

BOOK REVIEWS

Book Review: *Research Handbook on Austrian Economics in Management and Entrepreneurship*

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JEL Classifications: A12 Relation of Economics to Other Disciplines, B53 Austrian, L26 Entrepreneurship

<https://doi.org/10.35297/001c.163111>

Quarterly Journal of Austrian Economics

Vol. 29, Issue 2, 2026

Research Handbook on Austrian Economics in Management and Entrepreneurship

edited by Vishal K. Gupta and Per L. Bylund

Edward Elgar, 2025; xi + 290 pp.

The value of any means depends on how well it contributes to an end. My evaluation of the *Research Handbook on Austrian Economics in Management and Entrepreneurship* will thus be guided by the book's two main objectives, which I share, as laid out by its editors Vishal K. Gupta and Per L. Bylund in the introductory section (6): "First, we want to showcase the diverse ways in which Austrian ideas can inform management and entrepreneurship research. . . . Second, we seek to inspire other scholars to explore Austrian themes in their scholarship." Because value is subjective, I do not claim to speak for anyone but myself, of course. Nevertheless, I hope that my review will provide some indications and be helpful to others.

To get right to the point: The *Research Handbook on Austrian Economics in Management and Entrepreneurship* is a commendable collection of insightful and thought-provoking chapters that meet the objectives set by its editors. Contributed by renowned authors, the chapters cover a broad range of topics of great interest to management and entrepreneurship scholars. The book builds on themes in existing academic journal literature while offering new directions for management and entrepreneurship research informed by Austrian economics. Naturally, because the book covers a broad range of subjects, not all of them will interest every reader. However, for Austrian economists interested in entrepreneurship or management, as well as for entrepreneurship and management scholars looking to inform (and upgrade!) their research with Austrian insights, I certainly recommend skimming the table of contents to find chapters of interest—there are undoubtedly several. The book is a worthwhile read for everyone in either group.

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The book has eleven chapters. Beginning with an introduction by the aforementioned editors, it covers quasi-markets (chapter 3), women's entrepreneurship (chapter 4), entrepreneurial ecosystems (chapter 6), innovation (chapter 7), hybrid organizations (chapter 8), and the Austrian School of strategy (chapters 5 and 10), among other topics.

Of course, different scholars have their own foci, tastes, and interests. I will therefore abstain from reviewing and evaluating every chapter in the book, instead exploring the chapters that interest me most in the context of my own research. However, this does not mean that I would not recommend engaging with the remaining chapters. On the contrary, I encourage readers of this review to explore the other chapters, which I am sure will be of interest to many scholars.

The first chapter with great appeal to me that I thus want to highlight in this review is "Psychic Profit, Entrepreneurial Judgment, and Hybrid Organizations," by Mihai Vladimir Topan, Matthew McCaffrey, and Carmen-Elena Dorobat (chapter 8). The authors deviate from the common, isolated scholarly focus on the monetary profit motive of entrepreneurs to instead also shed light on psychic profit. They argue that "all entrepreneurial decisions involve an interplay between the pursuit of monetary profit and the pursuit of personal, or 'psychic' profit" (153–54), thus overcoming the idea that hybrid organizations (i.e., organizations with both financial and nonfinancial motives) are somewhat paradoxical or counterintuitive. According to the authors, this insight has far-reaching implications for key questions in various fields, including economics, entrepreneurship, and organizations, at different levels of analysis. I concur.

Topan et al. guide the reader through the Misesian perspective on 'hybrid' or 'righteous' capitalism—that is, a form of capitalism where resource allocation is directed not solely by monetary profits, but also by nonmonetary motives. The authors demonstrate that Mises strongly opposed this form of economic organization, fearing that it could even lead to tyrannical authoritarianism. However, the authors argue that Mises's writings about entrepreneurship and action imply that the decisions and actions of entrepreneurs might very well take into account considerations other than monetary ones, such as moral considerations. They explain: "The apparent contradiction in Mises's views results from theorizing at different levels of abstraction. When he argues in terms of the broad economic and social role of entrepreneurship . . . he concludes that limiting monetary profit leads to economic chaos. Yet when he takes the behavior of real entrepreneurs as his unit of analysis, Mises reaches nearly the opposite conclusion" (163–64).

In their chapter, Topan et al. explore "some ways in which an Austrian causal-realist approach offers indispensable microfoundations for understanding hybrid organizing and hybrid capitalism" (172). By harmonizing the different levels of analysis and putting the individual judgments and actions of real-

world entrepreneurs at the forefront, the authors help reconcile some apparent contradictions and open pathways to refining research on entrepreneurship, (hybrid) organization, and the role of nonmonetary motives in economics.

