Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 4 | April 2025 -Peer-Reviewed Journal

IMPACT OF ARTIFICIAL INTELLIGENCE ON NEW VENTURE CREATION AND BUSINESS INNOVATION

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ABSTRACT

The rapid advancement of Artificial Intelligence (AI) is reshaping new venture creation and driving business innovation across various industries. This research paper explores the impact of AI on startups and established businesses, focusing on how AI technologies facilitate the development of new business models, enhance operational efficiency, and foster innovation. The study employs AI's contribution to Automation and decision making its impact on risk, opportunity and sustainability & framework and policies to support AI driven innovation. Key findings reveal that AI significantly lowers entry barriers for new ventures by automating processes, improving decision-making, and enabling scalable solutions. Moreover, AI contributes to business innovation by generating novel products and services, optimizing customer targeting, and enhancing competitive advantage. However, the research also identifies challenges such as ethical considerations, data privacy issues, and the need for technical expertise. The paper concludes that while AI presents substantial opportunities for innovation and growth, it also requires careful management and strategic implementation to fully realize its potential. Recommendations include adopting best practices for AI integration and developing supportive policies to nurture AI-driven entrepreneurial ecosystems.

KEYWORDS: *Artificial Intelligence, New Venture, Business, Innovation, Creation, Start-ups, Automation, decision making.*

INTRODUCTION

The rapid advancement of Artificial Intelligence (AI) is revolutionizing the entrepreneurial landscape, transforming the way new ventures are created and businesses innovate. AI's capabilities, such as machine learning, natural language processing, and predictive analytics, are being leveraged by entrepreneurs to develop innovative products, services, and business models. This technological shift is presenting both opportunities and challenges for entrepreneurs and organizations, and its impact on new venture creation and business innovation is multifaceted. As AI continues to evolve, it is enabling entrepreneurs to identify new business opportunities, optimize business processes, and create innovative solutions that were previously unimaginable. The integration of AI in entrepreneurship has the potential to drive significant economic growth, improve productivity, and enhance competitiveness. However, it also raises important questions about the future of work, the role of humans in AI-driven businesses, and the potential risks and challenges associated with AI adoption. This paper will explore the impact of AI on new venture creation and business innovation, examining the ways in which AI is shaping the future of entrepreneurship and innovation. By investigating the role of AI in entrepreneurship, this research aims to provide insights into the opportunities and challenges presented by this technological shift and to contribute to the development of new theories and frameworks for understanding the impact of AI on business and entrepreneurship.

REVIEW OF LITERATURE

Garbuio & Lin (2019): AI-driven innovation enables businesses to innovate and stay competitive by leveraging machine learning, natural language processing, and predictive analytics. This study highlights the potential of AI to drive innovation and growth in businesses. AI's capabilities can be used to develop new products, services, and business models, improving efficiency and productivity. By adopting AI-driven innovation, businesses can stay ahead

of the competition and achieve sustainable growth. Effective innovation requires a deep understanding of AI's potential and its limitations.[1]

Manyika et al. (2017): AI can enable new business models, improve productivity, and drive economic growth by automating tasks, enhancing decision-making, and creating new products and services. This study emphasizes the potential of AI to transform businesses and industries. AI's impact on business models can be significant, enabling companies to create new revenue streams and improve customer experiences. By leveraging AI, businesses can gain a competitive advantage and achieve long-term success. However, AI adoption requires careful consideration of its potential risks and challenges. Businesses must develop strategies to address these challenges.[2]

Shoufu et al. (2023): AI can drive technological progress, economic growth, and entrepreneurship by providing new opportunities for innovation and entrepreneurship. This study highlights the potential of AI to enable new business opportunities and drive economic growth. AI's impact on entrepreneurship can be significant, enabling startups and small businesses to innovate and compete with larger companies. By leveraging AI, entrepreneurs can develop new products, services, and business models, improving efficiency and productivity. AI's potential to drive economic growth is substantial, and its adoption is likely to continue growing.[3]

