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Generative AI and the Entrepreneurial Process: A Conceptual Model of Opportunity Recognition, Resource Substitution and Venture Legitimacy in Resource-Constrained Economies

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ABSTRACT

Generative artificial intelligence (GenAI) lowers the cost of tasks that founders in resource-constrained economies could rarely afford to buy, including market research, business planning, branding, software prototyping and customer communication. Existing research documents the productivity effects of GenAI and the barriers to its adoption by small firms, but it has not explained how this fall in cost reshapes the entrepreneurial process where finance, infrastructure and institutions remain weak. This conceptual paper therefore develops a model of GenAI as a resource-substitution mechanism in venture creation, with particular reference to African, and especially Nigerian, micro, small and medium enterprises (MSMEs). The study adopts a theory-synthesis design. Its evidence base is a purposively selected corpus of 59 peer-reviewed journal articles published between 2023 and 2026 on entrepreneurship theory (opportunity recognition, effectuation, bricolage, signalling and legitimacy), GenAI in work and small business, and the constraints facing MSMEs in Africa and other emerging economies. Each article was verified against its Crossref record and screened for retractions and corrections, and the corpus was analysed through thematic synthesis and propositional reasoning. The analysis shows that GenAI relaxes the capability constraint while leaving the capital, infrastructure and institutional constraints intact, so that these become relatively more binding. Eight propositions follow. GenAI widens the set of opportunities founders can articulate but makes ideas converge and easier to imitate. Its returns depend on founder judgement, which explains why it can widen rather than narrow performance gaps. Founder advantage shifts from codified skills toward tacit local knowledge, relationships and execution. As polished plans and pitches become cheap, their signal value falls, and legitimacy with lenders and investors shifts toward costly-to-fake evidence such as transaction histories, traction and intermediary endorsement. The paper recommends that incubators redirect mentoring from document preparation to judgement and execution, that development finance institutions reduce their reliance on business-plan quality and invest in verifiable alternative data, and that entrepreneurship educators teach founders to evaluate AI advice as well as to use it.

Keywords: Entrepreneurship; Generative artificial intelligence; Opportunity recognition; Bricolage; Resource constraints

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1. INTRODUCTION

Starting a business requires more than an idea. A founder must research a market, write a plan, design a brand, build a product and convince customers and financiers that the venture is credible. In advanced economies, much of this work is bought from consultants, designers, developers and advisers, or supplied by dense support ecosystems. In resource-constrained economies, most founders cannot afford to buy these services, and the support ecosystem is thin. For the micro, small and medium enterprises (MSMEs) that dominate employment across Africa, and Nigeria in particular, capability gaps have therefore been one of several constraints on starting, formalising and growing a venture (Adeola, 2024; Quansah, 2024).

Generative artificial intelligence (GenAI) changes the price of exactly these tasks. Large language models can now draft a business plan, summarise a market, propose names and slogans, write customer messages, generate software code and rehearse a pitch, at close to zero marginal cost for anyone with a phone and a data connection. Experimental and field evidence shows substantial productivity gains on writing, communication and problem-solving tasks, often largest for less experienced workers (Brynjolfsson et al., 2025; Noy & Zhang, 2023). Entrepreneurship scholars have accordingly called for theory on how artificial intelligence reshapes venture creation (Obschonka et al., 2025; Shabbir, 2026), and early conceptual work has begun to examine GenAI in opportunity search, entrepreneurial rhetoric and strategic decision-making (Csaszar et al., 2024; Ramoglou et al., 2026a; Short & Short, 2023).

Two features of the emerging evidence complicate the optimistic view that GenAI simply "democratises" entrepreneurship. First, the benefits are uneven. In a randomised field experiment with Kenyan entrepreneurs, access to a GPT-4 business assistant had no detectable average effect on revenues or profits, but high performers appear to have gained while low performers did worse, largely because of which advice they chose to implement (Otis et al., 2026). Second, the same technology that makes it easy to produce a convincing plan also makes such plans less informative. When founders and job applicants used ChatGPT, evaluators' ability to identify the stronger candidates fell (Cowgill et al., 2026). GenAI is not only a productivity tool; it changes which resources are scarce and what signals mean.

