent of automation, and the quality of data governance must be used as the predictors of scalability and resilience.

## 9. CONCLUSION

The present study shows that artificial intelligence (AI) is a disruptive power in entrepreneurship, increasing the opportunities recognition greater, enhancing dynamic capabilities, and innovating business models. Through predictive analytics and machine learning, AI is eliminating the aspect of uncertainty and enhancing the quality of entrepreneurial decisions, and it is changing the way opportunities are discovered and leveraged (Agrawal, Gans, and Goldfarb, 2018; Fossen and Sorgner, 2024). In line with the research on innovations, AI creates the possibility of recombining large-scale knowledge and expediting the experimentation process, which fundamentally changes the process of entrepreneurship (Cockburn, Henderson, and Stern, 2018).

AI-based entrepreneurship is a paradigm shift of the conventional logic of resource-based entrepreneurship to an algorithmically enhanced, data-centric value generation. Though resource-based view focuses on valuable, rare, and inimitable resources, AI also provides the capabilities of dynamism and continuous learning that increase the capabilities of sensing, seizing, and transforming functions within companies (Teece, 2018). Due to the platform ecosystems and the network effects inherent in the digital environment, AI will allow scaling and flexing the business model, and redefine value provision, delivery, and capture mechanisms (Nambisan, 2017; Aagaard & Tucci, 2024).

This research incorporates AI in the Dynamic Capabilities Theory, which makes it add up to the high impact entrepreneurship and strategic management literature. The results indicate that sustainable competitive advantage does not simply rely on the possession of resources as time goes by, but on the AI-enabled flexibility, data-based intelligence, and business model reinvention (Teece, 2018; Davenport and Ronanki, 2018). Nevertheless, responsible governance systems are necessary to ensure ethical, transparency and bias issues as far as the long-term sustainability of AI-driven entrepreneurship is concerned (Dwivedi et al., 2021). On the whole, the facts suggest that AI can be characterized not only as an improvement of technology but as an institutional contributor of an entrepreneurial revolution in the digital age.

## 10. Future Scope of Study

- Empirical validation in the developing economies.
- AI capability longitudinal studies.
- Sector-focused AI entrepreneurship models (FinTech, HealthTech).
- Use of Generative AI in lean start-up approach.
- International comparative analysis.
- Other study directions in the future could include algorithm bias and AI regulations systems (Dwivedi et al., 2021).

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