Giuggioli & Pellegrini (2023): AI presents new opportunities for businesses to innovate and grow by leveraging AI-powered tools, platforms, and ecosystems. This study emphasizes the potential of AI to enable business innovation and growth. AI's impact on business innovation can be significant, enabling companies to develop new products, services, and business models. By leveraging AI-powered tools and platforms, businesses can improve efficiency and productivity, achieving long-term success. AI's potential to drive innovation is substantial, and its adoption is likely to continue growing. Businesses must develop strategies to leverage AI's potential.[4]

Brynjolfsson & McAfee (2017): AI is crucial for innovation management, requiring new knowledge, resources, and capabilities to leverage AI's potential. This study highlights the importance of AI in innovation management. AI's impact on innovation management can be significant, enabling companies to develop new products, services, and business models. By leveraging AI, businesses can improve efficiency and productivity, achieving long-term success. Effective innovation management requires a deep understanding of AI's potential and its limitations. Businesses must develop strategies to address the challenges associated with AI adoption.[5]

Davenport & Dyché (2013): AI provides a competitive advantage for businesses that leverage its capabilities, such as machine learning, natural language processing, and predictive analytics. This study emphasizes the potential of AI to drive business success. AI's impact on business can be significant, enabling companies to improve efficiency and productivity. By leveraging AI, businesses can gain a competitive advantage and achieve long-term success. AI's potential to drive innovation is substantial, and its adoption is likely to continue growing. Businesses must develop strategies to leverage AI's potential and address its challenges. [6]

Bhimani & Willcocks (2014): AI helps businesses manage risk, identifying potential threats and opportunities by leveraging AI-powered risk management tools and platforms. This study highlights the potential of AI to improve risk management. AI's impact on risk management can be significant, enabling companies to identify and mitigate potential risks. By leveraging AI-powered risk management tools, businesses can improve their resilience and achieve long-term success. Effective risk management requires a deep understanding of AI's potential and its limitations. Businesses must develop strategies to address the challenges associated with AI adoption. [7]

Courtney et al. (2017): AI can inform strategic decision-making, providing insights and recommendations to businesses. This study emphasizes the potential of AI to inform business strategy. AI's impact on strategic decision-making can be significant, enabling companies to make more informed decisions. By leveraging AI, businesses can improve their resilience and achieve long-term success. Effective strategic decision-making requires a deep understanding of AI's potential and its limitations. Businesses must develop strategies to leverage AI's potential and address its challenges. [8]

OBJECTIVES OF THE STUDY

1. To explore AI's role in driving innovation and growth in new ventures.

2. To investigate AI's impact on entrepreneurship and new business creation.
3. To analyze AI's impact on risk, opportunity and sustainability
4. To identify opportunities and challenges presented by AI in entrepreneurship.
5. To develop strategies for businesses to leverage AI's potential.
6. To examine AI's role in innovation management and competitiveness.
7. To study framework and policies to support AI driven innovation

RESEARCH METHODOLOGY

As it is an exploratory study, the research paper is primarily dependent on secondary data that was gathered from many journals, periodicals, and publications. The needs of the study's objectives are taken into consideration when using a descriptive study. The study made considerable use of secondary data.

AI's Contribution to Automation, Decision Making, and Innovation:

Artificial Intelligence (AI) has significantly impacted various aspects of business and innovation, particularly in automation, decision-making, and innovation itself. By leveraging machine learning algorithms, natural language processing, and predictive analytics, AI can automate repetitive and mundane tasks, freeing up human resources for more strategic and creative work. This automation capability not only enhances operational efficiency but also reduces the likelihood of human error, thereby improving overall productivity.

In decision-making, AI's ability to analyze vast amounts of data in real-time provides businesses with actionable insights that can inform strategic decisions. AI-driven analytics can identify patterns, trends, and correlations that might be missed by human analysts, enabling more informed and data-driven decision-making. This capability is particularly valuable in today's fast-paced business environment, where timely and accurate decision-making can be a significant competitive advantage.

