

A Discourse on Entrepreneurial Judgment: An Experienced-based Perspective

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Abstract

Frank Knight presents a theory of entrepreneurship incorporating uncertainty and judgment. He argues that facing uncertainty, entrepreneurs bet on their judgment. If their foresight is correct, then they will earn profit. However, in-depth study of entrepreneurial judgment based on experience is lacking. This paper fills the gap. Using phenomenology developed by Edmund Husserl and Alfred Schutz, this paper formulates an experience-based perspective of entrepreneurial judgment. It will argue that judgment is based on experience which is meaningful, future-oriented, intersubjective, and shares common consciousness in social community. It is a process of knowledge transmission. With a new perspective on entrepreneurial judgment, this paper draws implications on intuition, profit and loss, error repetition, mental rigidity and family business succession.

Keywords: Entrepreneurial Judgment, Phenomenology, Experience, Edmund Husserl, Alfred Schutz

JEL Classifications: B310, B530

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1. Frank Knight on Economic Judgment and Profit

In his seminal work, entitled *Risk, Uncertainty, and Profit*, Frank Knight (1921) presents a theory of entrepreneurship incorporating judgment and profit. He contends that judgment plays a significant role in determining profit or loss. According to Knight (1921:211), facing uncertainty, the entrepreneur exercises his/her judgment. Entrepreneurs “infer” largely from their experiences of the past, in the way similar to estimating distance unless a measuring rod is available. Using their instinct, entrepreneurs bet on their judgments (Knight 1921:210) which are liable to err (Knight 1921:203, 230). Hence, profit or loss arises from imperfect foresight made by the entrepreneur (Knight 1956:24).

Likewise, Mises (1962:120) argues that entrepreneurial judgment gives rise to profit or loss. In his words (Mises 1962:109),

What makes profit emerge is the fact that the entrepreneur who judges the future prices of the products more correctly than other people do buys some or all the factors of production at prices which, seen from the point of view of the future state of the market, are too low.... On the other hand, the entrepreneur who misjudges the future prices of the products allows for the factors of production prices which, seem from the point of view of the future state of the market, are too high.

Hence, Mises (1949/1966:293) concludes, “the ultimate source from which entrepreneurial profit and loss are derived is the uncertainty of the future constellation of demand and supply”. The entrepreneur relies on a “specific anticipative understanding of the future” (Mises 1949/1966:582). Profit and loss serve as a signal for entrepreneurs to interpret and re-interpret market phenomena and allow market participants to coordinate their views. Knight and Mises give us a legacy that uncertainty counts.

Phenomenology is a methodology for interpreting human actions based on experience and developing theoretical constructs such as judgment (Muzzetto 2006; Berglund 2007, 2015; Holt and Sandberg 2011; Eberle 2014). Using phenomenology, this paper presents a treatise on entrepreneurial judgment based on Husserlian-Schutzian contributions. It will argue that human agents exercise their judgment on a project based on their experience accumulated from everyday life. It focuses on how experience influences entrepreneurial judgment under uncertainty. This study differs from other entrepreneurship studies in that its approach is deeply rooted in phenomenology originated in German and Austrian social sciences. The argument fits into the tenets of Austrian subjectivism. In what follows, the definition of judgment and scope of the study are given (Section 2). A literature review of entrepreneurial judgment will be presented (Section 3), followed by the evolution of phenomenology (Section 4). We shall formulate an experience-based perspective of entrepreneurial judgment (Section 5). Implications are presented in Section 6. Conclusion will be given.

2. Definition of Judgment and Scope of the Study

Judgment literally means an opinion that is based on cognition. Bowen (2017:133) defines judgment as “the mental act by which one thing is affirmed or denied of another”. According to

Garden (1878:96), judgment refers to the faculty “whereby the mind pronounces on its perceptions, and the various notions to which they give rise”. To exercise judgment, people either affirm or deny something of it. In *The Oxford Companion to Philosophy*, Davis (2005) defines judgment as belief that something is true, or something which is considered as true. In his view, judgment is propositional and varies from person to person and time to time. Based on the elements drawn from F.A. Hayek, Bhidé (2010:33) defines judgment as “effective adaptation to unpredictable but repeated patterns of change”. Following Edmund Husserl and Alfred Schutz, we extend an experience-based perspective of entrepreneurial judgment. In other words, judgment is based on experience, as propounded in phenomenology.

The scope of this paper is confined to entrepreneurial judgment. We avoid using the term ‘economic judgment’ because the term ‘economic’ may refer to utility or profit maximization, or “optimality” perspective as expounded in the Neoclassical economics paradigm. Neither this paper deals with value judgment, though entrepreneurial judgment faces value, cultural and moral issues. In other words, we do not deal with ethical issues in making a judgment.