Another invigorating contribution to the *Research Handbook on Austrian Economics in Management and Entrepreneurship* is Todd H. Chiles and Mark D. Packard's "On Imagination, Complexity, Dynamism, Uncertainty, and Indeterminacy: A Gathering of and Meditation on the Kaleidic 'Bones' of Entrepreneurship" (chapter 11). Importantly, the authors remind readers that there is no such thing as *the* Austrian theory of entrepreneurship, but rather (at least) two distinct camps that have inspired different strands of entrepreneurship research. While most scholars, building on the work of Israel M. Kirzner and Joseph Schumpeter, "have implicitly committed themselves to a static 'equilibrium' concept," others "have situated their work in, or prominently featured, the relativist/constructivist camp of radical subjectivism" (248), rooted in the work of Ludwig M. Lachmann and George L. S. Shackle. The latter camp is no less important than the former, yet it has received far less scholarly attention. Thus, Chiles and Packard perform an important task by highlighting this neglected tradition of which many entrepreneurship and management scholars are arguably unaware, aiming to "consolidate and organize this knowledge for management and entrepreneurship scholars and offer additional thoughts, implications, and directions" (248).

To "exhume the kaleidic 'bones' of entrepreneurship that have been entombed in the catacombs of theoretical dismissal and rejection for many decades" (275), Chiles and Packard conduct a "pragmatic" review of the relevant literature, acknowledging the "limited, often fragmented, and generally scattered nature of the use of the term 'kaleidic' in entrepreneurship research" (249). This allows the authors to derive five main themes within the literature, which they label the "kaleidic bones": imagination, complexity, dynamism, uncertainty, and indeterminacy. For each of these "bones," the authors then provide a thorough and nuanced discussion, consolidating existing knowledge, juxtaposing it with the view of markets as equilibrating, and suggesting potential directions for future research from the radical subjectivist stance. Chiles and Packard believe their "chapter takes an important step in advancing our understanding of Austrian economics in entrepreneurship generally and the radical Austrian approach to entrepreneurship specifically" (275). I share this assessment and urge scholars to build on the foundations so thoroughly consolidated by Chiles and Packard to promote the neglected radical subjectivist Austrian approach to entrepreneurship.

The next chapter I would like to highlight is “Effectuation and the Logic of Action: Critical Assessment from a Praxeological Perspective,” contributed by the book’s editors, Bylund and Gupta. Originally introduced by Saras D. Sarasvathy (2001), effectuation is a logic of entrepreneurial action which has inspired an increasingly prominent strand of the entrepreneurship literature. Effectuation is distinguished from the more traditional decision-making logic, in which actors attempt to employ the best means to achieve some predetermined goal(s) based on future predictions (Sarasvathy 2001). In contrast, effectual entrepreneurs have been described as applying a logic of nonpredictive control to address conditions of Knightian uncertainty, in which predictions are significantly undermined. They commence their entrepreneurial endeavor with the resources that are immediately available to them and establish alliances through stakeholder commitments, thereby incrementally and adaptively cocreating open-ended futures. In doing so, effectual entrepreneurs maintain loose aspirations and consider their affordable loss instead of expected future returns, while leveraging opportune contingencies (Sarasvathy and Wheatley 2025).

Bylund and Gupta’s critique of effectuation interests me because I believe that this logic has been overglorified and urgently needs more rigorous critical assessment to counterbalance its overly positive, biased portrayal; this is why I have critiqued effectuation elsewhere myself (Rapp 2022; Rapp and Leunbach 2025; Rapp and Olbrich 2023; Rapp, Olbrich, and Packard 2025).

Bylund and Gupta employ the Austrian method (i.e., praxeology) “as a general and internally consistent theory of action” (23) to evaluate effectuation as a logic of one particular type of action (i.e., entrepreneurial action). Specifically, they evaluate the consistency of the logic of effectuation both with the general logic of action and with itself by scrutinizing effectuation’s five core principles: bird in hand (start with available means), affordable loss (precommit only what one can stand to lose), crazy quilt (expand set of available means through precommitments from stakeholders), pilot in the plane (control the shaping of the future instead of predicting it), and lemonade (leverage opportune contingencies along the way). Bylund and Gupta persuasively argue that, although the effectuation principles are largely compatible with praxeology, effectuation fails to distinguish between entrepreneurial and other actions in a theoretically coherent way. In fact, it “excludes behaviors generally recognized as entrepreneurial best practices” (24). The authors ultimately conclude that the principles of effectuation are subject to “seemingly arbitrary or at least theoretically suspect limitations” (30).

