



LEVERAGING ARTIFICIAL AND NATURAL INTELLIGENCE FOR SUCCESSFUL STARTUP EXITS: RESOLVING THE DILEMMA

Abraham (Abi) Moskovicz, PhD

Associate Professor, Universidad del Desarrollo,
School of Business and Economics, Santiago, Chile
abraham.moskovicz@udd.cl

Abstract

Artificial Intelligence is now the main tool for signaling acquisition readiness. Standout target firms were those that used AI to achieve predictable outcomes and set up transferable systems. Successful startup exits are defined not just by acquisition. They are also about showing 'AI-native' resilience. The aim is to become the Target Firm by intention. AI agents help by optimizing every business function for seamless, high-value transitions. Exits today are rarely a binary choice. Instead, they use a hybrid model. In this model, AI enables rapid data analysis. Senior leaders then make the final decisions on strategic alignment and risk. In the social sciences, there is no black-and-white. The same applies to AI and NI. Meaning depends on context—scientific, philosophical, or technical. The decision to rely on Natural Intelligence, or more specifically Natural Human Intelligence (NHI), rather than Artificial Intelligence during a startup exit is a critical strategic choice. Taken together, these perspectives underscore why NI prevails over artificial intelligence in startup exits: it serves as the essential governance layer and strategic architect that algorithms cannot replicate. While AI excels at accelerating deal cycles and standardizing data, human "Natural Intelligence" is what converts that speed into long-term value for acquirers. Beyond the number of choices, a dilemma is defined by the quality of those choices. The options must typically be mutually exclusive, meaning you can only choose one and cannot have both. If you are presented with only two options when more alternatives are available, this is known as a false dilemma or false dichotomy. Here, AI processes and predicts data trends at scale, while seasoned human leadership interprets results, assesses context, and applies critical judgment on risk and strategic fit. By combining AI



efficiencies with human oversight, organizations optimize both speed and decision quality during the exit process. Thus, for a startup, a successful exit is rarely a choice between one or the other, but a hybrid approach.

Keywords: Entrepreneurship, Startups, Artificial Intelligence, Technological Change, Innovation

INTRODUCTION

A very brief Introduction to Natural & Artificial Intelligence

Natural Intelligence (NI) refers to innate cognitive abilities in humans and animals. It is biological, rooted in evolution, and involves consciousness, emotional depth, and moral reasoning. *Artificial Intelligence* (AI), by contrast, is programmed or trained in data. Building on the distinction between them, it is important to remember that AI was originally defined by McCarthy in 1955 as the "science and engineering of making intelligent machines."

Today, AI is widely viewed as an umbrella term for algorithmic technologies that perform complex tasks that require human cognition, such as reasoning and problem-solving.

When considering the landscape of computing and engineering, it is also helpful to distinguish AI from traditional software. While AI is probabilistic, predicting the optimal response based on patterns, traditional software is deterministic, following rigid, predefined rules where the same input always produces the same output.

This difference has significant implications for programming approaches. Traditional programming relies on fixed logic that cannot learn or adapt on its own, whereas AI systems are designed to improve over time through data exposure.

Intelligence Augmentation or Amplification (IA) focuses on using technology to enhance and amplify human intelligence, keeping humans at the center of the creative and analytical process. This contrasts with AI, which aims to create an autonomous system that can replace human decision-making entirely.

In addition, some authors mention *Synthetic Intelligence* (SI) as a counterpart. They argue that machine intelligence is not necessarily an artificial imitation of human thought, but a genuine, original form of intelligence created through different means.

Despite these advances, human entrepreneurship—creativity and alertness—remains unique. At the same time, AI serves as the primary tool for signaling readiness to acquirers. In 2025, the most successful target firms were those using AI to deliver predictable results and transferable systems that minimize founder dependency.

