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Judgment as un-linear as time: Description and ascription in venture capital assessments

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ABSTRACT
The relation between the development of theories of management and organization, on one hand, and the notion of time, on the other, is perhaps best characterised by the role taken by time researchers to develop and educate the research field of management and organization.

As Rehn (2004) notes the contribution is assumed to go in one direction. For example Lee & Libenau (1999) claim that research on time is practically neglected within the field of organizational research, whereas Butler (1995) refers to time as a ‘neglected variable’. What the present text proposes is an analogy between the psychoanalytical view of time as un-linear and the process of managerial judgment. Following Wittgenstein’s view on our play with judgments the process of judgment is, I will argue, best understood in un-linear terms. It is characterised by a leap -- something like a transformation or a break -- from doubt to readiness to act. We are however left without a picture of this un-linear way of reasoning, which is what this text proposes we should borrow from the psychoanalytical view of time, called après-coup. The play of judging will be portrayed with short references to a case study at a venture capital (VC) company in Stockholm (the Swedish Industrial Development Fund, called IF) and readings of Ludwig Wittgenstein. The purpose is hence not mainly to contribute to the way in which researchers of management and organization view time, but rather to describe managerial and organizational judgment using an analogy to a specific view of time as un-linear. After presenting the main concepts, such as après-coup and judgment, the analogy is developed and discussed.

Après-coup

The French expression, après-coup, means more or less “after the event” and is the term used to signify the psychoanalytical view of time. The point of this article is to create an analogy between on one hand après-coup, as a model for time, and on the other the workings of managerial judgment. Instead of seeing time as linear, i.e. with past causes determining present effects, in après-coup time progresses in a sort of backward loop. Although it is admitted that the past does cause the present, the present will also overdetermine the past. The specific tense is the future perfect; will have been. As Kay (2003) explains it, borrowing from Zizek (2001), a childhood experience will prove to have been a traumatic experience when and if it is reactivated as such in the present. The past is in a sense not over until the present has finished dealing with it. In other words our past will determine our present psychological propensities, but will also be over–determined by the way in which we give meaning to our past in the present. There is however nothing teleological about après-coup; the point is that what may seem inevitable is a purely contingent state of affairs. A linear view of time will allow us to see the present as being determined by the past, and in that sense allow the past to be contained in the present. The effect of après-coup - that the present overdetermines the past, however, gives an interesting twist to this view. Not only will the past be contained in the present, but the present will also be contained in the past, through the way in which the present will give sense and meaning to the past.
As I will argue, we can here make a fruitful analogy to judging as something on one hand determined by facts and calculation -- i.e. the description of the case to be judged -- but also overdetermining the meaning of the same facts and calculations. In the case of an investment manager making up his mind about a potential investment, his description of the case at hand will be intertwined with the way in which values and meaning are ascribed to the facts and calculations of the case. As we will see deduction and judgment, the calculation and its meaning are in a sense contained in each other. As Kalthoff (2003) argues, when making up our minds regarding an external reality represented in economic figures, the description of this reality and the ascription of values and meaning to it, go hand in hand. But first, some brief reflections narrowing down the concept of judgment.

**Judging and deducing**

Judging may be described as what we do when we have to make up our mind confronting a situation in which the premises are such that we cannot deduce from them which way to go next (Guve, 2003). Although this does not explain how it happens, it describes the characteristic circumstances of a situation demanding of us to make use of our judgment. It follows tautologically that we cannot make up our mind through deduction in a situation that requires us to judge. Accepting this starting point we can make a clear distinction between judgment and deduction. To deduce which action to take is, as Langer (1967) explains, something we do only in rather well defined situations, such as for example when deciding what time to get up in the morning in order say to catch a flight. If the plane leaves at 10 we know I should be at the airport at 8:30. I also know it takes about one hour to get to the airport and that I need another hour to shower and eat breakfast. Hence I will probably decide to get up at about 6:30. In such a situation the premises, such as "It will take me one hour to get me from my home to the airport." or "I usually need one hour to get ready in the morning." will define the conclusion. To make up ones mind in such a situation is a case of gathering information, calculating and concluding, just as the classical decision theory would describe it to us.