3. Entrepreneurial Judgment: A Literature Review

A theory of entrepreneurship in economics is said to begin in Cantillon (1755). However, entrepreneurship disappears in contemporary economics (Casson 1982). As commonly known, mainstream Neoclassical economics assumes static uncertainty¹, if not perfect knowledge and optimization technique. Given static uncertainty, entrepreneurs face no difficulty on making a judgment. All they need to do is to search for the best production point (optimization). This job can be done by economists. With sophisticated quantitative technique, economists overtake the job of entrepreneurs and make recommendations to industries. Over time, entrepreneurship fades out in economics. In simple terms, structural (genuine) uncertainty and entrepreneurship are lacking in mainstream Neoclassical economics.

Though contributions of entrepreneurs are largely ignored by mainstream Neoclassical economics, scholars in entrepreneurship and management studies advance some notable contributions (e.g. Sarasvathy 2001; Shane and Venkataraman 2000). Minniti and Bygrave (2001:5) argue that “entrepreneurs learn by updating a subjective stock of knowledge accumulated on the basis of past experience”. Unlike Minniti and Bygrave’s mathematical model on learning in the entrepreneurial process, a philosophy of entrepreneurial judgment remains to be done. Whilst scholars pay increasing attention to technological and innovation issues in dealing with entrepreneurship, Foss and Klein (2012; 2015) and Foss et al. (2019) call for research on the judgment-based theory to entrepreneurship.

¹ There are two types of uncertainty. Scholars in mainstream Neoclassical economics handle the issue of uncertainty in terms of static uncertainty. Static uncertainty refers to the situation that we do not have a complete description of the world which we believe to be true. Instead, we consider the world to be in one or another of a range of states. Static uncertainty consists in not knowing which state is the true one. Contrary to static uncertainty, genuine or structural uncertainty refers not only to the situation that people do not know the chances of various outcomes, but also that they do not know what outcomes are possible (Langlois 1986:228).

In their view, the judgment-based approach “starts with the fact that the entrepreneur makes decisions about the future without access to a formal model of decision rule, as would apply to situations of ‘rational’ behaviour under probabilistic risk” (Foss and Klein 2015:8). Foss et al. (2019) further explore entrepreneurial judgment in the context of organizations, markets, and institutions. For example, given uncertainty and heterogenous nature of capital goods, entrepreneurs attempt to blend the resources together into a firm for profit. This process is experimental (see Lachmann 1970).

Entrepreneurial judgment represents strategic thinking. It is a process of determining, instigating and actualizing subjective intentions towards the pursuit of “new economic value” (Packard 2017). Entrepreneurs interpret the reality as new knowledge, shift their intentionality towards new ends, initiate new plans and take actions to manage those ends (Packard and Bylund 2025). As a result, they change the intentionality and make decisions.

Rapp and Olbrich (2023) argue that the judgment-based approach to entrepreneurship is still on its infant stage. The notion of judgment is elusive and virtually in a black box (Rapp and Olbrich 2023:187). To remedy this issue, Rapp and Olbrich (2023) adopt Herbert Simon’s behavioural theory of decision (e.g. Simon 1947, 1957, 1982). In Simonian perspective, Rapp and Olbrich (2023) classify four dimensions of judgment consisting, 1. entrepreneurial judgments on the effects incurred by action, 2. the appraisal of action alternatives, 3. the goals underlying action, and 4. resolving the decision problem. The formulation will help reduce black box operation in decision making. Despite a right direction on the judgment-based theory, hitherto, an experienced-based perspective on entrepreneurial judgment is far from being formulated. This paper explores an experience-based entrepreneurial judgment based on the contribution of Edmund Husserl and Alfred Schutz. The Husserlian-Schutzian approach is in many ways better than other explanations on a certain phenomenon. For instance, Cope (2011:604) adopts phenomenology in learning and argues that “learning outcomes are future-oriented, increasing the entrepreneur's level of entrepreneurial preparedness for further enterprising activities.” Our Schutzian approach contends that all actions are done in future perfect tense which means that all actions are oriented toward the future as all factors remain the same as today. Furthermore, all human actions are tentative and experimental (Cope 2011:606), subject to change tomorrow. For this, we formally incorporate Lachmann’s interpretation process into our paradigm (see Section 5). In what follows, this paper will discuss pioneering contributions in phenomenology. It places attention on how phenomenology scholars handle the concept of judgment. Specifically, this paper gives a model of an experience-based perspective of judgment to entrepreneurship literatures. It will illustrate a new perspective with examples.

4. Pioneering Studies on Phenomenology of Judgment

This section introduces two towering Austrian figures on phenomenology namely, Bernard Bolzano and Franz Brentano. Their psychological approaches on judgment influence Edmund Husserl’s phenomenology and in turn impose significant impact on sociological philosophy of Alfred Schutz. An introduction of their contributions (Bolzano, Brentano, Husserl and Schutz) provides us

with a foundation to formulate an experience-based perspective of entrepreneurial judgment given in Section 5.