The literature has not yet connected these observations to the specific conditions of resource-constrained economies. Studies of GenAI adoption in small firms focus mainly on adoption drivers and barriers (Ayinaddis, 2025; Schwaeke et al., 2025), while studies of African MSMEs document persistent finance, infrastructure and institutional constraints (Kouakou, 2026; Ochinanwata et al., 2024) without theorising how a fall in the cost of cognitive work interacts with them. Entrepreneurship theories built for scarcity, notably effectuation and bricolage, have been applied to African founders (Dawa et al., 2026; Nuhu et al., 2026; Odongo, 2026) but rarely to GenAI (El Guili, 2026). This gives three gaps: (a) there is no integrated account of how GenAI affects the different stages of the entrepreneurial process; (b) the interaction between GenAI and the non-capability constraints that bind African ventures is untheorised; and (c) the implications of cheap polish for venture legitimacy have not been worked out for settings where formal signals are already weak.

This paper addresses these gaps through a conceptual analysis. Its purpose is to model GenAI as a resource-substitution mechanism in venture creation and to derive testable propositions for resource-constrained economies. It asks three questions. RQ1: How does GenAI change which opportunities founders can recognise and how quickly those opportunities are imitated? RQ2: Which resource constraints does GenAI relax, which does it leave binding, and how

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does this shift founder advantage? RQ3: How does GenAI change the way new ventures acquire legitimacy with customers, lenders, investors and regulators? The paper's central argument is that GenAI relaxes the capability constraint while leaving the capital, infrastructure and institutional constraints intact, and that this shift relocates founder advantage and devalues polish as a signal.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Generative artificial intelligence

Generative AI refers to machine-learning systems, principally large language models and image generators, that produce new text, code, images or audio in response to natural-language prompts. For entrepreneurs, the relevant property is not the underlying architecture but the fact that these systems perform knowledge work previously requiring trained human labour, such as drafting, summarising, translating, coding and designing (Kanbach et al., 2024). Davidsson and Sufyan (2023) characterise AI as an external enabler of entrepreneurship: a change in the environment that alters the conditions under which ventures can be created. This paper adopts that view but treats GenAI more specifically as a change in the relative price of cognitive and creative tasks.

2.1.2 The entrepreneurial process

The entrepreneurial process is conceived here as three linked activities: recognising or forming an opportunity, assembling the resources needed to pursue it, and gaining the legitimacy that allows the venture to transact with customers, financiers and regulators. Opportunity recognition involves generating and evaluating possible ventures under uncertainty (Ramoglou et al., 2026a). Resource assembly covers how founders acquire, recombine and orchestrate financial, human, social and technological resources (Scazziota et al., 2023). Legitimacy is the perception that a venture is desirable, proper and appropriate, and is built through strategies of conformance, selection, manipulation and creation (Kansheba et al., 2026).

2.1.3 Resource constraints and resource substitution

A resource constraint is binding when relaxing it would change what the venture can do. For analytical clarity, this paper distinguishes four constraints facing founders in resource-constrained economies: a capability constraint (the skills and services needed to perform business tasks), a capital constraint (access to finance and collateral), an infrastructure constraint (electricity, connectivity, devices and logistics), and an institutional constraint (regulation, contract enforcement, informality and corruption). Resource substitution occurs when a cheaper input replaces a costlier one in performing the same function. The paper's core concept, GenAI-enabled resource substitution, is the replacement of purchased or hired capability with machine-generated output.

2.1.4 Resource-constrained economies

Resource-constrained economies are those in which most founders face several binding constraints simultaneously. In sub-Saharan Africa, MSMEs operate amid high informality, limited access to finance, unreliable power and costly connectivity (Adeola, 2024; Quansah, 2024). Nigeria, the region's largest economy, exemplifies these conditions: informal entrepreneurs face institutional voids and high inflation (James & Onoshakpor, 2026), and digital platform firms face weak regulation and multiple taxation (Ochinanwata et al., 2024).

2.2 Theoretical Review

2.2.1 Opportunity theory and Knightian uncertainty

Opportunity theory asks how founders come to believe that a profitable venture is possible. Recent work argues that the binding constraint on opportunity is not a shortage of ideas but Knightian uncertainty: the impossibility of knowing in advance which imaginable ventures can be realised. Ramoglou et al. (2026a) argue that GenAI widens the set of imaginable futures through generative variation while leaving to human judgement the task of narrowing that set to what can actually be realised. Townsend et al. (2025) similarly show that AI's predictive advantage is limited by actor ignorance, practical indeterminism, agentic novelty and competitive recursion, which together create zones of "computational irreducibility". The last of these, competitive recursion, matters for this paper: when many actors act on the same predictions, the predictions lose value.