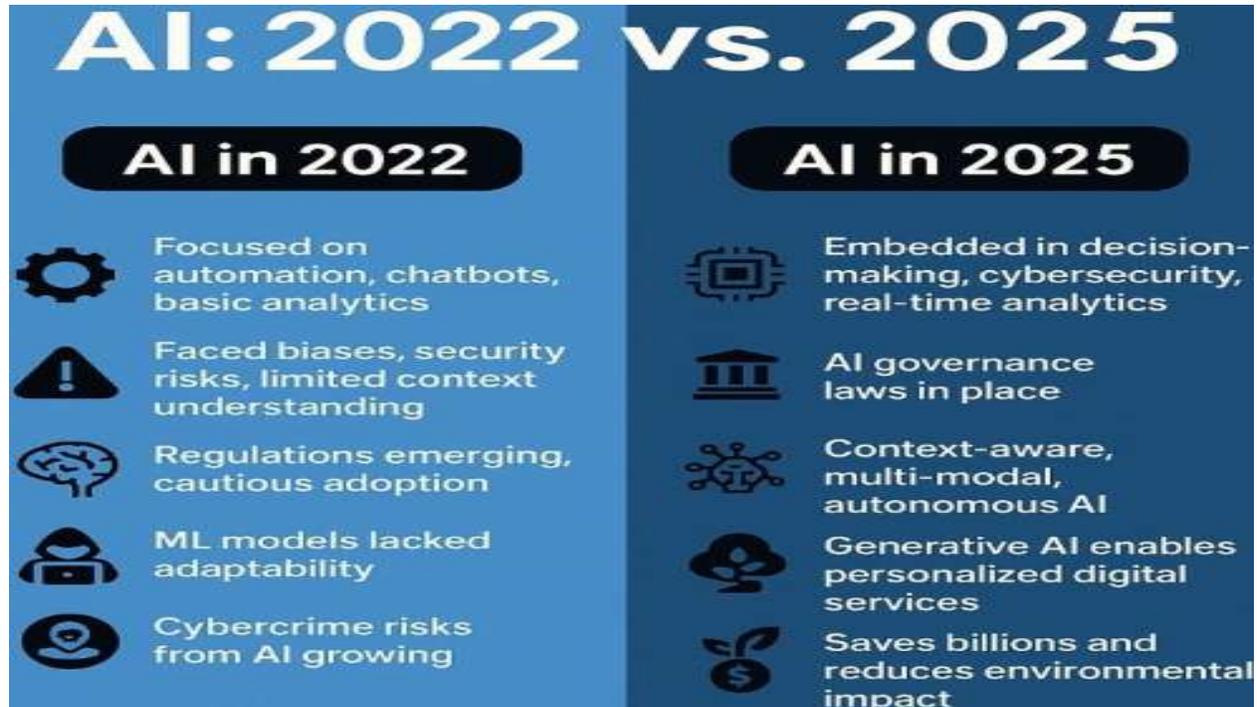


Figure 1: The use of AI in Business

Source: Maxbit (2025)

Peter Koen, in his research in the *Harvard Business Review* (Dec 2024), focuses on scaling Transformational Innovations, stating that AI is now the critical infrastructure for scaling up before an IPO or acquisition.

Erik Brynjolfsson & Andrew McAfee's 2025 projections suggest that startups integrated with "cognitive automation" carry a valuation premium of 1.2%–2% above their traditional counterparts, driven by the forecasted long-term impact of AI on GDP.

Recent literature highlights specific AI competencies that define the current exit-ready startup. By 2026, firms will use "Agentic AI" (AI capable of planning and executing goals) to automate the due diligence process. Research indicates that the "Chief AI Agent Officer" has become a vital role in preparing a company's data for acquisition, ensuring that AI agents "don't turn into double agents" and don't carry unchecked risk during an exit.

Moreover, the current literature suggests that acquirers now favor startups that combine AI speed with human judgment and reasoning, rather than relying on black-box automation.

