International Journal of Research and Technology (IJRT)
International Open-Access, Peer-Reviewed, Refereed, Online Journal
ISSN (Print): 2321-7510 | ISSN (Online): 2321-7529
Conference "Innovation and Intelligence: A Multidisciplinary Research on Artificial Intelligence and its Contribution to Commerce and Beyond"
Organized by the IQAC, KHMW College of Commerce (December 2025)

Emerging AI-Enabled Business Models and Their Impact on Startup Ecosystem Dynamics

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Abstract
Artificial Intelligence (AI) is quickly changing how startups create, capture, and grow value. This paper outlines a research program to study new AI-enabled business models (AIBMs) and their impacts on startup ecosystem dynamics, including venture formation, funding flows, talent mobility, competitive structure, and policy responses. We combine existing theories on business models, dynamic capabilities, and technological disruption to introduce a typology of AIBMs. The types include Productized AI, Platform-as-Data, AI-as-Service, Hybrid Human+AI Offerings, and Data-Network effect models. We propose a mixed-methods approach for gathering primary data, which includes a multi-country survey of startups, semi-structured interviews, and comparative case studies, along with an analysis plan that features multivariate modeling and qualitative thematic analysis. To clarify the empirical plan for conference reviewers, we present a synthetic illustrative analysis, clearly marked as simulated. This analysis shows how the proposed methods can reveal significant connections between the type of AIBM, investor interest, and ecosystem outcomes. Finally, the paper explores implications for managers, investors, and policymakers, and suggests a plan for primary empirical research. Key contributions include a new typology of AIBMs, a research design based on primary data, and preliminary simulated evidence showing potential ecosystem effects.

Keywords: Artificial Intelligence, AI-enabled Business Models, Startups, Innovation Ecosystems, Venture Capital, Digital Entrepreneurship

1.Intoduction

AI technologies — encompassing machine learning, natural language processing, computer vision, and generative models — are facilitating new opportunities for startups to perceive market trends, automate intricate tasks, customize services, and expand offerings with reduced marginal costs. These advancements are progressively transforming the ways in which startups generate and seize value, while also altering ecosystem dynamics, including capitalization patterns, talent migration, and competitive strategies

Recent studies have emphasized the need to reconsider business model theory considering the distinctive characteristics of AI, such as data network effects, model learning, and widespread automation. Both empirical and conceptual analyses reveal a significant increase in research focused on AI-driven business model innovation; however, they also highlight deficiencies in primary empirical investigations regarding the impact of these models on startup ecosystems, as well as the subsequent changes in governance, talent, and funding. This paper addresses this deficiency by offering a thorough, original research framework along with a practical plan for primary data collection aimed at examining how AI-based business models influence the dynamics of startup ecosystems.

Literature Review

Foundations and Prior Work This comprehensive Review of Literature (ROL) outlines the foundational theories and recent developments pertinent to AI-driven business model innovation and startup ecosystems. To enhance clarity, each subsection emphasizes significant contributions along with the corresponding year.

1.1Business models and strategy (Teece, 2010; Teece, 2018)

Teece (2010) posited that business models serve as frameworks through which companies generate, provide, and secure value, and that they ought to be analyzed in conjunction with strategy and innovation; subsequent research links the design of business models to dynamic capabilities (Teece, 2018). The existing literature indicates that technological advancements frequently necessitate firms to modify their business models in order to capture value from emerging capabilities. This theoretical perspective underpins our analysis of AI as a catalyst for the reconfiguration of business models.

1.2Open innovation and ecosystem interactions (Chesbrough, 2007)

Chesbrough's research on open innovation emphasizes the growing trend of companies sourcing and integrating external knowledge, which transforms the way new ventures obtain capabilities and collaboratively create value. Artificial Intelligence enhances these interactions by facilitating data sharing, API-driven integrations, and modular services, thereby making open innovation more practical for startups.

1.3 Disruption and Technology Adoption (Christensen, 1997)

Christensen's framework on disruptive innovation elucidates how new entrants utilize emerging technologies to confront established players. Artificial Intelligence facilitates innovative disruptive avenues (such as algorithmic intermediaries and automated service delivery) that frequently circumvent conventional assets — providing a valuable perspective for examining how AI-Based Models (AIBMs) instigate structural transformations within ecosystems.

1.4 The Second Machine Age and its economic implications (Brynjolfsson & McAfee, 2014)

Brynjolfsson and McAfee investigated the economic and labor consequences of digital automation, emphasizing that intelligent 2.3 Disruption and the adoption of technology (Christensen, 1997)

Christensen's framework of disruptive innovation elucidates how new entrants utilize emerging technologies to challenge established firms. Artificial Intelligence facilitates innovative disruptive avenues (for instance, algorithmic intermediaries and automated service delivery) that frequently circumvent traditional assets — providing a valuable perspective to analyze how AI-based business models induce structural transformations within ecosystems. Technologies modify productivity, job structures, and returns to scale — all of which are pertinent to startup labor frameworks and capital intensity when AI is integrated into fundamental offerings.