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2.2.2 Effectuation and bricolage

Effectuation describes how founders under uncertainty start from the means they control, commit only what they can afford to lose, form partnerships and exploit contingencies. Bricolage describes how founders "make do" by recombining the resources at hand to address new problems. Both are theories of action under scarcity, and they frequently co-occur (Scazziota et al., 2023; Sunguh & Xu, 2025). African evidence shows that effectuation's usefulness depends on institutional conditions. Among displaced women entrepreneurs in Ethiopia, affordable loss supported business longevity but partnership orientation did not (Beta, 2025). Ugandan youth entrepreneurs combined bricolage and effectuation as evolving logics rather than discrete strategies (Odongo, 2026). Digital tools have been incorporated into bricolage as resources to be recombined (Bowen & Morris, 2024), with value depending on how people interact with the technology rather than on access alone (Alford & Jones, 2025).

2.2.3 Signalling and legitimacy theory

Signalling theory holds that, under information asymmetry, a signal is informative to the extent that it is costlier for low-quality than for high-quality senders to produce. Business plans, pitch decks and polished communication have traditionally served as signals because producing them required expertise and effort. Cowgill et al. (2026) formalise how GenAI lowers this production cost and show that the effect on evaluator accuracy depends on how the technology changes the signals of high-quality senders relative to those of low-quality senders. Steigenberger et al. (2025) caution that signalling explanations are often assumed rather than tested, and that communication can influence audiences through affective rather than informational channels. Legitimacy theory complements signalling by emphasising that ventures must satisfy audiences' cognitive, pragmatic and sociopolitical expectations. Intermediaries such as accelerators act as "make-or-break" audiences in this process (Neuberger et al., 2025), and ventures can pursue passive legitimacy through conformance or active legitimacy through manipulation and creation (Kansheba et al., 2026).

2.3 Empirical Review

2.3.1 GenAI, productivity and creativity

Controlled studies consistently find that GenAI raises average output quality and speed. In a preregistered experiment with 453 professionals, ChatGPT reduced task time by 40% and increased quality by 18%, narrowing inequality between workers (Noy & Zhang, 2023). Among 5,172 customer-support agents, a GenAI assistant raised productivity by 15% on average, with the largest gains for less experienced workers (Brynjolfsson et al., 2025). On creative tasks, ChatGPT improved the creativity of ideas, but mainly for incrementally rather than radically new ideas (Lee & Chung, 2024). The gains to individuals come at a collective cost: AI-assisted stories were more similar to each other than unassisted ones (Doshi & Hauser, 2024), and ChatGPT-assisted brainstorming produced less diverse idea sets (Meincke et al., 2025). In a business-idea crowdsourcing challenge, human–AI solutions scored higher on strategic viability and overall quality, but human solutions were more novel (Boussioux et al., 2024).

2.3.2 GenAI among entrepreneurs and small firms

Evidence on entrepreneurs is more mixed. Large language models evaluated and generated business strategies at roughly the level of entrepreneurs and investors (Csaszar et al., 2024), and can write and refine entrepreneurial narratives tailored to stakeholder needs (Ramoglou et al., 2026b; Short & Short, 2023). Among Kenyan entrepreneurs, however, an AI mentor widened performance gaps (Otis et al., 2026). Moroccan entrepreneurs delegated analytical tasks to GenAI but kept trust-intensive decisions in human hands, and reverted to human networks during supply shocks (El Guili, 2026). Small-firm adoption studies identify skills, cost, infrastructure, data and regulatory compliance as the main barriers (Ayinaddis, 2025; Schwaeke et al., 2025). Small and medium enterprise owners in Trinidad and Tobago used GenAI to produce marketing and brand content in-house but worried about reliability and authenticity (Bahaw et al., 2025), AI-enabled marketing improved the financial and customer performance of registered SMEs in Ghana (Abrokwah-Larbi & Awuku-Larbi, 2024), and South African small-firm owners reported efficiency gains alongside skill shortages, set-up costs and data-

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security concerns (Muzuva et al., 2024). Experienced entrepreneurs are more likely to adopt GenAI tools (Gupta, 2024), and perceived usefulness for business planning can sustain young people's entrepreneurial motivation even when the tools feel effortful to use (Herani & Angela, 2025). Researchers have also documented the negative effects of GenAI chatbots on resource-limited small firms (Mota et al., 2026).