Table 1: Summary of Foundational Bibliographic Concepts

Concept	Key Author	2026 Application
Target Firm Signaling	Moskovicz, A. (2024)	Using AI to generate "signals" of high synergy for NYSE/Nasdaq buyers.
Business Evaluation Model	Moskovicz, A. (2025)	AI-driven "Numbers Translators" that turn messy data into clear exit dashboards.
Systematic Validation	<i>Lean Spar</i> Jaipur Lit. Festival (2026)	AI "co-founders" use PDCA frameworks to validate a startup's exit potential.
Strategic Autonomy	General Lit. (2026)	Balancing global trade with "Green Startups" as a global competitive advantage

Currently, the use of artificial intelligence as a strategic lever for startup successful exits is a central theme in both academic research and industry handbooks. In summary, both scholars and practitioners recognize AI as a key driver for successful startup exits.

Building on this theme, Kumar & Chauhan (2024) find in the *International Journal of Novel Research and Development* a direct link between AI adoption and the speed of product development, which significantly reduces the "time-to-exit" for startups.

Further expanding on the types of startups leveraging AI, AI-Native Startups are companies whose core products are built from the ground up on AI, prioritizing "Agentic AI" systems that can independently plan and execute sequences of steps to reach a goal.

Saiprasad Touring (2024), in a Crunchbase article, outlines a "Roadmap for Exits," emphasizing that AI defensibility—the ability to build a proprietary data set—is the key signal that a startup is ready for a successful exit.

Tribe et al. (2025), in the guide *"AI in Exit Strategies: Optimizing Valuation and Maximizing Returns,"* argue that AI-powered exit strategies leverage predictive analytics to pinpoint the optimal sale moment, thereby increasing valuation by uncovering "hidden assets" such as brand reputation and customer loyalty.

This emphasis on AI's business impact is reinforced by Babina et al. (2025). In "Artificial Intelligence, Firm Growth, and Product Innovation," they show that firms investing in AI experience higher market valuations. This occurs mainly through increased product innovation, which makes these firms prime targets for acquisition by "superstar firms" seeking to maintain industry concentration.

Taking this perspective further, Timothy Youngblood (2025), a noted CISO and angel investor, identifies specific "2026 Acquisition Targets" in the AI space, focusing on startups that have developed Agentic AI frameworks which incumbents find difficult to replicate internally.

In *AI First: The Playbook for a Future-Proof Business and Brand (2026)*, Adam Brotman & Andy Sack detail how "AI-first" operational models create the high-margin, scalable structures that corporate acquirers prioritize for 2026 exits.

Mark A. Lemley & Andrew McCreary (2026): In their influential work, *Exit Strategy*, they analyze the "kill zone" phenomenon, in which AI startups strategically position themselves to be acquired by incumbents rather than compete directly.

Finally, Allie Garfinkle (2026), a senior finance reporter for *Fortune*, notes that we will see a surge in "zombie deals" and talent-focused acquisitions, in which tech giants acquire AI startups primarily for their specialized engineering teams and proprietary "real-world" models.