**Problem -> gather information -> calculate -> deduce -> Aha!**

Although portraying the classical decision theory like this may be a bit blunt, it hopefully serves the point I am trying to make. In such a case we are not judging, but deducing. Once we have the right information we jump on the train and let the track - our analytical model - lead us to the end station - the conclusion. However most situations in life requiring us to make up our minds, and especially those in the management context, are not as well defined as the example above. They mostly have to do with what we think about future events, or how other people will act. For example, if we try to decide which way to vote in the elections, develop a company's strategic plan, choose a savings plan, choose the starting 11 players for a soccer-team, are trying to come up with a name for a new political party for women, or have to make a recommendation to the board of directors of a VC company whether or not to invest in a high-tech, high-risk project, then the conditions are different. Situations such as these are mostly characterized by their being related to circumstances which we don't control and events, the outcome or significance of which we cannot know. Mostly we are aware of the fact that we don't know the consequences of our choice, and mostly - interestingly enough - as Ryle (1949/1990) has shown, this does not necessarily make us doubt. The apparent problem of not knowing is not about needing more information. No information in the world will allow us to know how our savings plan or the chosen company strategy will turn out. Instead it is about a fundamental indefinite quality of the world and our way of dealing with it - our way of judging. It is when we act, when we take a stand in situations that
are fundamentally indefinite, that we judge.

The heart and centre of the idea behind the analogy I will try to make between judging and après-coup lies in the shared backward loop. In après-coup the loop is characterised by the idea that, as Kay (2003) puts it, “the way in which” the past will determine the present will be over-determined in the present. Analogically, I will argue, the way in which the facts of a case are valued, will over-determine the meaning of the facts. In other words the way in which our values and meaning are ascribed to a case will over-determine the very description of it. Hence the après-coup relation between present and past will be analogous to the relation between our judgments and the way we reason about them. On one hand the relation will be characterised by linearity: in analogy to the past leading to and determining the present, the facts of the case at hand will lead to and determine the arguments supporting our judgment. On the other hand this linear explanation will come up short. When for example judging an investment opportunity the arguments supporting the judgment will be just that - arguments - and not compulsory, logical, deductive steps determining the way in which our mind are (or should/could) be made up. A judgment will never merely depend on facts and arguments merely external to the subjective individual doing the judging. As Beiner (1983) argued, a case of judgment will always require the individual subject to show him/herself. And we show ourselves by showing the way in which we judge the case at hand. Perhaps we could say that our arriving at a concluding judgment is less like a train arriving at the end station and more like the arrival of a new day. In Wittgenstein's (1969) words:

When we first begin to believe anything, what we believe is not a single proposition, it is a whole system of propositions. (Light dawns gradually on the whole.) (1969/1972, § 141)

**Judging and talking**

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The way we make up our minds when we judge is far from necessarily the way we will talk about it. As Giddens (1986) pointed out, our capacity to answer the question why we are making this particular judgment is central to the way we will be perceived by others. And, as Gustafsson (1994) argued the way we will answer to 'why' will mainly follow a deductive structure. However, although deduction may be the way in which we will dress our reasoning and arguments, it doesn't necessarily portray the way in which we reason. As Langer (1967) pointed out deduction is only a small part of our human thinking. According to Hertzberg (1994) it is a way of describing our thinking, something like a co-ordinate system in which to put the different facts and arguments we refer to. Deduction follows the form of rationality as found in the syllogisms, where the premises lead us to the logical, tautological or at least rational conclusion. As Gustafsson (1994) explains there are two types of syllogisms, namely the theoretical and the practical. The theoretical syllogism follows the mathematical, tautological logic:

1. \( a = b \).
   For example 1. All men are mortal
2. \( b = c \)
3. I am a man
4. Therefore: \( a = c \)
5. Therefore: I am mortal

As we can see the conclusion is logically bound by the premises and in that sense contains nothing new. What is said in the conclusion has implicitly been said in the premises. The practical syllogism follows another slightly more open form:

1. \( X \) wants something.
   For example 1. \( X \) wants her house to be warmer
2. \( X \) knows or believes something
2. \( X \) knows a fire will heat it up
3. Therefore: \( X \) does something
3. Therefore \( X \) goes out to chop wood