2.3.3 Constraints facing African MSMEs

Studies of African MSMEs document constraints that a cheaper capability input does not touch. Across 99 developing countries, power outages tighten registered firms' access to finance (Kouakou, 2026). Smaller African firms pay a higher share of their revenue in bribes than larger firms, a "liability of smallness" (Acheampong & Rand, 2023). Small and medium enterprises in Ghana and Nigeria face high costs, weak infrastructure, high transaction costs, regulatory problems, lack of trust and poor digital skills when accessing digital technologies (Quansah, 2024). Informal micro-entrepreneurs in Jos, Nigeria, gain from social media and digital payments but are held back by trust problems (Joseph et al., 2025). Mobile money increases women's self-employment only beyond critical thresholds of adoption (Asongu & le Roux, 2023), and digital self-efficacy shapes how South African entrepreneurs experience technostress (Simba et al., 2025). GenAI systems also raise concerns about bias and cultural fit in African settings (Wakunuma & Eke, 2024).

2.3.4 AI, evaluation and venture finance

GenAI is changing both sides of the funding relationship. Language models can predict fundraising outcomes from pitches, although their apparent accuracy at predicting survival partly reflects prior exposure to the ventures' online footprints (Kleinert & Urbig, 2026). Text-based models improve start-up success prediction (Maarouf et al., 2025), and AI analysis of video pitches identifies delivery features associated with funding (Giuggioli et al., 2025). Investors may use AI to widen sourcing beyond personal networks, but models trained on past deals risk favouring look-alikes of earlier winners (Dushnitsky, 2026). In lending, models using platform transaction data predict small-firm defaults better than traditional scorecards and can substitute for credit histories among unbanked borrowers (Huang et al., 2023), and access to digital credit in Kenya improved borrowers' well-being, especially for those borrowing for business (Chen et al., 2025).

2.3.5 Summary of gaps

Three gaps follow. Task-level studies show skill-levelling, but the only field experiment with African entrepreneurs shows widening gaps, and no theory reconciles the two. The adoption literature treats finance and infrastructure as barriers to adopting GenAI, not as constraints that remain binding afterwards. And the weakening of written signals has not been connected to venture legitimacy where alternative formal signals, such as audited accounts and credit histories, are scarce.

3. MATERIALS AND METHODS

3.1 Research Design

The study uses a conceptual, theory-building design. It does not collect primary data. Instead, it integrates three bodies of literature (entrepreneurship theory, research on GenAI in work and small business, and research on MSMEs in African and other emerging economies) into a model, and derives propositions that can be tested empirically. The design follows the logic of a theory-synthesis paper: concepts from separate literatures are combined to explain a phenomenon that none of them explains alone, and the explanation is stated as falsifiable propositions with explicit boundary conditions.

3.2 Population, Sources and Inclusion Criteria

The population of evidence consisted of peer-reviewed journal articles published between 2023 and 2026, the period during which GenAI became widely available. Sources were identified in October 2026 through searches of Crossref and OpenAlex records and publisher and repository pages, using combinations of terms for GenAI ("generative AI", "ChatGPT", "large language model"), entrepreneurial processes ("opportunity recognition", "effectuation", "bricolage", "legitimacy", "signalling", "pitch", "crowdfunding"), firm type ("SME", "MSME", "small business", "entrepreneur") and context ("Africa", "Nigeria", "emerging economy", "developing country"). Searches were organised around six themes: GenAI and the entrepreneurial process; effectuation, bricolage and resource constraints; GenAI adoption in small firms;

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legitimacy and signalling; constraints facing African MSMEs; and entrepreneurship support institutions.

Records were included if they were (a) registered in Crossref as a journal article; (b) published, online or in an issue, between 2023 and 2026; (c) peer-reviewed; (d) written in English; and (e) relevant to at least one theme. Records were excluded if they were preprints, working papers, conference papers, books, chapters, reports, theses or editorials; if Crossref recorded a retraction, correction or expression of concern; if bibliographic details could not be matched to a Crossref record; or if the abstract could not be read, so that the findings could not be reported accurately. The final corpus comprised 59 articles, all of which are cited in this paper.

3.3 Verification and Data Extraction

Each included article was verified field by field against its Crossref record (DOI, authors, title, journal, volume, issue, pages or article number, and publication date) and screened for update notices indicating retraction, correction or expression of concern. For each article, the design, sample, context and principal findings were extracted from its abstract or publisher summary into a concept matrix. Where an article is an advance online publication without assigned volume and pages, it is cited as such. Where online and issue dates differ, the issue year is used, following APA 7.