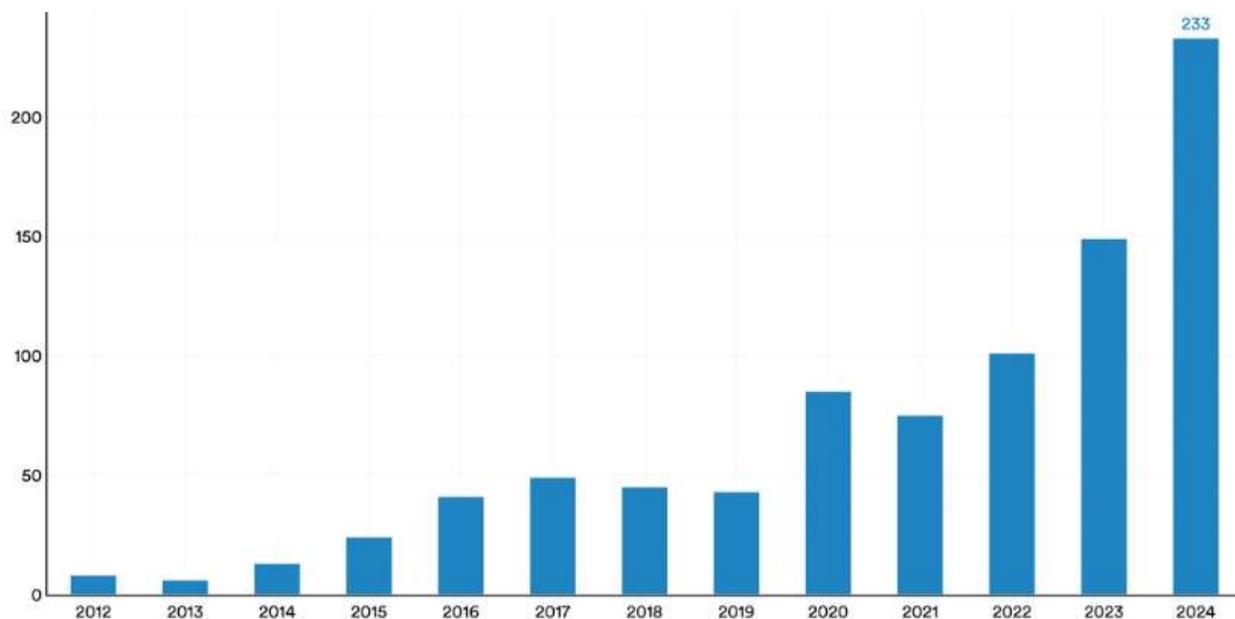


Figure 2: Number of AI incidents

Source: Stanford HAI (2025)

FACING A DILEMMA: TO USE AI OR NI?

The primary dilemma for startups is the "*Innovation-Exit Paradox*": the very AI capabilities that drive a startup's valuation and attract acquirers can also create structural vulnerabilities that jeopardize a successful exit.

As sustained in my former research focused on M&A:

- The dilemma for startups is overestimating their "AI defensibility." My research explores how Hubris Theory can lead founders to reject early-exit offers, mistakenly believing that future valuations will be sustained solely by AI.

- Key Signal: Expert staff retention and data access are top predictors of acquisition success. The "black box" of AI impedes acquirer due diligence, often depressing exit valuations.

Similarly, researchers at Stanford HAI (Human-Centered AI) have highlighted a tension between a startup's independent growth and its attractiveness as an "exit target."

- Another key decision is whether to build a General AI that competes with Big Tech or focus on specialized Vertical AI tools.

Research: Stanford experts note that by 2026, the "hype" will have ended, and acquirers will demand tangible ROI and "Agentic AI" capable of executing tasks independently. Startups that remain too general are ignored, while those that are too niche risk having a limited pool of potential buyers.

Further, Stanford HAI research (2026) discusses the rise of "Acqui-hires" or talent-focused exits.

- In many AI exits, technology is often secondary to the value of the engineering team.
- Research: Over half of AI team members exited within 3 years. Unless founders spotlight unique research talent, they risk missing "talent-first" premium valuations in 2026.

In addition, Technion (noted for producing founders of 10% of global "AI Disruptors") highlights a critical operational dilemma:

- Most AI startups are "handcuffed" to infrastructure owned by likely acquirers, such as AWS, Google, or Microsoft.
- Research: In 2025, this is termed "Co-opetition". Startups need massive computing resources to remain relevant, but using an acquirer's infrastructure can lead to "vendor lock-in," reducing their leverage during exit negotiations because their "proprietary" tech is entirely dependent on the buyer's cloud.

Shifting the focus to governance, MIT's *Sloan Management Review* identifies that this was a major exit hurdle in 2025.

- Fast-moving AI development often skips rigorous documentation and ethical safeguards, leading to governance challenges.
- Research: In 2026, failing to document AI controls (such as the NIST AI RMF) is considered an "existential risk". Acquirers in 2026 are increasingly walking away from deals where startups' AI carries high compliance exposure (e.g., EU AI Act), forcing startups to choose between rapid innovation and "exit-ready" compliance.

Professional areas that remain "AI-proof" rely on qualities that machines cannot replicate, such as emotional intelligence, moral reasoning, complex physical dexterity in unpredictable settings, and creative vision.