Regarding the internal consistency of the principles of effectuation, Bylund and Gupta correctly assert that effectuation involves potential contradictions and circular reasoning. It also contravenes value subjectivity, mixes levels

of analysis, and contains several prescriptions that are not theoretically supported and are based merely on specific actors' preferences rather than on distinct types of action, argue Bylund and Gupta.

I believe that the authors have greatly extended previous research efforts with their critical assessment of effectuation. I appreciate their systematic scrutiny of the logic of effectuation through the lens of praxeology. Through this novel approach, they will help foster a more balanced perspective on effectuation, benefiting both its study and practice.

The final chapter I would like to discuss in more detail here is Magnus Holmén, Rögnvaldur J. Saemundsson, and Håkan Knutsson's "Ecosystems, Capital Structure, and Entrepreneurial Action," which is the sixth chapter of the book. Here, the authors add some much-needed Austrian flavor to the emerging body of work on entrepreneurial ecosystems by viewing such ecosystems, and their potential temporal transformations specifically, through the lens of Lachmannian capital theory and by building on Carl Menger's seminal notion of goods of different orders. In particular, the authors analyze how "entrepreneurial actions transform ecosystems following the introduction of a new capital resource" (113). To motivate their chapter, Holmén et al. state that previous work has primarily focused on how entrepreneurial ecosystems are designed, paying less attention to how they are transformed through and transform entrepreneurial action.

The authors address this issue by conceptualizing "ecosystems as changing structures of means-ends relationships aiming to satisfy human needs that are shaping and shaped by entrepreneurial action" (126). They illustrate two main ways in which entrepreneurial action can transform an ecosystem when a new capital resource relevant to all firms in the ecosystem is introduced. First, entrepreneurial action can transform an ecosystem into a hierarchy-based value system, "where the integration of the focal and complementary offerings will be done by firms rather than by customers themselves" (126). Second, an entrepreneurial ecosystem can transform into a market-based value system, "where the customer continues to integrate focal and complementary offerings but is not limited to the offerings provided by a particular ecosystem and where there is little interaction, if any, among complementors" (126). The authors argue that whether an ecosystem evolves in one direction or the other depends on the specific attributes of the newly introduced capital resource. The authors also find that a specific combination of such attributes may stimulate entrepreneurial action that transforms an ecosystem internally, by changing the roles of the different actors within the ecosystem.

I welcome Holmén et al.'s efforts to guide research on entrepreneurial ecosystems toward Austrian economics and to focus more on the temporal actions of entrepreneurs as the ecosystem evolves and transforms. Of course, as the authors openly admit, their analysis is rather limited, focusing only

on the case of a newly introduced capital resource. However, it is a useful first step in more fully exploring entrepreneurial ecosystems from an Austrian perspective. I hope that Holmén et al.'s analysis, together with the future research they suggest, will more closely align research on entrepreneurial ecosystems with Austrian economics, which can only benefit this field.

Overall, I have a positive assessment of the *Research Handbook on Austrian Economics in Management and Entrepreneurship*. I believe it contains interesting and thought-provoking content for scholars working in these fields, and I thus recommend reading it. However, I cannot conclude this review without offering a critical note as well. I searched the book in vain for contributions related to entrepreneurial finance and investments from an Austrian perspective. Financing business ventures is often a critical step in the entrepreneurial journey (Cassar 2004), and investments made by entrepreneurs are at the heart of entrepreneurship (Klein 2008). Despite the significance of financing and investing for entrepreneurship, the book unfortunately does not contain chapters devoted to these vital phenomena. This is all the more surprising given that prominent voices within the Austrian community have closely linked entrepreneurship to investment (esp. Klein 2008) and an emerging stream of literature has begun to explore a genuinely Austrian approach to applied investing under conditions of uncertainty (e.g., 2016; Hering et al. 2021; Rapp et al. 2025). Furthermore, the well-established business cycle theory of the Austrian School is essentially a theory of entrepreneurial *malinvestment*. Thus, Austrian economics has great potential to inspire and advance research on entrepreneurial investing and finance. I would hence appreciate seeing contributions that explore these critical areas from an Austrian perspective in future editions of the *Research Handbook on Austrian Economics in Management and Entrepreneurship* or in related research projects.

Submitted: April 23, 2026 CDT. Accepted: May 07, 2026 CDT. Published: June 16, 2026 CDT.



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