3.4 Analysis and Bases of Judgement

Analysis proceeded in three steps. First, the concept matrix was coded thematically to identify recurrent mechanisms (for example, skill-levelling, homogenisation, signal dilution, complementarity). Second, the mechanisms were mapped onto the three stages of the entrepreneurial process and the four constraints defined in Section 2.1.3. Third, propositions were formulated. A proposition was retained only if it was (a) grounded in at least one theoretical argument from Section 2.2; (b) supported or illustrated by at least one empirical study from Section 2.3; and (c) stated so that evidence could contradict it. Disconfirming evidence was actively sought, and where the evidence conflicts (for example, skill-levelling versus widening gaps), the proposition specifies the conditions that reconcile the findings.

3.5 Validity and Reliability

Construct validity was supported by defining each construct (Table 1) and linking it to measures already used in the literature. The synthesis triangulates across disciplines, research designs and contexts (Africa, other emerging economies and advanced economies). Reliability is supported by the transparent inclusion rules, field-level verification against Crossref, and a reference list that allows every claim to be traced to its source. A limitation is that findings were extracted from abstracts and publisher summaries rather than full texts for some articles.

3.6 Constructs and Indicative Measures

Because the paper is conceptual, its "variables" are constructs. Table 1 defines them and suggests how future empirical studies could measure them.

Table 1. Constructs and indicative measures

Construct	Definition	Indicative measure
GenAI use intensity	Extent to which founders use GenAI across venture tasks	Tasks delegated to GenAI; frequency of use; prompting skill
Capability constraint	Lack of skills or affordable services to perform business tasks	Spending on, or inability to buy, design, coding, writing and advice
Capital, infrastructure, institutional constraints	Limits on finance; power and connectivity; regulation, enforcement and informality	Credit denial; outage hours and data cost; registration status, bribe incidence
Opportunity set	Breadth and novelty of ventures a founder can articulate and evaluate	Number and diversity of ideas; similarity to peers' ideas
Founder judgement	Ability to select and implement advice under uncertainty	Baseline performance; share of advice implemented; decision quality
Signal value	Information that a plan, pitch or document conveys about venture quality	Correlation between evaluator ratings and later performance
Venture legitimacy	Acceptance by customers, financiers, intermediaries and regulators	Sales, credit approval, incubator admission, formal registration

3.7 Disclosure of AI Use and Data Availability

A generative AI assistant (Claude, Anthropic) was used to support literature discovery, Crossref verification of bibliographic records, and drafting of the manuscript text. The author(s) reviewed and edited all output, checked each in-text citation

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against the reference list, and take full responsibility for the content. No AI tool is listed as an author. The study used no primary data. The concept matrix, including each article's DOI and extracted findings, is available from the corresponding author on request.

4. RESULTS AND DISCUSSION

4.1 RESULTS

4.1.1 The resource-substitution model

The synthesis yields a model in which GenAI enters the entrepreneurial process as a substitute for purchased capability (Figure 1). The substitution has three first-order effects, one at each stage of the process: it widens the set of opportunities founders can articulate, it relaxes the capability constraint on resource assembly, and it lowers the cost of producing the documents and communication through which ventures seek legitimacy. Each first-order effect has a second-order consequence. Opportunities become easier to imitate, the remaining constraints become relatively more binding, and polished communication loses signal value. Founder judgement and complementary infrastructure moderate all three effects. Table 2 summarises how GenAI affects each of the four constraints.