Instead of replacing human decision-making, IA (Intelligence Augmentation: technology designed to enhance—not replace—human abilities) focuses on technologies that enhance human capabilities, such as Brain-Computer Interfaces (BCI: systems enabling direct communication between brains and computers).

Current developments include non-invasive neural interfaces (devices that interact with the brain without surgery) that allow humans to interact directly with digital systems without brain damage. Non-AI options offer reliability and predictability where AI is volatile.

Unlike AI, which uses patterns, traditional automation follows strict "if-then" rules. In 2026, this remains best for stable, compliance-heavy tasks where error-free results are critical.

Robotic Process Automation (RPA): Tools such as Zapier, Make, and Power Automate are commonly used to automate repeatable tasks that do not require "learning" or adaptation.

Computational Intelligence: Specialized tools such as Physics Master or PhyWiz use fixed formulas (e.g., Newton's laws) rather than generative models, ensuring 100% reliability in scientific calculations.

AI VS NI LET'S SEE	
ARTIFICIAL INTELLIGENCE	NATURAL INTELLIGENCE
Source Human-designed code	Evolution, Earth, Nature
Data requirement Petabytes of data	Instinct + adaptation
Resilience Needs updates	Self-healing
Response to failure Crashes, errors	Adapts, regenerates Adapts, regenerates
Emotion & ethics Human override	Innate, sometimes ruthless, flood)

Figure 3: Artificial vs Natural Intelligence

Created by AI (2025)

Emerging concepts provide different ways to approach "smart" machines:

Synthetic Intelligence (SI: a concept describing a form of intelligence constructed from artificial, computational, biological, and neuroscientific elements, but not meant to copy human thinking): Often viewed as a successor or "real" version of AI, SI does not attempt to mimic human thought. Instead, it uses a combination of computation, biology, and neuroscience to create a new, original form of intelligence that can think independently and set its own goals.

Quantum Computing: As of 2026, quantum readiness (preparedness to use quantum technologies) has become a strategic necessity. Quantum systems (computers that use quantum physics to process information) solve complex optimization problems (in finance, energy, and medicine) using fundamentally different physical principles than those of neural networks used in AI.

Ambient Intelligence: This involves environments (e.g., smart homes or offices) that sense and respond to human presence using IoT sensors, without the need for active AI assistants or wearable devices.

For learning and problem-solving, in contrast to AI solutions, traditional structured methods serve as alternatives:

Repetition-Based Learning: Platforms like Quizlet focus on flashcards and memorization, which some users prefer for building foundational knowledge over AI-generated explanations.

Structured Mentorship: Programs like Squirrel AI pair adaptive technology (systems that adjust content or support based on individual learner needs) with human mentorship, ensuring that social and emotional guidance remains at the core of the learning process.

In today's high-stakes M&A environment, this interplay is evident: deals are increasingly driven by relationship-led strategies. Investors and acquirers emphasize that while AI can identify potential targets, humans are required to overcome "valuation gaps" and navigate complex geopolitical and regulatory uncertainties that algorithms cannot model.

Ultimately, startups' founders win by using NI to craft authentic stories. Investors frequently decide based on their "gut" after numbers are verified, asking if they believe in the founder's vision for the next 5+ years—a human-to-human connection AI cannot forge.

Acquirers are prioritizing Human Capital Readiness as the ultimate deal-breaker. Firms that cannot articulate how their human workforce will integrate with and oversee the deal thesis are deprioritized. Due to a "Critical Thinking Crisis" caused by GenAI over-reliance, firms are actively seeking "AI-augmented" leaders who use AI while maintaining deep domain expertise and the ability to think independently.

As 2026 regulations, such as the EU AI Act, become fully operational, NI acts as the mandatory compliance shield. Regulations now demand clear ethical boundaries and human

intervention in automated decision-making. Startups that demonstrate robust human-in-the-loop governance are significantly more attractive to large technology acquirers who must mitigate AI liability risks. Moreover, NI is used during diligence to identify "existential risks" that AI might miss, such as hidden biases or long-term technological atrophy.

