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Judgment, fast and slow: Toward a judgment view of entrepreneurs' impulsivity

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ABSTRACT

In this article we respond to recent research that suggests that some entrepreneurship arises out of the disinhibitions of entrepreneurs and, thus, occurs without judgment. We challenge this view and contend that impulsive behaviors can and ought to be understood within the framework of judgment and, thus, as rational human action. Under a broader, but more workable, definition of rationality, we briefly explore cognitive research on how two types of rational judgment—fast and slow—occur. We conclude by exploring the implications of this reframing of judgment on how we ought to understand disinhibitions and its effects on entrepreneurship.

1. . Introduction

Recently, scholars have begun to explore the possibility that entrepreneurship arises from *unreasoned* or *less-reasoned* logics such as impulse (e.g. Kautonen et al., 2015; Lerner, 2016; Lerner et al., 2018a; Lerner and Fitza, 2012; Wiklund et al., 2017a, 2017b). Such impulsivity is proliferated or augmented in those with, for example, attention deficit/hyperactivity disorder (ADHD), which can lead to greater entrepreneurial risk-taking (Lerner et al., 2018b, 2018c; Wiklund et al., 2018, 2016).

This observation of arational entrepreneurial action challenges the so-called judgment view of entrepreneurship (see Sarasvathy and Dew, 2013), which holds that rational judgment is the essence of entrepreneurship (Knight, 1985; Foss and Klein, 2012; McMullen, 2015). Building on Austrian insights and Mises's (1998: 11–13) work in particular, which suggests that "[h]uman action is purposeful behavior" where "[a]ction means the employment of means for the attainment of ends," the judgment view holds that rational judgment *causes* entrepreneurial (and all other) action, and so necessarily precedes it. Entrepreneurial action, to this view, is always purposeful, the employment of *new means*, or existing means in *new ways*, toward intentional goals or plans (Mises, 1998; Bylund, 2016; Packard, 2017). How, then, can it be that entrepreneurship can sometimes derive from impulsive (unintentional, unreasoned, or arational) action?

Here we attempt to reconcile impulsivity with judgment by examining key definitions—entrepreneurship, judgment, and rationality—that have been the source of confusion and misalignment. That is, we find that the disagreement is not in theory, but in where the lines ought to be drawn. What some call 'impulsive' and 'arational' is, to judgment theory, perfectly rational. In short, we question the delineation between "deliberate actions and impulse-driven actions" (Lerner et al., 2018a: 53), and propose that a more robust definition of entrepreneurial action, whether slow and careful or quick and instinctive, adheres strictly to a judgment view.

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2. Defining and delineating entrepreneurial judgment and action

Entrepreneurship is "the intentional pursuit of new economic value" (Packard, 2017: 544; cf. Bylund, 2016; Wiklund et al., 2011). This definition takes the forward-looking perspective of the individual, and not that of some 'objective observer,' in determining if an action is entrepreneurial (cf. Dimov, 2011, 2016). Thus, action is 'entrepreneurial' *if and only if it is intendedly so.*[1]

A more careful definition of 'entrepreneurial judgment' also follows. While judgment is often defined abstractly in terms of its antecedents (i.e. decision processes) or outcomes (i.e. observed action), what judgment actually *is* has not yet been carefully considered. We define and understand judgment as *the conscious determination of intentions*, the shifting of intentions from one desired end to another, which may necessitate a different course of action. Thus, if action is intentional, then that action must be the response to a judgment. This definition encompasses all conscious decisions, from the large (e.g. the deliberate choice to start a business) to the small and inconsequential (e.g. the sub-conscious election to stretch one's muscles). All action directed at some goal, no matter how big or small, necessarily results from judgment about how to best pursue the goal: an intentional choice of what action to take. Importantly, this definition resolves the criticisms levied against various decision theories such as rational choice theory (e.g. Byrne, 2007; Somers, 1998). If 'rationality' is left to the subjective determination of the actor, there can be no 'irrationality' and there is plenty of room for other actions previously not conceived as 'rational.' For example, March (1976) contrasted rational judgment from less purposeful 'foolishness' or 'playfulness,' and advocated a broader inclusion of such purposeless activities in our theories. But must rationality be robotic and emotionless? Cannot one derive value (i.e. well-being) from play? Subjectivism allows such playfulness, along with other more impulsive behaviors, within the confines of 'rationality,' as the choice to play is made with some intention in mind and thus has *meaning* to the actor.