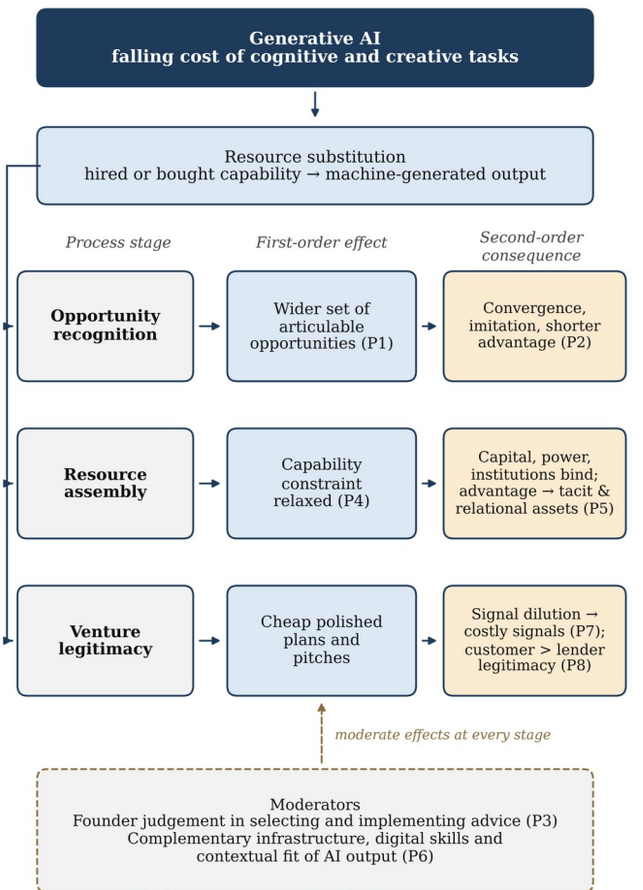


Figure 1. Conceptual model of GenAI as a resource-substitution mechanism in the entrepreneurial process (P = proposition).

Table 2. Effect of GenAI on the four constraints facing founders

Constraint	Effect of GenAI	Supporting evidence
Capability	Relaxed: drafting, design, coding, analysis and advice substituted at low cost	Noy & Zhang (2023); Brynjolfsson et al. (2025); Bahaw et al. (2025)
Capital	Largely intact; cheaper set-up, but collateral and credit access unchanged	Kouakou (2026); Huang et al. (2023)
Infrastructure	Intact and now a precondition: power, devices and data needed to use GenAI	Quansah (2024); Kouakou (2026)
Institutional	Intact: informality, bribery, regulation and trust deficits unchanged	Acheampong & Rand (2023); Ochinanwata et al. (2024); Joseph et al. (2025)

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4.1.2 Opportunity recognition

GenAI lowers the cost of searching for information, generating options and stating ideas in a form that others can understand. Founders without formal business training can use it to describe customer segments, cost structures and business models that they previously could not put into words. The experimental evidence that GenAI improves idea quality and helps less-skilled performers most (Doshi & Hauser, 2024; Lee & Chung, 2024; Noy & Zhang, 2023) supports this effect, as does evidence that ChatGPT use is associated with students' opportunity recognition and entrepreneurial competencies (Duong et al., 2025; Somià & Vecchiarini, 2024).

> ***Proposition 1.*** *GenAI use expands the set of opportunities that founders can articulate and evaluate, and this expansion is larger for founders with less formal business training.*

The same mechanism has a collective cost. Founders who use similar models and similar prompts receive similar suggestions, which favour incremental over radical novelty (Doshi & Hauser, 2024; Lee & Chung, 2024; Meincke et al., 2025). Where entry barriers are low, as in much of the informal and digital-service economy, many founders will then pursue the same opportunities at the same time. This is the competitive recursion that Townsend et al. (2025) identify as a limit on the value of AI prediction.

> ***Proposition 2.*** *GenAI-assisted opportunity identification converges on similar, incremental ventures; in low-barrier sectors, this convergence increases imitation and shortens the period during which an opportunity yields above-normal returns.*

Articulating an opportunity is not the same as exploiting it. In the Kenyan field experiment, all entrepreneurs had access to the same advice, but outcomes diverged according to which advice they implemented (Otis et al., 2026). This is consistent with the view that human judgement in narrowing a widened possibility set is the scarce resource (Ramoglou et al., 2026a). It reconciles the skill-levelling found in task-level experiments with the widening gaps found in real ventures: GenAI levels the production of outputs but not the judgement required to act on them.

> ***Proposition 3.*** *The performance returns to GenAI use depend on founder judgement; among operating ventures, GenAI widens rather than narrows performance differences between founders of high and low judgement.*

4.1.3 Resource substitution and constraint shift

GenAI substitutes for services that founders in resource-constrained economies have typically gone without: a designer for the logo, a developer for the website, a copywriter for the product description, an adviser for the plan. Small firms already use GenAI to produce marketing and brand content in-house (Bahaw et al., 2025), and entrepreneurs delegate analytical tasks to it (El Guili, 2026). Because the capability constraint is relaxed while the others are not (Table 2), the binding constraint on a venture moves. A founder who could not previously produce a credible plan can now do so, and then meets the capital, power and regulatory constraints that the plan cannot remove (Kouakou, 2026; Ochinanwata et al., 2024).

