

GENERATIVE AI AND CHANGING BUSINESS MODELS

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Abstract

The integration of generative artificial intelligence (AI) in enterprises has been a major factor in changing the way organizations produce value, make products, engage with customers, and compete in the market. Generative AI is a technology that does not merely automate tasks; it innovates as well by creating new types of content, strategies, and solutions. This descriptive research delves into the impact of generative AI on business models, the new opportunities that arise from it, and the strategic, ethical, and regulatory issues that come with its adoption. The study is based on literature review, industry practice observation, and trend analysis to understand the influence of generative AI on the restructuring of different sectors. The research points out the necessity of a firm's strategy being in line with the AI use, the readiness of the employees, ethical management, and the practice of keeping watch to achieve the successful and sustainable use of generative AI in business ecosystems.

1. Introduction

The rise of generative AI—artificial intelligence that can mimic human behavior and produce content and solutions—has become a significant game-changer in business today. Generative AI, unlike traditional AI that operates according to preset instructions, can generate new and creative ideas in the form of text, images, sounds, programs, or even business strategies. The world has embraced the tools such as ChatGPT and DALL·E made available by OpenAI, paving the way for businesses to be radically reshaped in their innovation and operations.

Before the introduction of generative AI, business models depended on relatively stable market structures: enterprises manufactured products, promoted them, and sold them to consumers via dependable channels. With generative AI, companies get a lively, self-renewing tool in their hands that allows them to accelerate product design and marketing, create personalized customer experiences, and penetrate unexplored revenue streams. Such a transition not only technology-wise but also affects the organization's strategies, employees' roles, and the entire value chain.

Descriptive research methods fit particularly well with this paper as they revolve around describing the observed phenomena, identifying patterns, and analyzing their implications without variable manipulation. As the researchers witness the adoption of generative AI by different firms, they ascertain the ongoing changes in business models.

2. Objectives

The objectives of this descriptive research are:

1. To describe how generative AI is being integrated into different business models.
2. To identify new opportunities and value propositions emerging from generative AI adoption.
3. To examine how generative AI influences cost structures, revenue models, and customer engagement.
4. To analyze organizational responses, including workforce adaptation and governance strategies.
5. To provide recommendations for responsible and strategic integration of generative AI.

3. Statement of the Problem

The adoption of generative AI is growing rapidly, but many organizations struggle to understand how to incorporate it strategically into their operations. While some companies have successfully leveraged it to gain competitive advantages, others face uncertainty regarding its impact on their existing structures, processes, and business models. Ethical concerns such as bias, privacy, and intellectual property also create additional challenges.

The core problem lies in the lack of clear, structured frameworks that explain how generative AI is changing business models and how businesses can adapt effectively. This research aims to describe and analyze these changes to provide organizations with a clearer understanding of their strategic options.

4. Hypothesis

- H1: Generative AI is significantly transforming business models by introducing new value propositions, operational efficiencies, and revenue streams.
- H0: Generative AI does not significantly influence existing business models.

5. Research Methodology

5.1 Research Design

The present study has chosen descriptive research design as its main research design. The study has decided not to change the variables, but to describe and analyze in detail the trends and the impact of technology on the organizational practices.

5.2 Data Sources

- Secondary data: These are the data extracted from books, scientific journals, industry white papers, company reports, and articles on AI and business model innovation.
- Primary Observations: The study of organizations using generative AI in different sectors (marketing, retail, finance, education, and healthcare) is our primary data source.

5.3 Data Collection Methods

Through a comprehensive review of the existing literature, theoretical and empirical knowledge was gathered.

An observational study was conducted to examine the behavior of the leading generative AI users.

Structured interviews with business professionals and AI practitioners to obtain descriptive insights.

5.4 Analysis Technique

- **Content Analysis:** It was used to interpret the textual data from literature and case studies.
- **Descriptive Statistics:** It was used to summarize the observed trends and organizational patterns.
- **Thematic Analysis:** It was used to pinpoint the themes recurring in interviews and industry practices.

6. Analysis

6.1 Shifting Value Creation

Generative AI significantly impacts companies' ways of making value through the automatic handling of creative and operational tasks. Marketing campaigns, product designs, and customer interactions are being created dynamically. As a result, AI-generated marketing content enables companies to execute campaigns more quickly and at cheaper costs.

6.2 Emerging Revenue Models

The conventional one-time product sales model is changing towards AI-as-a-Service, subscription, and pay-per-use models. Numerous enterprises are directly charging for the usage of AI tools, content, and services. As an illustration, design studios and advertising agencies employ AI to create original works that can be licensed or sold.

6.3 Cost Structure Optimization

Generative AI is cutting down the expenses by lessening the need for manual input and escalating the automation level. Content creation has become a very affordable operation for companies that have invested in AI tools, with them realizing a significant reduction in their operational costs for content production, customer service, and data analysis, thus they can achieve growth with a limited number of resources.

6.4 Customer Relationship

Enhancement Artificial Intelligence (AI) is a tool that makes hyper-personalization possible. Brand can offer at customers' demand the real-time suggestions, tailor-made products, and AI-backed customer services. Brand loyalty is being built on such a basis, while customer satisfaction is also rising.

6.5 Ethical and Regulatory

Considerations One of the main concerns raised by the prolific deployment of generative AI is the issue of intellectual property, besides that, there is also algorithmic bias and data privacy issues. Companies are reacting to these by setting up internal control measures together with an ethical framework for governance.

7. Conclusion

Generative AI is transforming business models through the introduction of new value creation models, revolutionary revenue mechanisms, and improved modes of customer interactions. The organizational impact is evident in the firms that have already embraced AI-led automation and the generation of innovative outputs. The descriptive analysis shows that generative AI is both a disruption and an enabler of innovation.

To harness the potential of AI companies may revise their strategies, use cost-saving measures, and find new customer segments. However, the success of its implementation hinges on proper governance, conformity with regulations, and adjustment of the workforce.

Those who strategically adopt AI will be able to create a competitive advantage in the digital economy that is constantly evolving and becoming more dependent on technology.

8. Recommendations

- **Integrate AI Strategically:** Companies are more effective when they embed generative AI in their primary strategies rather than just employing it for secondary purposes.
- **Develop Ethical Guidelines:** Internal policies must be clear-cut and address AI ethics, security of data, and intellectual property.
- **Invest in Workforce Upskilling:** Employees should be equipped with the necessary skills to collaborate with AI technologies.
- **Support Regulatory Compliance:** Companies need to put in place the necessary measures to adhere to the standards of AI governance that are coming into effect.
- **Promote Collaborative Innovation:** Cooperation with AI creators, regulators, and research centers can lead to more innovations and a greater capacity thereof.
- **Implement Resilient Business Models:** The company's strategy and structure should be flexible enough to enable it to remain competitive in the AI ecosystem that is changing at a rapid pace.

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