While AI is commoditizing software, NI prevails in Deep Tech and legacy industries. In 2026, investors are shifting capital toward "battle-tested" founders who solve massive, non-digital problems in energy, infrastructure, and biology. Exits are increasingly driven by scientific validation and technological traction, requiring human-led R&D rather than just generative patterns.

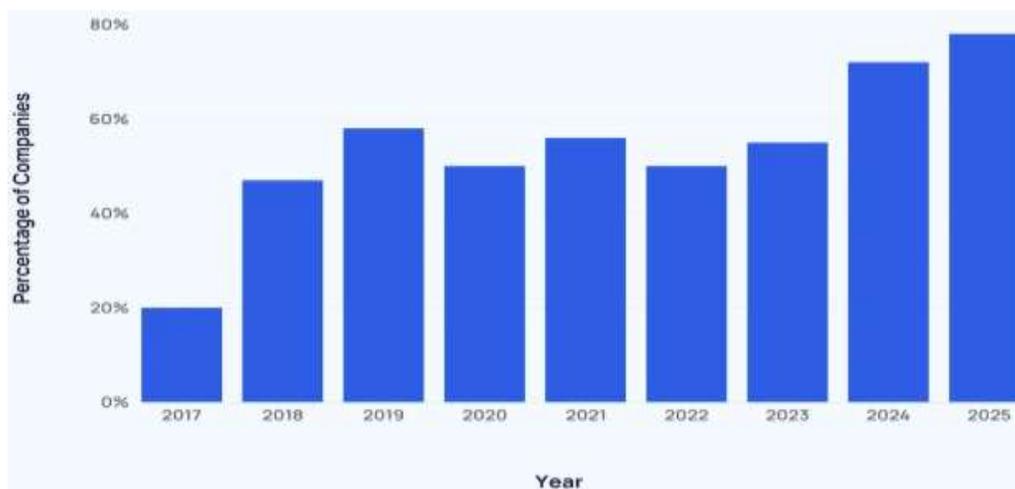


Figure 4: Companies using AI in their Business

Source: Carillo, A. (2025)

The winning startup model from now on relies on Collaborative Intelligence: integrating AI and human expertise to lead in value creation, regulatory trust, and sustainable growth.

There is a surge in demand for humans who can act as "AI Generalists," overseeing diverse agents to ensure alignment with business growth rather than just technical efficiency. While AI performs the transactional backbone, natural intelligence remains essential for turning automated processes into a sustainable, profitable business model.

As AI commoditizes content and analysis, the distinguishing competitive advantage is human-led interaction—the so-called Human Premium.

Acknowledge and address consumer backlash against "soulless" AI-only experiences to retain loyalty.

Prioritize human-generated content and provide direct human support in relationship-sensitive situations to earn greater trust and loyalty.

Let AI process signals, but rely on humans to interpret meaning. Harness NI to navigate complex geopolitical, climate, and social challenges—areas demanding contextual depth beyond algorithms.

Instead of specialized coding or data entry, humans now act as "AI Generalists," defining the "why" and "how" behind AI projects to ensure alignment with enterprise goals, reinforcing the critical role of human oversight highlighted earlier.

Modern leadership leverages NI to identify new constraints created by AI—such as accuracy gaps and ethical risks—and applies human judgment to resolve them, ensuring technology serves business objectives and ethical standards.

To succeed, treat NI as an evolving "living map" of capability. Shift from rigid roles to modular, task-based structures, deploying NI where it adds the most value and letting AI handle the operational backbone.

Foster "learning agility" within your organization—empower teams to continuously experiment and upskill, enabling you to stay ahead of rapid technological change.