As we can see the practical syllogism is not tautological as the theoretical one. Instead of
concluding to go out and chop wood X could for example have asked somebody to do it for her or broken a chair and used it as fire-wood. The point is that the conclusion, although not inevitable, will seem logical to us and give us a sense of understanding the 'why' of the action. Burke's (1945/1969) famous dramatized syllogism, indicating that we look for the act, scene, agent, agency and purpose of a situation, gave us the basic form of what we, as humans, need to know in order to understand an event. As Arendt (1968) has argued our human existence is characterized by the questions we ask ourselves and are asked by others; What are you doing? Why are you doing that? The answers we have to all these sorts of questions are woven together to narratives and judgments in which the dramatized syllogisms will be the corner stones. We are as listeners namely not satisfied until the answers have created a narrative. As Arendt (1978/1981) explained, as story-tellers what we tell will also be driven by our feeling of the listeners expectations. The argument is similar to what Giddens (1986, p 5) calls the reflexive monitoring of activities. He writes: The reflexive monitoring of activity is a chronic feature of everyday action and involves the conduct not just of the individual but also of others. That is to say, actors not only monitor continuously the flow of their activities and expect others to do the same for their own; they also routinely monitor aspects, social and physical, of the contexts in which they move.

Through this, Giddens explains, we rationalize the actions of others as well as our own, constantly and as a matter of routine. The problem of the syllogisms, in relation to our understanding of judgment, is that they will portray our line of reasoning as just that -- a line. The very word 'de-duction (lat. 'duco'; eng. 'lead, draw, way') implies giving a sense of direction, something like a trail leading the way. The practical as well as the theoretical syllogisms are however not so much as lines, but rather like points in space - -like dots. They are self-referential in the sense that they show nothing new. When faced with the question 'why?'-- as, for example, when an investment manager stands before his board of directors defending a recommendation to invest in a specific company -- we try to create a sequence of syllogisms 'leading' to our conclusion. Mr Wahren, vice president of the Swedish Industrial Development Fund explained his work like this:

Once you have made up your mind, the work starts with finding the arguments.

In other words we try to organize the dots, the syllogisms, in such a way that they will create a line, a trail; namely the line of reason we are defending. The line is however, of course only illusory. Our 'line' of reasoning portrays no steps forward to a conclusion, but rather a point in space -- our standpoint. In his Philosophical investigations Wittgenstein remarks:

How is it decided what is the right step to take at any particular stage? ... It would almost be more correct to say, not that an intuition was needed at every stage, but that a new decision was needed at every stage. (1953/1974, § 186)

In the reasoning by which we represent our judgment, the step from one specific syllogism to the next is neither determined by logic, nor intuition. My judgment is my standpoint in a situation in which I must take a stand, and my arguments will defend it in the form of syllogisms. We should however not be lured to see the syllogisms as following on one another portraying a linear, deductive trail, but rather see each syllogism as a different aspect of the same standpoint.

It may be important in this context to differentiate between our intuition and our judgment. Arendt (1978) and Beiner (1983) refer to Kant in seeing our judgment as something inherently social and intersubjective. While intuition has to do with inspiration, some kind of inner voice, a listening, or receptivity, my judgment is not 'private', but connected to what I can expect from others. As Wittgenstein (1953) explains, it is connected to rule-following and has in
that sense an authoritarian aspect to it. (Beiner, 1983) I cannot expect somebody to have the same intuition as I regarding a specific issue or situation, but I can and will (inherently) expect my listeners to agree with my judgment as long as I believe they understand my arguments. While deduction refers to the facts and calculations, and hence methods and data outside the person performing the calculation, judging apart from that also refers to something more personal. In a sense, when giving our judgment we are telling the other person to trust us. (Beiner, 1983) Nothing is forcing us to judge a certain way. (Otherwise we wouldn't need to judge.) Arendt (1968) called for courage as one of the necessary requisites of good judgment. As Holm (2002) explains, a judgment may never force us to agree, but will propose to us to consent. The strength of a judgment lies in the fact that it refers to the person doing the judgment and the trust that the listeners have in her. In the judgment the arguments and syllogisms will be connected to an entirety of judgments - to a point of view, a standpoint, perhaps even a life-form, and not to a deductive conclusion. Wittgenstein (1969/1972) explains:

It is not single axioms that strike me as obvious, it is a system in which consequences and premises give one another mutual support. (§ 142)