> ***Proposition 4.*** *GenAI relaxes the capability constraint on venture creation without relaxing the capital, infrastructure and institutional constraints; as GenAI use increases, these remaining constraints account for a larger share of the variation in venture survival and growth.*

The bricolage and effectuation literatures suggest where founder advantage moves. Moroccan entrepreneurs used GenAI for analysis but kept trust-intensive decisions human and fell back on personal networks during shocks (El Guili, 2026). Ugandan women entrepreneurs built legitimacy and acquired resources through asymmetric partnerships (Dawa et al., 2026), and displaced Nigerian entrepreneurs used trust to restart ventures (Nuhu et al., 2026). These relational resources depend on knowledge of local people and obligations that is not available to a language model. As codified skills become cheap, advantage shifts toward what GenAI cannot supply: tacit local knowledge, relational capital and the capacity to execute.

> ***Proposition 5.*** *As GenAI makes codified business capabilities widely available, founder advantage shifts toward tacit local knowledge, relational and social capital, and execution capacity; founders who combine GenAI with*

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these assets outperform those who rely on either alone.

The substitution effect also depends on complements. GenAI requires electricity, a capable device, affordable data and output that fits local languages and markets. Ghanaian and Nigerian small firms cite weak infrastructure, cost and poor digital skills as barriers to digital technology (Quansah, 2024), mobile money benefits only appear beyond critical adoption thresholds (Asongu & le Roux, 2023), and GenAI systems may carry biases and cultural mismatches in African settings (Wakunuma & Eke, 2024). Data advantages held by incumbents can further limit what entrants gain from AI (Norbäck & Persson, 2024).

Proposition 6. *The capability gains from GenAI are conditional on complementary infrastructure, digital skills and contextual fit; where these complements are unevenly distributed, GenAI widens the gap between better- and worse-resourced founders.*

4.1.4 Venture legitimacy

A well-written plan or pitch was once evidence that a founder had expertise or could afford to buy it. When GenAI makes such documents cheap, they carry less information. Cowgill et al. (2026) found that sender access to ChatGPT reduced investors' and employers' screening accuracy by roughly 4–9%, though accuracy improved for senders from non-English-speaking countries. Evaluators can be expected to respond by placing more weight on signals that GenAI cannot produce: verifiable transaction records, traction, references and endorsement by intermediaries. Lenders are already able to use transaction data in place of credit histories (Huang et al., 2023), and venture investors are adopting AI-based screening of operational data (Dushnitsky, 2026).

Proposition 7. *As GenAI lowers the cost of producing polished plans, pitches and documents, their signal value to lenders and investors declines, and evaluators increase the weight given to costly-to-fake signals such as verified transaction histories, demonstrated traction and intermediary endorsement.*

Legitimacy, however, has several audiences. GenAI can quickly give a micro-enterprise the professional appearance that customers associate with an established business, so it is likely to raise cognitive and pragmatic legitimacy with customers. Sociopolitical legitimacy with lenders, regulators and intermediaries is harder to manufacture. In Africa, it depends on formal registration, relationships and endorsement by recognised institutions (Acheampong & Rand, 2023; Dawa et al., 2026), and accelerators act as gatekeepers whose expectations founders must meet (Neuberger et al., 2025).

Proposition 8. *GenAI increases ventures' legitimacy with customers more than their legitimacy with lenders, investors and regulators; in institutionally weak settings, the latter remains anchored in relational ties, formal registration and endorsement by intermediaries.*

4.2 DISCUSSION

The model reframes the question of whether GenAI "democratises" entrepreneurship. The answer depends on which constraint was binding. For founders whose main constraint was capability, such as an educated but unfunded graduate with power and data, GenAI is a large, cheap gain. For founders whose main constraint was capital, infrastructure or institutional access, it changes little, and may even raise the bar, because competitors now present themselves equally well. The model therefore predicts a sorting effect rather than a uniform lift.

These predictions are consistent with, and help to reconcile, prior studies. Task-level experiments show skill-levelling (Brynjolfsson et al., 2025; Noy & Zhang, 2023), whereas the Kenyan field experiment shows widening gaps (Otis et al., 2026). Proposition 3 explains the difference: tasks such as writing have a measurable output that GenAI improves directly, whereas running a venture requires choosing among outputs under uncertainty. The model also extends the external enabler view (Davidsson & Sufyan, 2023) by specifying that GenAI enables some ventures and not others, depending on their constraint profile. It extends the adoption literature (Ayinaddis, 2025; Schwaeke et al., 2025) by showing that the barriers to adoption persist as constraints after adoption.