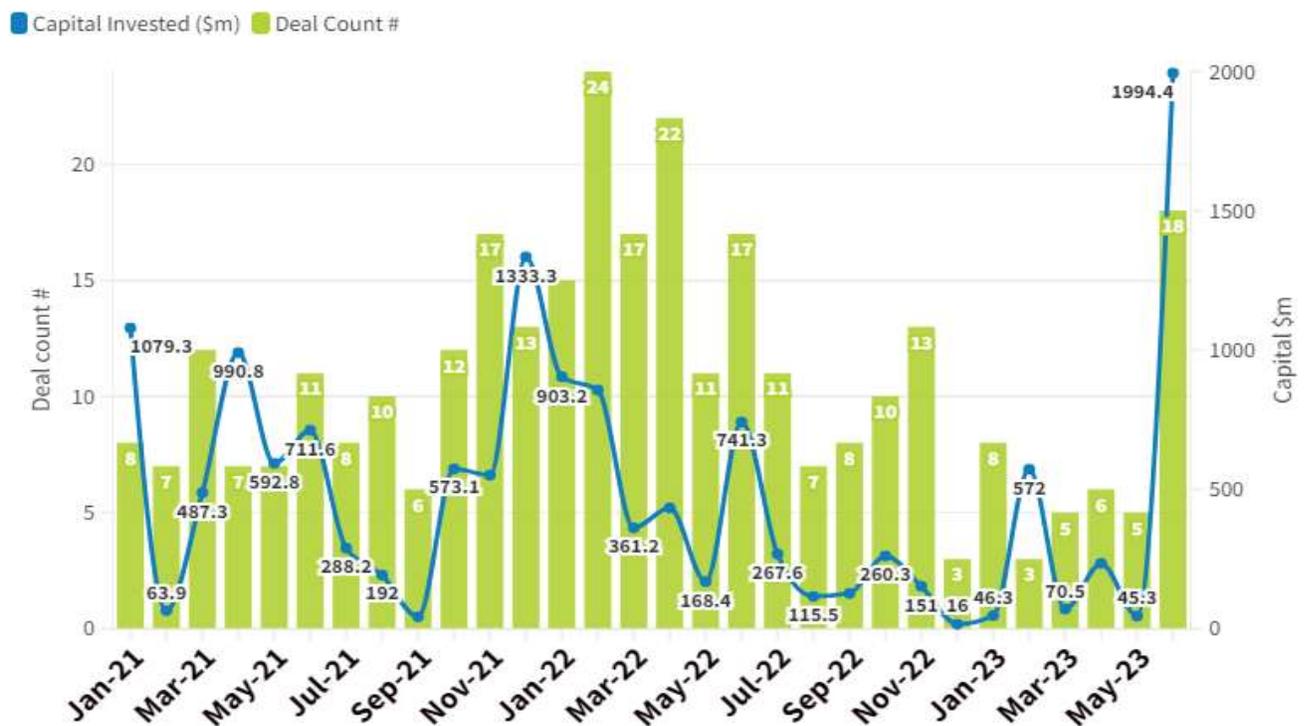


Figure 5: Corporate AI-baked monthly deals by number and value

Source: Andonov, K. (2024)

CONCLUSIONS AND RECOMMENDATIONS

Alternatives to AI range from biological intelligence to traditional deterministic software to emerging technological paradigms such as quantum and synthetic systems.

While AI offers unprecedented speed and data processing, NHI remains superior for the "soft" variables that often determine the final success of a merger or acquisition.

The decision to rely on Natural Intelligence, or more specifically Natural Human Intelligence (NHI), rather than Artificial Intelligence during a startup exit is a critical strategic choice.

Importantly, natural and artificial intelligence are not direct competitors, but strategic architects and specialized partners. As AI moves from experimental pilots to core operational infrastructure, the business value of human NI shifts toward areas of high-stakes judgment, emotional connection, and complex orchestration.

Corporate leaders recognize that human intelligence effectively interprets corporate culture, a decisive factor in post-merger integration. M&A Review (September 2025) finds that NHI uniquely evaluates leadership and cultural fitness that AI cannot yet emulate.

Tiron-Tudor and Deliu (2024) emphasize in ScienceDirect that AI currently lacks moral reasoning and social responsibility. Executive leadership depends on NHI to ensure ethical decision-making and establish vital trust during high-stakes deals.