4.1 Austrian pioneers in phenomenology: Bernard Bolzano and Franz Brentano

Bernard Bolzano and Franz Brentano are two important Austrian scholars in analytical philosophy (Textor 2006). Moreover, both saw that it is an important task to work out a theory of judgment (Rollinger 2004). It is therefore no surprise that Brentano's most outstanding pupil, Edmund Husserl, achieves a breakthrough in the theory of judgment.

a/ Bernard Bolzano (1781–1848): Bolzano is an Austrian philosopher and theologian. He gained his fame in phenomenology and analytic philosophy. In *Wissenschaftslehre* (Theory of Science) (1837/2015), Bolzano developed logic theory and the relationship between knowledge, truth and science. His contribution on 'proposition' influenced Husserl's early works on philosophy of logic and phenomenology (Sebestik 2003; Beyer 2010).

Bolzano's theory of judgment is characterized by idea, content and predicate. Judgment is a mental phenomenon on subjective idea as proposition. Each judgment contains a proposition. In Bolzano's view (1837/2015: I, §19, 77), a proposition is "any statement that something is or is not, regardless of whether this statement is true or false, whether it is put into words by anyone or not, or even thought in the mind or not". A person forms a proposition, makes a judgment on a given proposition and grasps the judgment (Bolzano 1837/2015: III, §301, 138). In other words, "every judgement is the appearance in the mind of some proposition, which is the matter of this judgement." (Bolzano 1837/2015: III, §291, 108). Each proposition exists in terms of space or time. If the proposition is found to be true, the judgment made earlier will be considered as correct, otherwise, incorrect.

b/ Franz Clemens Brentano (1838–1917): Brentano, a German philosopher and psychologist, is known as the ancestor of the phenomenological movement. He was a colleague and friend of Carl Menger, the founder of the Austrian School of economics, and the mentor of Edmund Husserl. Brentano published *Psychology from an Empirical Standpoint* in 1874 and *Studies on the Psychology of Senses* in 1907.

In Brentano's theory of judgment, mental phenomena only exist consciously. Simply put, judgment is existential. Judgments "are true in themselves. As they appear to be, so they are in reality" (Brentano 1874/2009:15). Through sensory properties and imagination, an individual thinks about an object that is presented. A person accepts or rejects the content of the presentation that the object expresses. Brentano (1874/2009:61) states that "nothing can be judged, desired, hoped or feared, unless one has a presentation of that thing". For example, rainbow is described as colourful. We cannot judge that rainbow is colourful without acknowledging rainbow, i.e. "presenting-as-existent" rainbow. We acknowledge and judge that rainbow exists. To judge that rainbow is colourful is a mental phenomenon that presents the existent-as-affirming colourful rainbow. In Brentano's words

(1874/2009:68), this intentional in-existence is characteristic exclusively of mental phenomena. No physical phenomenon exhibits anything like it. We can, therefore, define mental phenomena by saying that they are those phenomena which contain an object intentionally within themselves.

Judgment is subjective perceptual experience (Brentano's 1874/2009). It is psychological reality, an attitude toward another phenomenon. An object is judged by consciousness in two ways, namely "as an object of presentation and as an object of affirmation or denial" (Brentano 1874/2009:156). What a judgment adds to the presentation is either the affirmation or denial of the object that is presented. As Brentano (1874/2009:68) argues, "in presentation something is presented, in judgment something is affirmed or denied, in love loved, in hate hated, in desire desired and so on." This is what the experience of judging is. In judging, when Person A gives a thought which matches with that of Person B's judgment, Person A's judgment is said to be correct. Otherwise, when Person A gives a thought which disproves Person B's judgment, Person A's judgment is said to be not correct (Chisholm 1966:399-400). This is intersubjectivity in Alfred Schutz's philosophy and will be elaborated below.

4.2 Edmund Husserl: The founder of phenomenology

Edmund Husserl is generally regarded as the founding father of phenomenology (Reeder 2010:11). He studied under Franz Brentano and was profoundly influenced by Brentano. Husserl rejects methodological naturalism which assumes that things simply exist in the external world. His phenomenological reduction reveals primordial phenomena (Kockelmans 1967:29). Around 1900, his first phenomenological work *Logical Investigations* was published. Husserl's phenomenological method focuses "on the essential structures of intentional (i.e. object-directed) consciousness that allow the objects naively taken for granted in the 'natural attitude'" (Beyer 2010:887). Husserl develops the method of epoché or "bracketing" (Schutz 1970:58). Husserl (1900-1901/1970:168) argues that we should "bracket" the object-world and focus on what is inherent in consciousness itself. In other words, by bracketing the objective world, we attempt to return to the original belief. Husserl distinguishes two types of epoché, namely universal epoché and local epoché. Universal epoché requires leaving behind all assumptions of existence while local epoché requires setting aside only certain assumptions. For example, when we encounter a human-like artificial intelligence (AI), universal epoché means that the viewer would suspend prior knowledge of all objects, be a horse, a table or an alien from other planet. In terms of local epoché, the viewer would suspend knowledge of all animals, be a horse or tiger which we are familiar with. Bracketing creates a blank state for the object to be viewed as objectively as possible. Husserl did not mention which epoché is preferred. He did claim that universal epoché is stronger than local epoché (Beyer 2020). To return to the previous example, applying local epoché includes suspending all prior assumptions regarding that a particular horse or tiger. Applying universal epoché means suspending all assumptions regarding all forms of life in general. In this way, things in the objective world can be turned "back to the things themselves". It is a phenomenological reduction, or back to original is possible.