Deduction and the form of our rationalization as found in the syllogisms is a case of linear procedures, bounded or not, leading to a conclusion, which will be right, if the relevant information is gathered and the correct operations are performed, or wrong, if they are not. We will however never find a fixed starting point, i.e. an unquestionable syllogism or statement from which to build our argument in a deductive manner. Hence, a linear way of portraying judgment must always come up short. The relation between our judgments and the arguments defending it is rather a case of hen-and-egg-problem, which is partly why the loop of après-coup lends itself to its description. As Wittgenstein (1969/1972) so elegantly writes:

Is there a why? Must I not begin to trust somewhere? That is to say: somewhere I must begin with not-doubting; and that is not, so to speak, hasty but excusable: it is a part of judging. (§ 150)

The case of judgment in venture capital (VC) assessments

At the Swedish Industrial Development Fund the assessor will make the first judgment regarding a new potential investment. If it is clearly uninteresting he or she will turn it down. If it however seems interesting he/she will make a deeper study and present the case to the so called 'slaughter meeting', in which the other assessors and the director will take part. As the evocative name suggests the aim of the meeting is to go through all the critical aspects of a project, with the intent to find every weak aspect of it. After this meeting new questions may have arisen - in which case it will be presented to the slaughter meeting again later - or the case may go on to be presented to board of directors, which will make the final decision. Compared to the everyday judgments we all make, the assessor's final recommendation and professional judgment will be highly structured in the sense that it is argued by reference to economic models, calculations, analysis, facts, estimates, and logical arguments. As Giddens (1986) noted the ability to give a coherent answer to the question 'why' is central to the how others will judge the competence of the assessor. In the representation of the economic market-rulled thinking, the form of rationality as found in the syllogisms is central. It reminds me of the magnificent, magical pig of the gods in Valhalla in the Scandinavian mythology - Särimmer. No matter how often Särimmer would be slaughtered, grilled and eaten he would appear just as fresh and untouched the next morning. Similarly, it seems, no matter how often philosophers, social scientists and others will slaughter the idea and form of rationality it seems to prevail untouched… it is a clear case of the Särimmer-effect.

In the interviews with managers, members of
the board of directors and assessors at various Swedish VC-firms it is clear and not particularly surprising that they don't believe themselves to work according to the ideal of logico-deductive analysis. They describe their work as highly structured, but also characterized by each new investment being unique and different from the previous ones. They are aware of a high degree of after-rationalization when speaking about previous investments and quite often seem puzzled and intrigued about how and when their own minds were made up when assessing a new project. All experienced assessors have experienced turning down projects that later turned out to be successful and have also experienced recommending investments that have ended up in losses. Many of them speak of intuition as part of the process and also point out the importance of the group of persons involved in the assessment. Characteristically the process of making up their minds is described as vivid and complex. They are quite aware of the risks of recommending investments that later turn out to be losses. One of the assessors even lost his job after having recommended and been in charge of an investment of 12 million Euro in a company that later went bankrupt. This is however highly unusual. Worse than the risk of recommending poor investments is the risk of making a recommendation that will turned down by the board of directors. In the long run if this is repeated the assessor will feel that he/she is personally criticized, which is an effect of precisely what Beiner (1983) is referring to when saying that a judgment requires the person to show herself.

Let's take an example. Elekta AB, was a company proposing the Fund to invest 1 million Euro in the development of what could become the world's first commercial machine for non-invasive brain surgery -- the so called gamma-knife. The idea was that certain specific brain deceases would be treated with gamma-rays. The possible deceases were however highly uncommon, and the size of the potential market greatly depended on the future possible technological development -- still out of scope in the present project. The board decided to hire two MDs as expert consultants to evaluate the possible market. Their verdict was very clear. Leaning on estimates and statistics of the number of patients that could be treated with the gamma-knife they concluded in their report that the deceases that the gamma-knife could treat were "extremely rare". Considering the high budgeted selling price of the gamma-knife, about 2 million Euros, they consequently argued that there was no potential for a commercial market. The Funds vice president, Mr. Wahren was the internal assessor in charge. Having access to the same information he was instead impressed by the management of the company and the ambition of the project. In his concluding report to the board of directors he referred to the owner and manager of Elekta as "a man who won't let the grass grow under his feet", meaning that he was indeed a fast moving and highly competent man. The project he called a technical development project concerning the "potential Swedish top-of-the line-technology". In other words, and in analogy to the après-coup, we could say that the description was overdetermined by the ascription.