Humans can "read between the lines" and adapt to their counterparts' motivations in real time, an adaptability critical for navigating unforeseen circumstances such as those seen during global market shifts.

Research by Townsend et al. (2024), published by *Emerald Publishing*, argues that entrepreneurship occurs in "indeterministic" environments that are neither analyzable nor predictable by statistical AI models.

However, executive teams must acknowledge that human decision-making is subject to biases and biological constraints. *Frontiers in Artificial Intelligence* (2021/2025) notes that AI can bypass such limitations, presenting both opportunities and risks for leaders.

Additionally, NHI is significantly slower than AI in processing the vast datasets required for modern due diligence. Research published in the *International Journal of Novel Research and Development* (May 2025) indicates that human-led data processing is less accurate and more prone to errors due to fatigue and pressure.

Scalability remains a strategic concern for executives: AI systems scale instantly, reviewing thousands of documents, while NHI is restricted by human processing speed.

A 2024 study co-authored by Yeun Joon Kim (Cambridge Judge Business School) reveals that human teams demonstrate initial creativity but may stall in output and refinement—an insight for executives to consider when developing hybrid strategies.

Taken together, these perspectives underscore why NI prevails over artificial intelligence in startup exits: it serves as the essential governance layer and strategic architect that algorithms cannot replicate. While AI excels at accelerating deal cycles and standardizing data, human "Natural Intelligence" is what converts that speed into long-term value for acquirers.

Etymologically, a dilemma refers specifically to a choice between only two options, derived from the Greek *di-* ("two") and *lemma* ("premise"). In modern usage, the term has expanded.

Most authoritative sources, including Merriam-Webster and Collins, now define a dilemma as a difficult choice between two or more alternatives. In general, the term is often used for any number of difficult options. Moreover, it is a synonym for any difficult problem or predicament, even when specific, distinct options are not clearly defined.

Beyond the number of choices, a dilemma is defined by the quality of those choices. The options must typically be mutually exclusive, meaning you can only choose one and cannot have both.

If you are presented with only two options when more alternatives are available, this is known as a false dilemma or false dichotomy.

Here, AI processes and predicts data trends at scale, while seasoned human leadership interprets results, assesses context, and applies critical judgment on risk and strategic fit. By combining AI efficiencies with human oversight, organizations optimize both speed and decision quality during the exit process. Thus, for a startup, a successful exit is rarely a choice between one or the other, but a hybrid approach

REFERENCES

- Aulet, B. & Davenport, H. (2026). Scaling AI for results in *Sloan Management Review*, January Issue.
- Babina, T.& Fedyk, A. (2024). Artificial Intelligence, Firm Growth, and Product Innovation in *Journal of Financial Economics*, Volume 151.
- Brynjolfsson, E. & McAfee, A. (2025). *The Second Machine Age*. W.W. Norton & Co. Publishers.
- Brotman, A. & Sack, A. (2025) *AI First: The Playbook for Future-Proof Business and Brand*, Harvard Business Review Press
- Koen, P. (2024). Scaling Up Transformational Innovation in *Harvard Business Review*, November.
- Lemley, M. & Mc Creay, A. (2020). Exit Startups in *Boston University Law Review*, Sept. Issue.
- Moskovicz, A. (2021). Acquirers' Firms Evaluation of Startups Exits in *the I.J.E.C.M*, May issue.
- Tiron-Tudor, A. & Ladaditis, A. (2025). Future-ready Digital Skills in the AI Era in *Technological Forecasting and Social Change*, June Issue.

Tong, L. (2025). The Role of Artificial Intelligence in Startup Innovation. ResearchGate.

Touring, S. (2024). Roadmaps for Exits, in *Crunchbase*, October Issue.

Townsend, D. & Hunt, R. (2024). Chance, Probability & Uncertainty at the edge of Human Reasoning in *Strategic Entrepreneurship Journal*, July Issue.

Yeun, J. (2025). *How Human-Ai interacts become more attractive*. Cambridge Judge B. School Press

Youngblood, T. (2026). 2026 Acquisition Targets in the AI space, in *LinkedIn*, January.