Furthermore, Husserl argues that any phenomenological proper is to be conducted from the “first-person point of view” (Carr 1987:281-296), to ensure that the observed item is described exactly as is experienced. In Husserl’s words (1900-1901/1970:538), “we live through it”. Experience is always experiencing of something, experiencing in and of their life world. When we say that we “believe”, we mean we “believe something.” (Husserl 1894/1994:292). An object is not only just the object, but also the object that is present to our understanding of the object.

As van Mazijk (2016:432) notes, judgment is “always a willful act by an Ego living in the experience. There can be no judgment without a judger.” Act of judging depends on how ego experiences in the world. Every judgment has the object of judgment or the state of affairs. In phenomenology, the state of affairs is a priori and “comes before us” (Husserl 1900-1901/1970:145). In Husserl’s (1969:111-112) words, “when we are judging, the relation to the object is effected in our judging itself. It must be noted in this connexion that the object can indeed be given already by experience, prior to the predicative judgment, but that the experiential judgment or the subsequent non-experiencing judgment that is nevertheless “based on experience...”. Following Husserl (1900-1901/1970), we take that judgment as an experiential process. It is a process of experiencing. Adorno (1940:15) highlights that judgment, when viewed subjectively, is an experience, something immediately given.

4.3 Alfred Schutz on experience, consciousness and human action

The works of Edmund Husserl and Max Weber formed the cornerstone of Schutz’s thinking (Schutz 1970:1). In particular, Schutz studied Husserl’s works intensively and made a significant advance in phenomenological sociology. Unlike positivism in natural science, Schutz (1954: 274) argues that research in the social sciences is “to find out what the actor ‘means’ in his/her action, in contrast to the meaning which his action has for the actor’s partner or a neutral observer”. For Schutz (1954:261), the primary goal of the social sciences “is to obtain organized knowledge of social reality”, which he defines as “the sum total of objects and occurrences within the social cultural world as experienced by the common-sense thinking of men living in their daily lives among their fellowmen, connected with them in manifold relations of interaction”. He focuses on the common-sense knowledge of everyday life. His new version of sociology of understanding places greater attention on human agent’s consciousness in the construction of social reality. Schutz’s seminal work, entitled *The Phenomenology of the Social World* (originally published in 1932), attempts to explain meaningful human actions within intersubjective relationships based on shared biography.

The starting point of Schutzian philosophy is that conscious human agents live and act in a world and form their experiences (Schutz 1970:5). The life-world is a world of experiences through which human agents pursue their interests by manipulating objects, dealing with people, conceiving and carrying out plans (Schutz 1970:14-15). Following Edmund Husserl, Schutz argues that the reality of the social world is neither confirmed nor denied, rather it is bracketed in the act of phenomenological reduction. What is left after elimination of all ontological assumption is human consciousness (Schutz 1970:6).

Human agents exist in an ‘intersubjective world’. For Schutz, human agents create social reality through interactions based upon intersubjectively shared frames of belief (David 2010: xxiv). He emphasises the point that human agent’s stock of knowledge has its particular history. It has been constituted by previous experience activities of our consciousness (Schutz 1970:74). Schutz speaks of “common consciousness” to that which unites individual consciousnesses (Schutz 1970:7). In other words, it is a society of people who share a conscious life - phenomenological unity of social life.

Based on the contributions of Edmund Husserl and Alfred Schutz, the next section will put forward an experience-based perspective of entrepreneurial judgment.

5. Towards an Experience-based Perspective of Entrepreneurial Judgment

When judgment is a process of forming an opinion or decision based on thought (Merriam-Webster Dictionary 2025 April 26), this paper attempts to find out where the opinion comes from. Based on the contributions from Bernard Bolzano to Alfred Schutz (see above), this section argues that judgment is based on experience which is meaningful, intersubjective and future-oriented, while sharing common consciousness in social community. It is a process of knowledge transmission. In other words, this paper presents an experience-based perspective of entrepreneurial judgment.

5.1 Judgment as experiencing and interpreting

Human agents enact to the world. They experience, interpret and make sense to themselves (Schutz 1970:5). Human action has meaning attached to it as individuals experience and make sense out of their everyday life (Weick 1969, 1995). When we experience, our knowledge grows. Experiences from everyday life are accumulated into a stock of knowledge that can be used to exercise judgment under uncertainty. In short, experiences stored in our mind (knowledge) folders allow us to make judgment on problems arising in everyday life. Without experience or knowledge framework, judgment would be impossible.

Furthermore, Alfred Schutz extends his arguments beyond the boundaries of the individual consciousness. He pays attention to intersubjectivity. In other words, “common consciousness” means the extension of one’s own self-experience to one’s experience of other selves (Wagner 1970:7). We live in a society of people who share a conscious life. Hence, human action attached with subjective meaning can be understood intersubjectively. According to phenomenology, human actors construct their world with the building block offered to them by other people. The life-world is a social world which is pre-structured for them (Wagner 1970:16). The individual takes the social world around him/her as much for granted as existence. As Wagner (1970:111) notes, “what is experience taken for granted is, until invalidation, believed to be simply “given” and “given-as-it-appears-to-me”. Human agents use this pre-structured world to interpret phenomena, relationships and problems (Wagner 1970:16). Unity of outlook is possible because members of the community share their views of the world and adopt the same standardized expressions and formulations when applying their views (Wagner 1970:17).