1.5 Human and Machine and Collaborative Intelligence (Daugherty & Wilson, 2018)

Daugherty and Wilson highlight the significance of human-machine partnerships (collaborative intelligence) as a prevailing model for organizations that implement AI. For startups, this indicates the development of hybrid value propositions (human expertise enhanced by AI) that impact recruitment, training, and customer offerings.

1.6 Recent systematic research on AI-driven business model innovation (Jorzik, 2024; Climent et al., 2024)

Two recent systematic reviews (Jorzik, 2024; Climent et al., 2024) highlight the rapidly advancing research on AI-driven business model innovation (BMI) and suggest frameworks that link data network effects and contextual AI to competitive advantage. These reviews pinpoint research deficiencies, notably the lack of primary empirical studies across ecosystems — a key motivation for this paper. ScienceDirect+1

Synthesis: The integration of the aforementioned streams results in three analytical priorities for examining AIBMs: (1) identify the new value logics introduced by AIBMs (such as continuous learning and subscription and data models), (2) evaluate the impact of these logics on startup behaviors (including funding, hiring, and partnerships), and (3) assess the outcomes at the ecosystem level (such as concentration, talent mobility, and regulatory responses). The subsequent sections of the paper will implement these priorities for primary research and analysis.

2. Conceptual Framework & Typology of AI-Enabled Business Models (AIBMs)

We present a classification of AIBMs based on mechanisms for value creation and capture that are distinctive to AI:

1. Productized AI (AI-embedded product) — a conventional product that incorporates AI to provide essential functionality (e.g., vision-based diagnostics integrated into existing hardware). Value is derived from product sales and licensing.

2. Platform-as-Data (Data-fed platform with network effects) — platforms that expand through the accumulation and modeling of data (e.g., personalization platforms that enhance with user data). Value is obtained through subscriptions, transaction fees, and data monetization.

3. AI-as-Service (AaaS) — modular AI functionalities delivered through API/ML-model endpoints (e.g., language models accessible via APIs). Value is captured through metered usage or subscription fees.
4. Hybrid Human+AI Service — high-touch services that are enhanced by AI (e.g., advisory firms leveraging AI to scale expert judgment). Value is captured through premium contracts or pricing based on outcomes.
5. Data-Network Effect Models — where the primary competitive advantage is strengthened by proprietary datasets and enhancements to models (e.g., logistics optimization companies whose models improve with each shipment).

3. Research Questions and Hypotheses

Primary research question: In what ways do various types of AI-enabled business models impact the dynamics of startup ecosystems, including venture formation rates, funding patterns, talent mobility, competition, and regulatory focus?

Secondary questions:

•RQ1: Which types of AI-enabled business models draw in greater amounts of early-stage capital, and what are the reasons behind this?
•RQ2: How do AI-enabled business models influence hiring strategies and the movement of talent (for instance, the preference for machine learning engineers over domain experts)?
• RQ3: Do AIBMs enhance concentration within ecosystems (winner-take-most) through data network effects?
• RQ4: What governance and policy challenges arise from the swift adoption of AIBMs (privacy, model risk)?

Testable hypotheses (examples):

• H1: Startups that implement Platform-as-Data and Data-Network Effect models achieve greater VC valuations at Series A compared to Productized AI startups, while controlling for team and market size.
• H2: Hybrid Human+AI startups retain domain experts more effectively but experience slower scaling compared to AaaS models.
• H3: Ecosystems characterized by robust data governance frameworks exhibit lower market concentration among AIBM startups (i.e., increased competition).

These hypotheses will be evaluated using primary quantitative and qualitative data collection methods outlined in the following section.

5. Research Methodology — Design Utilizing Primary Data through Mixed Methods

Due to the user's emphasis on non-secondary (primary) data, this section outlines a comprehensive primary-data design that is both executable and replicable.

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5.1 Sampling and Scope

• Ecosystems: Choose four ecosystems that differ in terms of maturity and regulation (for instance, Silicon Valley, Bengaluru, Tel Aviv, and Berlin).

• Startup Sampling: Utilize accelerator and VC portfolios, startup directories, and national registries to create sampling frames; implement stratified sampling based on AIBM type and funding stage.

5.2 Measures (Survey Instrument Highlights)

• AIBM Classification: Participants categorize their primary business model according to the typology mentioned above, followed by questions regarding data intensity and reliance on AI.

• Funding Variables: Total funding received to date, number of funding rounds, and type of lead investor.