When it comes to innovation, AI plays a crucial role in driving new product development, service innovation, and business model innovation. By analyzing market trends, customer preferences, and competitor activity, AI can generate insights that fuel innovation. Moreover, AI can facilitate the innovation process by automating certain aspects of product development, such as design optimization and testing, thereby accelerating the time-to-market for new products and services.

Overall, AI's contributions to automation, decision-making, and innovation are transforming the way businesses operate and compete. By harnessing the power of AI, organizations can enhance their operational efficiency, make more informed decisions, and drive innovation, ultimately leading to sustainable growth and competitiveness in an increasingly complex and dynamic business environment.

IMPACT OF ARTIFICIAL INTELLIGENCE ON NEW VENTURE CREATION

Artificial intelligence (AI) is transforming the landscape of entrepreneurship, presenting both opportunities and challenges for new venture creation. Here's how AI impacts new ventures:

Key Impacts of AI on Entrepreneurship

- **Enhanced Productivity:** AI can significantly improve overall performance in complex work tasks, showing consistent improvements in efficiency and quality.
- **New Job Creation:** While some jobs may be displaced, AI also creates new opportunities in areas like AI validation, verification, and integration.
- **Leveling the Playing Field:** AI can support lower performers and help identify broad market possibilities, particularly for entrepreneurs with limited economic resources.
- **Skills Development:** AI can bridge literacy gaps and enhance skills development in areas like marketing, finance, and logistics.
- **Simplifying Complex Tasks:** AI can automate tasks like market research, business planning, pricing, inventory management, and social media management.

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Benefits for Entrepreneurs

- **Saving Time and Resources:** AI can help entrepreneurs save time, energy, and money, boosting productivity and efficiency.
- **Data-Driven Decision Making:** AI provides valuable insights, enabling entrepreneurs to make informed decisions and drive innovation.
- **New Business Opportunities:** AI can create new markets and opportunities for entrepreneurs, particularly in areas like consulting, big data analytics, and coding.

Preparing the Workforce for AI

- **Professional Development:** Employers should provide training on practical AI uses, including ethical and legal implications.
- **Equity and Inclusion:** AI implementation should prioritize equity awareness, benefiting people with disabilities and underrepresented groups.
- **AI Literacy Campaigns:** Tailored training programs can help mitigate job displacement and ensure proactive measures are in place.

Example of AI driven Business Innovation

Here are some examples of AI-driven business innovation case studies:

Enhancing Customer Experience

- **Netflix**: Personalized Entertainment – Netflix uses AI to analyze individual viewing habits, ratings, and preferences, providing users with tailored content recommendations that keep them engaged and satisfied.
- **Spotify**: Personalized Music Experience – Spotify's AI-driven algorithms analyze user listening habits and preferences to recommend music tracks and playlists, increasing customer engagement and retention.
- **IKEA**: Virtual Reality for Customer Experience – IKEA introduced AI-powered virtual reality apps that allow customers to visualize furniture before buying, enhancing customer decision-making and satisfaction.

Optimizing Operations

- **Amazon**: Predictive Inventory Management – Amazon employs AI algorithms to forecast product demand, optimizing inventory levels and reducing operational costs.
- **General Electric:** Predictive Maintenance in Energy Production – GE uses AI to predict maintenance needs and optimize energy production, ensuring efficient operation and reducing downtime.
- **Unilever**: Sustainable Supply Chain Management – Unilever implemented AI to optimize its supply chain operations, reducing waste and promoting sustainability.

Improving Healthcare

- **IBM Watson Health:** Revolutionizing Patient Care – IBM Watson Health uses AI to analyze medical records, research papers, and clinical trial data, enhancing patient diagnosis and treatment recommendations.
- **Deep 6 AI:** Accelerating Clinical Trials – Deep 6 AI employs AI to identify potential trial participants based on specific criteria, speeding up the recruitment process and enabling faster trial completions.
- **Roche**: AI-Powered Drug Discovery – Roche uses AI to analyze medical data and simulate drug interactions, accelerating the drug discovery process and reducing costs.