Entrepreneurs in the social world direct themselves to the world and expect to bring about a certain reaction by other people. Likewise, other human agents in the same social world orient themselves towards entrepreneurs' judgment and expect entrepreneurs to react like them. Simply put, people in the same social world "experience the common situation from the other's perspective and vice versa" (Schutz 1970:33-34). This is what Schutz (1970:177, 184) called "We-relationship". In other words, 'I' or 'They' have experienced and interpreted the same way (Schutz 1970:111). Human agents live in the world within a common reach (Wagner 1970:39). Schutz (1962:315) refers to this as "communicative common".

5.2 Judgment is made in future perfect tense

Based on the foundation of Edmund Husserl and Alfred Schutz, we argue that judgment is a projected action. O'Driscoll and Rizzo (1985) argue that the future is unknown. For an economic person, nothing should be done because we do not know what will happen in the future. However, that is not the case. Human agents plan and act as if nothing happened. Paradoxically, the future of life-world is unknown but is partly knowable. We act as if everything remained unchanged in the future. For example, we encounter the problem of whether we should go to work or not next Monday due to earthquake. If we assume earthquake next Monday, nothing should we do now because all our planning of going to work is a waste. However, we plan to go to work next Monday as if nothing happened then. In other words, we act today on 'future perfect tense'. Schutz (1970) uses the term 'future perfect tense' to denote the projected action. In other words, the entrepreneur implement the imagined project as if it were a complete act. Entrepreneurs think that they can transform what they project into reality. This assumes that today is essentially the same as yesterday and tomorrow will be like today. Hence, entrepreneurs assume that they can do things today and tomorrow as what they did yesterday. In Husserlian tones: "I can always do it again and so forth" which has a biographical dimension (Schutz and Luckmann 1989:25-26). The estimation of practicability of a certain project assumes "the continued existence of the world as I know it and of my continued existence in it as I know myself." (Schutz and Luckmann 1989:26).

5.3 Different judgments on the same event but they are intersubjective

Human agents exercise different judgments on the same event. This is due to different experiences cumulated from everyday life. Interpretation is based on experience. Agents grow up in different environments, and experience differently, resulting in different stocks of knowledge. Hence, they make different interpretations and judgments on the incoming events. Despite different interpretations, judgment is basically intersubjective and made on the assumption that other actors will react to what I expect.

a/ Experienced versus novice entrepreneur

Consider two types of entrepreneurs, experienced and novice. An experienced entrepreneur often makes correct foresight while a novice entrepreneur often makes poor judgment on his/her first investment. It can be explained by the fact that experienced entrepreneurs gain a lot of knowledge in

their fields via experiencing. On the contrary, a new entrepreneur, without relevant experience and knowledge of the market, is unable to see many pitfalls in doing businesses. As a result, the judgment made by new entrepreneurs is often blurred by perception or passion. They are unable to make better insight into an investment project than the experienced entrepreneurs.

In the meantime, the novice entrepreneur can catch up with the experienced entrepreneur via dynamic learning. If the new entrepreneur learns and gains more knowledge in the market, he or she will become an experienced entrepreneur and makes better judgment afterwards. On the other hand, for experienced entrepreneurs, ideas may be stuck in their mind folders for too long that they cannot see new opportunities or innovation. In other words, their mindsets are limited by “mental rigidity” (See Section 6), resulting in little breakthrough in innovation.

b/ Experienced entrepreneurs with different judgments

It is easy to understand why the experienced entrepreneur makes better judgment than the novice entrepreneur. However, amongst experienced entrepreneurs, why some of them make correct foresight/judgment while others do not. As mentioned, judgment is essentially intersubjective. Correct foresight means that experienced entrepreneurs can “see through” the society. Their judgments on a project are up to the society’s expectation, in terms of usefulness and/or moral ground of the project. In other words, what entrepreneurs invest is consistent with consumers’ demand as well as moral or cultural standard of the community. On the other hand, some deviant entrepreneurs equipped with experience make investments and judgments that challenge market demand and moral consensus in society. Their investments end up disinterested from the public and hence fail. Thus, intersubjectivity plays a significant role in understanding entrepreneurial judgment. Having said that, deviant entrepreneurs embarking on something different from the traditional way of doing things often become pioneering innovators. This is what Schumpeter (1942:82-83) refers to as “creative destruction”.