Having set forth our own definitions, let us now contrast these with those put forth in the impulsivity literature. Impulsivity scholars have so far adopted an aggregated view of entrepreneurship in which "the designation 'entrepreneurial' applies to a time-bracketed set of actions that is a subset of all life actions," and where entrepreneurship begins with "certain watershed events or actions without which [the entrepreneurial story] would not have unfolded" (Lerner et al., 2018a, 2018b, 2018c: 55). These broad and abstract boundaries lead them to conclude that actions deemed entrepreneurial retrospectively or by some outside observer sometimes originate in non-entrepreneurial sources, such as disinhibition. Thus, some portion of the entrepreneurial process, for them, may precede any entrepreneurial intention.

We think this aggregated attempt to include actions before an entrepreneur *intends* to pursue new economic value is mistaken. Such arbitrary boundaries are difficult to justify. What "watershed events" must we include as part of the entrepreneurial story? There must be innumerable events, big and small, throughout one's life that may have been critical to one's eventual decision to start a venture. What's more, it should be quite possible for entrepreneurship to occur without a single event that would aptly be described as a 'watershed' moment. Thus, we find a more foundationally sound delineation for entrepreneurship in the arising of intentions toward new economic value creation, which occurs by way of entrepreneurial judgment. Actions prior to such judgment, whether intentional or impulsive, are not *entrepreneurial* actions, but merely precede them. They are *non-entrepreneurial* or, perhaps, *pre-entrepreneurial*, but what we define as *entrepreneurial action* is always and necessarily intended to be entrepreneurial. We find this to be a more workable and theoretically coherent definition for entrepreneurship theory.

To illustrate our definitions, let us offer a few illustrative examples. First, consider a hobbyist coffee roaster who, over time, realizes that the hobby, pursued for non-monetary and non-entrepreneurial reasons, is appreciated (if not 'demanded') by others (e.g. family and friends, acquaintances, and even strangers), and therefore might be turned into a source of income. This realization alone has not yet instigated entrepreneurship per se, but she must still effect entrepreneurial judgment, turning intentions entrepreneurial, else it becomes a consciously forgone opportunity. The hobbyist's coffee roasting that leads to entrepreneurship—the initial activity as well as its expanded scope to supply family and friends—is not itself *entrepreneurial action* (except, perhaps, inasmuch as it creates new economic value for herself) and should not be thought of as such, but her action only becomes entrepreneurial upon deciding to extend the hobby into creating new economic value through market entrance via creating a new firm.

In a second scenario, the prospective entrepreneur begins roasting coffee beans experimentally *with the intention* of starting a new coffee shop, but reserves final judgment over whether to start a venture until the prospective value of her brews can be more fully assessed. In this case, what has historically been termed 'entrepreneurial judgment'—the commitment of resources toward an endeavor (Foss and Klein, 2012)—has not yet occurred, except at a minimal level. Yet, for us it *is* entrepreneurial action because the intentions are already entrepreneurial, which intentions are the product of entrepreneurial judgment as we have defined it. Her entrepreneurial action began upon committing herself to the creation of new economic value. If the brews prove acceptable, her general intentions do not newly shift, but only her next steps. If the experimental brews prove unacceptable, her intentions would then shift *away* from entrepreneurial ends, and her actions would stop being entrepreneurial, much like with any other failed venture.

Consider, finally, a third case: the prospective entrepreneur begins hobby roasting coffee with the intention of starting a business *someday*. In this case the individual has made entrepreneurial *plans*, but has not yet formed entrepreneurial *intentions*—that is, she has not yet made entrepreneurial judgment. Thus, her actions do not yet constitute 'entrepreneurial' action. There is no commitment

[1] As intentions are not clearly observable, they may be difficult to use as a foundational construct for entrepreneurial science. However, our goal here is not scientific convenience, but correctness and precision. We leave *how* such intentions can and ought to be best captured to future work, but suspect that adopting our position may entail a 'qualitative turn' in entrepreneurship research.