• Talent Variables: Distribution of headcount (engineers, data scientists, domain experts) and challenges in hiring.

• Performance: Metrics such as revenue growth rate, burn rate, customer acquisition cost, and engagement metrics.

• Ecosystem Perceptions: Insights on competition, access to talent, and regulatory constraints.

5.3 Analysis Plan

• Quantitative: This will involve descriptive statistics, ANOVA/chi-square tests for categorical comparisons, OLS and logistic regression to evaluate hypotheses H1–H3, as well as survival analysis for firm longevity when longitudinal data is available. An instrumental variables (IV) approach may be employed to tackle endogeneity issues (for instance, exogenous variance in local data availability).

• Qualitative: The analysis will include thematic coding utilizing NVivo or a similar tool; cross-case synthesis will be conducted to uncover mechanisms that connect AIBMs to ecosystem outcomes.

6 Illustrative (Simulated) Analysis — an example demonstrating how primary results would be presented

Important: The dataset and results provided below are simulated and are included solely to illustrate the analysis format, statistical modeling methodology, and interpretation. They do not constitute empirical evidence derived from fieldwork

6.1 Description of the Simulated Dataset

• Sample: 600 startups from three ecosystems.

• Distribution of AIBM types: Productized AI (25%), AaaS (20%), Platform-as-Data (20%), Hybrid Human+AI (20%), Data-Network (15%).

• Outcome: Series A funding (binary: either achieved or not achieved within a period of 36 months).

6.2 Simulated logistic regression (dependent variable: Series A achievement) — primary predictors:

• Platform-as-Data (dummy variable)
• Data-Network effect model (dummy variable)
• Years of prior startup experience of the founding CEO
• Market size (ordinal scale)
• Fixed effects by country

Simulated outcomes (log-odds coefficients, robust standard errors):

• Platform-as-Data: $\beta = 0.75$ ($p < 0.01$)
• Data-Network: $\beta = 1.20$ ($p < 0.001$)
• Hybrid Human+AI: $\beta = -0.10$ ($p = 0.45$)
• AaaS: $\beta = 0.30$ ($p = 0.08$)
• Founder experience: $\beta = 0.04$ for each year ($p < 0.05$)

6.3 Themes of Simulated Qualitative Findings

From the simulated interviews, three mechanisms have been identified:

Investor signal effect: Investors perceive data accumulation and network effects as a more robust form of defensibility.

Talent concentration: Startups that are data-driven draw ML engineers and data scientists from larger centers, thereby heightening the competition for talent.

Regulatory friction: Data models that are sensitive to privacy concerns attract early legal examination, which can hinder scaling

7. Discussion — implications for startups, investors, and policymakers

For startups:

Select business models that are compatible with accessible data and defensibility: if your startup does not possess proprietary data, pursuing Productized AI or Hybrid Human+AI approaches may be less appealing in terms of capital but can yield sustainable revenue as data is gathered. Startups should establish data governance and ethical usage from the very beginning.

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For investors:

Assess not only the performance of the model but also the origin of the data, the processes for model retraining, and any potential regulatory risks. Data-network models present significant opportunities but necessitate thorough due diligence regarding data rights and compliance.

For policymakers and ecosystem developers:
Policies that strike a balance between data protection and innovation (such as privacy-preserving data trusts and sandboxing) can mitigate winner-takes-most dynamics and foster more competitive ecosystems. Open innovation initiatives and data intermediaries can create a more equitable environment for smaller participants.

8. Constraints and Ethical Considerations in Research Constraints:
This paper is unable to empirically validate real-world effect sizes due to the absence of field-collected primary data; the synthetic analysis serves merely as an illustration. The suggested design for primary data collection is feasible yet demands significant resources.
Swift advancements in AI capabilities (such as generative models) could quickly impact the viability of the model; therefore, longitudinal follow-up is essential.
Ethical considerations for the primary study:
Secure informed consent from companies and interview participants, ensure the anonymization of sensitive data, and adopt secure methods for managing any proprietary information. In the evaluation of model performance or corporate metrics, refrain from disclosing specifics that may jeopardize competitive standing.

9. Conclusion and future research agenda
This paper introduces a research program focused on testable, primary-data-oriented investigations into how emerging AI-enabled business models influence the dynamics of startup ecosystems. The key contributions include (1) a novel and actionable typology of AIBM, (2) a comprehensive mixed-methods design for primary data collection, and (3) a simulated analysis that illustrates the probable relationships between AIBM types and funding outcomes. Future research should implement the suggested empirical program, broaden geographic coverage, and explore the long-term welfare implications, including employment, inequality, and market structure. Given the rapid pace of AI innovation, it is essential to continuously update measurement tools; therefore, collaborative research consortia comprising academia, industry, and policymakers are advised to ethically and extensively gather rich primary data.

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