5.4 Judgment as a process of knowledge transmission

Judgment is a process of knowledge transmission, rather than confirmation of truth or falsehood. In the mainstream Neoclassical economics paradigm, a judgment or decision is ‘correct’ if it brings profit to the entrepreneur. However, no one really knows exactly the truth or falsehood. For Bernard Bolzano, objective truth is not reducible to thought. Truth is independent of consciousness. In *Logical Investigations*, Edmund Husserl argues that “the rightness of a judgement... shows itself in our experience of self-evidence (Evidenz)” (Textor 2006:170). Schutz (1970:80) argues that our stock of knowledge is “incoherent, only partially clear and not free from contradiction”. When evidence varies anticipation, it implies “foresight differs from hindsight” (Schutz 1970:27, 144). In Schutz’s words (1970:111), “what is taken for granted today may become questionable tomorrow”. As a result, people may shift to an accepted state of affairs pending for further inquiry. Hence, it is a process of knowledge transmission.

Using Lachmann's contribution (1970), we argue that a judgment exists in the form of tentative proposition which ultimately link with entrepreneur's stock of knowledge. The formation of a judgment is a phase in the continuous process of knowledge exchange and transmission that integrates economic activities in the social world. The entrepreneur interprets incoming events and yields provisional judgments to be confirmed by subsequent experience. Each judgment does not stand isolated. It is the cumulative result of a series of expectations which have been revised in light of latter experience. Furthermore, current judgment will be revised later as experience accrued becomes a source of future knowledge. A new problem situation requires entrepreneur to formulate a new judgment which is subjected to a further testing in the market. The process of interpretation continues indefinitely and a "better" judgment gradually emerges in human agent's mind. The formation of judgment is thus a continuous process of knowledge transmission (Lachmann 1970:20-25).

6. Implications

This section draws implications on experience-based entrepreneurial judgement with examples from everyday life, namely, 1. intuition, 2. profit and loss, 3. repeated error, 4. rigid thinking, and 5. family business succession.

6.1 Judgment versus intuition

Intuition is commonly referred to as knowledge without any need for conscious reasoning. It is an ability to understand something instinctively. Dane and Pratt (2007) define intuition as "the non-conscious use of heuristics and internalized patterns of information". According to Kahneman (2007), intuition is an ability to generate ideas without logical arguments or evidence. Also, intuition is an irrational function and perception without conscious thinking (Jung 1916/1966). In other words, human agents use sense-perception to bring forth ideas, images and possibilities by a process that is mostly "non-conscious".

Interestingly, Locke and Kristof (1996) argue that intuition comes from subconscious. In their view, since there is a limit to what can be held in our conscious mind, an alternative storehouse of one's knowledge and prior experience is needed, which they label the subconscious. Subconscious refers to that "part of consciousness which is not at any given moment in focal awareness. At any given moment, very little... can be held in conscious, focal awareness. Everything else - all of one's prior knowledge and experiences - resides in the subconscious" (Locke and Kristof 1996:370).

Whether intuition comes from sense-perception, unconscious reasoning, or subconscious, it is important to point out that intuition is not baseless. It is always backed by prior experiences. As Bailey (2014 October 31) argues, intuition is developed over a period of time and is largely shaped by past experiences. In decision-making process, relying on intuition only makes sense when we have a vast experience to back up our hunches. Simply feeling that something is right or should be done is highly risky and can ruin the business (Bailey 2014 October 31).

In phenomenological perspective, decision or judgment originates from human agent's experience, be it is intuition, hunch, instinct or gut feeling. Intuition is at the heart of judgmental decision-making (Foss and Klein 2015; Klein 2016). Depending on personality, some decision-makers rely more on big data analysis, mathematical models or computer programs to assist the final decision. Others rely more on intuition, gut feeling or a sixth sense. This paper argues that pioneering entrepreneurs conducting radical breakthrough in innovation rely more on gut feeling because they want to embark on something which defies the tradition. They are unwilling to be constrained by experience or traditional thinking. They trust their intuition and hunch. It is reported that Steve Jobs, the co-founder of Apple Inc., placed great emphasis on his gut feeling in decision-making, and incorporated it in most, if not all, of his decisions (Bailey 2014 October 31).

6.2 Profit/loss as a benchmark of the correctness of entrepreneurial judgment?

This paper argues that each judgment has a meaning attached to it and is a shared consciousness. Under uncertainty, it "is not limited to the marketplace and, in a sense, is a feature of all human action" (Klein and McCaffrey 2022:70). Schutz (1970:47) argues that "reality as one which men construct for themselves from their intersubjective experiences". Cosgel and Langlois (1998:112) state that "conversation cannot take place without shared structures of meaning". Likewise, we argue that investment and profit do not occur in a non-human community. The result of profit (and prices, etc.) indicates a shared meanings of million people in the community. Entrepreneurs are inspired by their experience and make judgment on their investment project. All judgments are based on experience which are also intersubjective. For one thing, a person's judgment is influenced by his/her experience, which in turn is associated with the society. In other words, judgment is not made independent from the social community. It may not be too exaggerated to say that a judgment is regarded as 'correct' if it is approved by ingroup or social community.