Enhancing Security

- **American Express:** Real-Time Fraud Detection – American Express utilizes machine learning models to detect unusual patterns and behaviors indicative of fraud, minimizing financial losses.
- **HSBC**: AI-Driven Security Systems – HSBC employed AI-driven security systems to observe transactions and identify suspicious activities, strengthening security measures and reducing incidence of fraud.
- **Cisco**: AI-Powered Network Security – Cisco leverages AI to enhance its cybersecurity measures, detecting and responding to threats more effectively.

Comparison of AI with Traditional Business Models

The integration of Artificial Intelligence (AI) into business models has revolutionized the way companies operate, innovate, and compete. Compared to traditional business models, AI-driven models offer enhanced efficiency, agility, and scalability. Traditional business models often rely on manual processes, human intuition, and historical data, which can be time-consuming, prone to errors, and limited in their ability to adapt to changing market conditions. In contrast, AI-powered models can analyze vast amounts of data in real-time, identify patterns, and make predictions, enabling businesses to make informed decisions and respond quickly to market shifts.

Moreover, AI-driven models can automate repetitive tasks, freeing up human resources for more strategic and creative work. This not only improves productivity but also enables businesses to innovate and experiment with new products, services, and business models. Additionally, AI can help businesses personalize their offerings, enhance customer experiences, and build stronger relationships with their customers.

However, traditional business models have their own strengths, such as established processes, industry expertise, and customer trust. To leverage the benefits of AI while minimizing its risks, businesses can adopt a hybrid approach that combines the strengths of traditional models with the agility and innovation of AI-driven models. By doing so, companies can stay competitive, drive growth, and thrive in today's fast-paced and rapidly evolving business landscape.

Ultimately, the comparison between AI-driven business models and traditional models highlights the need for businesses to be adaptable, innovative, and open to new technologies and approaches. By embracing AI and leveraging its potential, companies can unlock new opportunities, improve their operations, and deliver more value to their customers.

Impact of Artificial Intelligence on Risk, Opportunity & Sustainability

The impact of Artificial Intelligence (AI) on risk, opportunity, and sustainability is multifaceted and far-reaching. AI has the potential to significantly mitigate risks by identifying patterns and anomalies in data, enabling businesses to anticipate and respond to potential threats. For instance, AI-powered predictive analytics can help companies detect fraud, predict market trends, and optimize supply chains, thereby reducing the risk of financial losses and reputational damage.

On the other hand, AI also presents new opportunities for businesses to innovate, grow, and create value. By leveraging AI's capabilities, companies can develop new products and services, enhance customer experiences, and improve operational efficiency. AI can also enable businesses to identify new markets, customer segments, and revenue streams, driving growth and profitability.

In terms of sustainability, AI can play a critical role in helping businesses reduce their environmental footprint and promote sustainable practices. For example, AI can optimize energy consumption, predict and prevent waste, and enable more efficient use of resources. Additionally, AI can help companies develop more sustainable supply chains, reduce carbon emissions, and promote eco-friendly products and services.

However, AI also raises important sustainability concerns, such as the potential for job displacement, bias in decision-making, and increased energy consumption. To mitigate these risks, businesses must prioritize responsible AI development and deployment, ensuring that AI systems are transparent, explainable, and aligned with human values.

Ultimately, the impact of AI on risk, opportunity, and sustainability will depend on how businesses choose to develop and deploy this technology. By prioritizing responsible AI development and leveraging its potential, companies can unlock new opportunities, mitigate risks, and promote sustainable growth and development.

Framework and Policies to Support AI driven Innovation

To support AI-driven innovation, organizations and governments can establish frameworks and policies that foster development, deployment, and adoption of AI technologies. A comprehensive framework should include components such as data governance, AI talent development, research and development, ethics and responsibility, and infrastructure. Data governance policies ensure data quality, security, and compliance, while AI talent development programs invest in education and training to upskill the workforce. Research and development initiatives encourage innovation and collaboration between industry, academia, and government.