Theoretically, the model adds a technological dimension to bricolage and effectuation. GenAI

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becomes part of the "means at hand", but the analysis of El Guili (2026) and the relational strategies documented in African bricolage studies (Dawa et al., 2026; Nuhu et al., 2026) suggest that it substitutes for analytical and codified means while increasing the relative importance of relational means. This supports the argument that bricolage is a form of strategic adaptation rather than an indicator of deficiency. For opportunity theory, the model supports the claim that judgement under uncertainty, not idea generation, is the scarce resource (Ramoglou et al., 2026a; Townsend et al., 2025), and adds the prediction that homogenised ideation will shorten the life of opportunities in low-barrier markets.

For signalling and legitimacy theory, the model suggests that the cost structure of signals is changing. Steigenberger et al. (2025) warn against assuming signalling where affective mechanisms may operate; GenAI may sharpen this concern, because AI-generated narratives can be tailored to stakeholder emotions and priorities (Ramoglou et al., 2026b; Short & Short, 2023). At the same time, the evidence that AI screening can rely on online footprints and past winners (Dushnitsky, 2026; Kleinert & Urbig, 2026) suggests that founders without a digital record, who are common in informal economies, may be disadvantaged when evaluators shift to data-based signals. This makes access to verifiable data, such as mobile-money and platform transaction records, an emerging determinant of legitimacy (Chen et al., 2025; Huang et al., 2023).

The model applies most strongly to knowledge-intensive tasks and ventures that reach customers digitally, and less to ventures whose value lies in physical production. It assumes continued low-cost access to GenAI tools. Its claims about Africa rest on a limited number of studies of GenAI in African firms (Muzuva et al., 2024; Otis et al., 2026) and should be tested directly.

Future research could test the propositions through field experiments that randomise GenAI access across founders with different constraint profiles (P3, P4, P6), text-similarity analyses of incubator applications before and after GenAI became available (P2, P7), lender studies of how the predictive value of written applications changes (P7), and comparisons of legitimacy across audiences (P8).

5. CONCLUSION AND RECOMMENDATION

This paper has modelled GenAI as a resource-substitution mechanism in the entrepreneurial process. GenAI widens the opportunities founders can articulate, relaxes the capability constraint and lowers the cost of producing persuasive documents. It does not relax the capital, infrastructure and institutional constraints that bind most founders in resource-constrained economies. As a result, founder advantage moves from codified skills to judgement, tacit knowledge and relationships, opportunities become easier to imitate, and polished plans and pitches lose signal value. Eight propositions state these effects in testable form.

The analysis yields recommendations for three groups. **Incubators and accelerators** should treat GenAI tools as baseline infrastructure and move their scarce mentoring resources from document preparation toward judgement, opportunity selection and execution. Selection processes that rely heavily on written applications should add costlier signals, such as evidence of customer traction, field validation and structured interviews (Assenova & Amit, 2024; Egbetokun, 2025; Serwadi et al., 2026). **Development finance institutions and lenders** should reduce the weight given to the quality of business plans in credit decisions and invest in verifiable alternative data, such as mobile-money and platform transaction histories, while ensuring that founders without digital footprints are not excluded (Chen et al., 2025; Huang et al., 2023). Because GenAI does not relax the capital and infrastructure constraints, finance and power remain the highest-return interventions for MSMEs. **Entrepreneurship educators** should teach GenAI use alongside the skills it cannot replace: evaluating AI advice, testing assumptions in the field, building networks and acting under uncertainty (Duong et al., 2025; Somià & Vecchiarini, 2024). **Policymakers** should treat affordable power, data and devices as preconditions for GenAI-enabled entrepreneurship, and support locally relevant language models and data so that the benefits are not confined to founders who are already well resourced.

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6. CONTRIBUTION TO EXISTING KNOWLEDGE

The paper makes four contributions. First, it offers a resource-substitution model that links GenAI to all three stages of the entrepreneurial process (opportunity recognition, resource assembly and legitimacy) rather than treating it as a single adoption decision. Second, it distinguishes the capability constraint from the capital, infrastructure and institutional constraints, and explains why relaxing the first makes the others more binding, a mechanism of particular relevance to African and other resource-constrained economies. Third, it reconciles conflicting evidence on whether GenAI levels or widens performance differences by distinguishing the production of outputs from judgement in acting on them. Fourth, it extends signalling and legitimacy theory by predicting that GenAI devalues written polish as a signal and shifts legitimacy toward costly-to-fake evidence and relational endorsement, with direct implications for incubators, development finance institutions and entrepreneurship educators in Africa.

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