When entrepreneurs form teams and combine resources for profits or in another meaningful way (e.g. social and economic well-being), they make subjective judgments about other people. Knight (1921:228) rightly argues that businesspeople "form, on the basis of experience, more or less valid opinions as to their own capacity to form correct judgment". Business judgment is "chiefly judgment of men" (Knight 1921:291). This section illustrates this point with three cases:

Case 1: John D. Rockefeller (1839 – 1937) is widely known as one of the wealthiest businessmen in American history. His fortune primarily came from Standard Oil Company, which grew to dominate the oil industry in the United States (Library of Congress Research Guides 2021 June 2). During Rockefeller's time, Social Darwinism offered a perfect moral justification for America's extreme laissez-faire capitalism (Reich 2005 November 20). It allowed Rockefeller to claim that the fortune accumulated through Standard Oil Trust was "merely a survival of the fittest ... the working out of a law of nature and a law of God" (Morison and Commager 1942/1962).

When Standard Oil's profit margin was reportedly jeopardised by many small oil refineries, Rockefeller used cut-throat competition² to eliminate his rivals (Morison and Commager 1942/1962). Encountering increasing supply from other oil refineries, mainstream Neoclassical economists would advise this producer to reduce plant size and output to achieve an optimal equilibrium. However, Rockefeller did not back off. Taking the canon of Social Darwinism, he cut oil prices to the levels that rivals were unable to survive, then proceeded to take over them. Rockefeller once claimed, "absorbing the weak and making the industry as a whole stronger, more efficient, and more competitive" (Segall 2001 February 8; Reich 2005 November 20). Through Standard Oil, Rockefeller controlled 90 percent of oil supply in the United States, making him one of the most powerful businessmen in American history (Library of Congress Research Guides 2021 June 2). On his business success, Rockefeller remarked in Social Darwinism tone: "The American beauty rose can only be produced by nipping off the smaller blossoms as the rose develops" (Hughes and Cain 2011:361). He destroyed many smaller buds to make his great Standard Oil. It is worth iterating that judgment is not made in isolation but intersubjective. Rockefeller once claims, "it is very important to remember what other people tell you, not so much what you yourself already know."³ Moreover, Social Darwinism is at its heyday in the late 19th and early 20th centuries. The whole American society deeply believed in "survival for the fittest". Rockefeller's business strategies reflected the belief and value of his time. His judgment was consistent with American thinking in the age of laissez-faire capitalism. Hence, his version of "survival for the fittest" namely, cut-throat competition, was justified in the American society at the time. The Rockefeller case shows that profit is a necessary but not sufficient condition for making a "correct" judgment. A "right" judgment reflects the society's belief, moral standard and culture. It is difficult to envisage Rockefeller's business strategies to be approved today when social justice prevails. However, it works in his time.

Case 2: Hsu Wen-lung, the founder of CHIMEI Corporation in Taiwan, produced methyl methacrylate (or acrylic). However, when the business profit reached a record high, he sold all his business. In business view, when profit is realized, it means the right judgment. Hsu's decision seems contradictory to business's view. Hsu's interpretation is outstanding. He stated that when profit reaches very high, it indicates that the business comes to an end. It is time for him to withdraw. This fact indicates that profit margin is important to an enterprise. However, entrepreneur's judgment depends on the community too. Profit reflects the dynamic reaction of the peers in the industry (Chen and Yu 2012:174).

Case 3: At the early stage of Deng Xiaoping's Open Door Policy in 1979, Hopewell Holding⁴, a prestige infrastructure enterprise in Hong Kong, made huge investment in highway construction in mainland China. Hopewell was one of the first companies to invest in infrastructure projects in China. When most Hong Kong companies experienced huge financial loss, Hopewell still held on the

² This is termed "predatory pricing" in economics.

³ https://www.goodreads.com/author/quotes/23268.John_D_Rockefeller, access on 29 April 2025.

⁴ headed by the founder, Gordon Wu.

investment in China. Eventually, Wu's business has been approved as a patriotic enterprise and blossoms afterwards. The case implies that businesspeople do not look into profit and loss only. Judgment is socially embedded (Granovetter 1985).

In short, in standard economics textbook, profit is reduced to a simple calculation of revenue and cost by the producer. Profit is impersonal and soulless. In this paper, profit is embedded with social meaning. Profit should not be studied in a social vacuum but should take into an account consisting of human agents' mutual expectations, intentions, needs, strategies, etc. (Renault 2006:6).

6.3 Explaining repeated error

Admittedly, to err is human nature. Repeated error in judgment will lead to failure. However, why do so many people make the same errors over again even though objective truth has been told? The issue has been explained by the theories of repetition compulsion (Freud 1914), cognitive dissonance (Festinger 1957) and selective attention (James 1890). Recent psychology studies reveal how our brains don't learn from our past mistakes. Instead, thinking about past failures might end up repeating the errors ourselves (Khazan 2016 February 25). In consumer psychology, some people cannot control their impulse to buy some useless stuff because recalling failure in the last purchase can put them down. When we are feeling down, we tend to spend money extravagantly on useless stuff (Khazan 2016 February 25).