Policies to support AI-driven innovation include regulatory frameworks that balance innovation with public safety and trust, funding and investment incentives for AI startups and research projects, and collaboration and partnership initiatives that drive innovation. Intellectual property protection is also crucial to ensure that innovators can benefit from their creations. Public awareness and education initiatives can promote understanding of AI benefits, risks, and applications.

Effective frameworks and policies can accelerate AI innovation, drive economic growth, and improve competitiveness. By establishing clear guidelines and standards, organizations and governments can increase adoption

of AI technologies, improve public trust, and develop a skilled workforce. Ultimately, well-designed frameworks and policies can unlock the potential of AI, enabling organizations to harness its power to drive innovation, improve efficiency, and create value for society.

By prioritizing responsible AI development and deployment, organizations and governments can ensure that AI-driven innovation benefits everyone, while minimizing its risks and challenges. This requires a collaborative approach, involving stakeholders from industry, academia, government, and civil society, to develop and implement frameworks and policies that support AI-driven innovation while promoting societal well-being.

FINDINGS OF THE STUDY

1. AI enhances entrepreneurial productivity and efficiency.
2. AI-driven innovation enables new business models and revenue streams.
3. AI-powered tools facilitate idea generation and validation.
4. AI improves decision-making through data-driven insights.
5. AI automates repetitive tasks, freeing up resources for strategic activities.
6. AI-driven analytics enable personalized customer experiences.
7. AI accelerates product development and innovation.
8. AI enhances risk management and mitigation.
9. AI fosters collaboration and knowledge sharing among entrepreneurs.
10. AI-driven innovation creates new opportunities for entrepreneurship and economic growth.

IMPLICATIONS FOR FUTURE BUSINESS MODELS AND ENTREPRENEURIAL SYSTEM

The implications of Artificial Intelligence (AI) for future business models and entrepreneurial systems are profound. AI is poised to revolutionize the way businesses operate, innovate, and compete. Future business models will likely be shaped by AI's ability to analyze vast amounts of data, automate processes, and provide personalized experiences. This could lead to new revenue streams, increased efficiency, and improved decision-making.

For entrepreneurs, AI presents both opportunities and challenges. On the one hand, AI can enable entrepreneurs to develop innovative products and services, automate processes, and gain a competitive edge. On the other hand, AI can also increase competition, disrupt traditional business models, and require entrepreneurs to develop new skills and expertise.

The entrepreneurial system will likely undergo significant changes as AI becomes more prevalent. Entrepreneurs will need to be agile, adaptable, and willing to experiment with new business models and technologies. They will also need to prioritize AI literacy and develop a deep understanding of AI's potential applications and limitations.

Ultimately, the future of business and entrepreneurship will be shaped by AI's ability to drive innovation, improve efficiency, and create new opportunities. As AI continues to evolve, entrepreneurs and businesses will need to stay ahead of the curve, leveraging AI's potential to drive growth, innovation, and success.

CONCLUSION AND SUGGESTIONS

The impact of Artificial Intelligence (AI) on new venture creation and business innovation is significant, enabling entrepreneurs to develop innovative products and services, automate processes, and gain a competitive edge. AI's ability to analyze vast amounts of data, identify patterns, and make predictions can help entrepreneurs make informed decisions, reduce risks, and drive growth.

To fully leverage the potential of AI, entrepreneurs and businesses should prioritize AI literacy, invest in AI talent, and develop strategies for AI adoption. Governments and policymakers can also play a crucial role by providing funding for AI research, developing regulatory frameworks that support AI innovation, and investing in education and training programs that develop AI talent.

Furthermore, entrepreneurs and businesses should focus on developing responsible AI practices, ensuring transparency, explainability, and accountability in AI decision-making. By doing so, they can build trust with customers, investors, and stakeholders, and ensure that AI-driven innovation benefits society as a whole.

In conclusion, AI has the potential to transform the entrepreneurial landscape, enabling new venture creation, driving business innovation, and creating new opportunities for growth and success. By embracing AI and developing

strategies for its adoption, entrepreneurs and businesses can stay ahead of the curve and thrive in an increasingly competitive and rapidly evolving business environment.

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