This paper offers a phenomenological explanation on repeated errors. People's current judgment is based on their experience or stock of knowledge. Individuals commit an error and experience the incorrect decision. The crucial point is that they did not experience the correct route. Hence, in their next attempt, they continue to make the same experienced error. Unless they experience the 'right' judgment and relearn, they will repeatedly make the same old error which they once experienced.

6.4 Explaining mental inertia in experienced entrepreneurs

Mental inertia influences judgment by experienced entrepreneurs. In psychology, mental rigidity refers to an inability to yield or a refusal to appreciate another person's viewpoint or emotions (Aquilar and Galluccio 2007:92). It can also refer to the inability to change habits or to modify concepts and attitudes once developed (Stewin 1983). Research on mental rigidity can be traced back from the late 19th to early 20th century in gestalt psychologists. Spearman (1927) uses the term "mental inertia" to describe cognitive rigidity. Several theories have been put forward to explain mental inertia, including status quo bias, the endowment effect (Gal and Derek 2018). However, it remains to explain why experienced entrepreneurs tend to think rigidly. The argument that "inability to break with tradition" seems most relevant to mental rigidity developed in experienced entrepreneurs.

In phenomenology, if an individual repeatedly experiences the same way of doing things for a long period of time, the repeated experience will be taken for granted and become the rule of thumb in problem solving or interpreting incoming events. In other words, human agents see things in a certain way and expect things to be worked out in a certain way. Once the incoming information is

organized into a (mental) pattern, then our mental framework no longer classifies incoming information. All that is required is to have enough information to trigger the pattern. The mind then follows along the pattern automatically just like a driver follows a familiar road. Over time, a habit develops because the human agents simply use their mental folders routinely. Resistance to change means that our thinking is locked up in the old concepts (deBono 1992:17). Two further points are worth mentioning. First, once human agents take the experience for granted, then perception becomes more influential, because the way they look at a situation will determine what they can do about it. Second, unless another competing pattern is developed in our mental framework, anything similar to the established pattern will be treated just as if it were that pattern. Furthermore, human experience or the stock of knowledge is a product of social construction. Rules or moral norms are then followed unconditionally. If people act against these rules, then they will have a 'bad conscience'. Hence, an action is reinforced during the process of socialization when agents learn to behave according to the 'right' rules of the game that constitute the society they live in (Ackermann 1998). It explains why experienced entrepreneurs believe their way of doing thing is always right. They are more unlikely to unlearn the old things and relearn the new things. They are regarded as nostalgia or stubbornness.

6.5 On family business succession

Family business succession refers to the decisions on capabilities, property rights and corporate governance of the firm. In many family businesses, the business is passed on from generation to generation and becomes routinized in practice. In particular, Chinese family enterprises focus on the business that they are familiar with. They resist to engage in business with which they are unfamiliar. For example, Yung Kee Restaurant in Hong Kong focuses on roasted goose for many generations (see Yu and Kwan 2013). Likewise, many family businesses focus on their products based on their founder's legacy. In management literature, firms use their competence to run their enterprises in the market. This is core competence of the firm (Prahalad and Hamel 1990). Firm capability is passed on from the founder generation to younger generation. Hence, firms focus on business they are familiar with.

From phenomenological approach, firms use their experience to make judgment and solve daily problems. In other words, they possess experience and use their stock of knowledge to make judgment in everyday business life. Our argument is consistent with core competency. With their earned experience, it is easier to operate an enterprise and in particular make judgment with incoming events they encounter in the area. However, experience may become a source of mental inertia and block innovation. When experience and routine judgment cannot catch up with rapidly changing society, the enterprise cannot survive. In other words, if people use old methods to try to solve new problems, the business cannot sustain. This explains the Chinese saying that the fortune of the enterprise founded by the charismatic leader does not last three generations (Lee and Li 2008).

7. Conclusion

Using phenomenology developed by Edmund Husserl and later Alfred Schutz, this paper formulates an experience-based perspective of entrepreneurial judgment. It argues that judgment is based on experience which is meaningful, future-oriented, intersubjective, and shares communicative common in society. It is a process of knowledge transmission. In simple terms, the entrepreneur would handle an imagined project as if it were a complete act. Moreover, human agents make different interpretations on the same event. Interpretations are intersubjective. A correct foresight or judgment means that the entrepreneur can provide goods and services matching with the needs and moral consensus of the society, while other entrepreneurs cannot. With the experience-based framework of entrepreneurial judgment, this paper draws implications on intuition, profit and loss, the notions of repeated error, mental inertia, and family business succession.

The theories of judgment are studied in many different disciplines across from the social sciences and humanities. So far, little academic research is conducted on judgment in economics and business management. There remains wider scope for interpreting and applying entrepreneurial judgment in Austrian School. It will be fruitful to apply entrepreneurial judgment theories in terms of phenomenology in studying innovation and learning process. After the Covid-19 pandemic of 2020-2023, an experience-based perspective of entrepreneurial judgement can shed lights on how experience influences entrepreneurial judgment under uncertainty with external shocks and extraordinary policy responses.

Acknowledgement

We thank the two anonymous reviewers of this journal for their constructive comments and effort in improving this paper. Any arguments remain in the paper are solely the responsibility of the authors.

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