Wittgenstein and the un-linear game of judgment

The Särimmer-effect of the idealization of the rational decision, i.e. its immortality, has to do with what Wittgenstein (1953) criticizes and identifies as our being seduced by the ideal of exactness. This is closely related to his discussions about rule following or what Karl Popper (1990/1995) calls our human tendency to determinism.

An analogy can be made between, on one hand, what our ideal of rational thinking sets up as goal and method for how to judge something and, on the other, the way philosophers have regarded the goal and method of philosophy. It is an analogy between the ideal of the convincing, correct judgment and the philosophical aspiration to create a sort of discourse of the end. In both
cases the ideal purpose is finding a final and correct answer to a problem waiting to be judged or to be answered philosophically. In both cases the described ideal process is about parting from certain given premises and through deduction arriving, once and for all, at a correct conclusion.

This linear view of our human reasoning and its relation to the world is what Wittgenstein (1953) criticizes when he identifies the ideal of exactness, as he does in his 'Philosophical investigations'. Consequently, he does not take the discussions about the aim of philosophy or about our way of judging to the next level and improve them, which would be to follow the same aspiration of "ending" the discussions. No, he quite clearly refuses to accept that his work would mark the 'apocalyptic' end of philosophy or theory of judgment. He repeatedly points out the futility in aiming for a completion or 'once and for all' achievement of a state of complete clarity that would stand in need of no further supplementation. (Wittgenstein, 1953/1974, §91, §132-133, § 447) Instead he shows us - not like a mathematician or philosopher but rather like a host showing us his apartment - that the ideal of exactness is a kind of structural lure of our language. It is a temptation to conceive of our propositions as mathematical signs and of our arguments as mathematical equations. It is a temptation to live in an exact world. It is the very same kind of lure that will tempt us to see judging as deductive and linear and probably also creates the Särimmer-effect of the rational form.

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is not to be interpreted as referring to an after-rationalization. He is not saying that he will first make up his mind and then go on to do the required calculations. His commentary is in itself 'anti-chronological' in the sense that what he is saying is that we will continue to look for formulations after having made up our mind. It describes a sort of meta-thinking. The way in which our judgment and arguments are connected is however not at a matter of a linear before-and-after. In one of Wittgenstein's (1969) passages quoted earlier he draws our attention to the fundamental indefiniteness of a situation requiring us to judge "... somewhere I must begin with not-doubting; and that is not, so to speak, hasty but excusable: it is a part of judging." (On certainty, § 150). In another famous passage (1953/1974, § 211) he writes (BG): "... my reasons will soon give out. And then I shall act, without reason." This remark serves well to portray the characteristic "un-groundedness" of our games of judging referring to our not having a firm ground, or syllogism from which to deduce them. As the quote from vice-president Wahren implies and as Ryle (1949/1990) made clear, this does not mean that we need to be in doubt. Now, how does this connect to the rationality of our play of judgment occurring or being constructed before or after our judgment? We find ourselves in a situation in which we cannot deduce what to conclude, in which our minds may still be made up (a professional assessor is for example obliged to arrive at a conclusion), and in which we may have rational arguments to support our view. The apparent paradox is ... apparent. As Glendinning (1998, p 102) points out: This does not mean that the existential leap is irrational ... rather, it is ungrounded or structurally abyssal. That is, it is logically prior to a determined rationality (or irrationality).

When vice president Wahren argues that the investment in Elekta should be made, and refers to the competent manager as one of the reasons, he hasn't identified a building block with which to lay the foundation of his judgment. Although the chosen, picturesque expression he used ("... won't let the grass
grow under his feet...”) may have been a conscious rhetorical choice on Wahren’s behalf, this does not mean that the competence of the manager served as an axiom or starting point from which he could deduce how to judge the investment opportunity. When Wahren sees the project as an interesting investment opportunity his judgment refers to a whole in which his conclusion will support the premises. In this context Glendinning’s expression “logically prior” means that the judgment may only be rational or irrational -- in reference to the arguments and evaluations supporting the judgment - once it has been made.

We can now go on sketching the analogy to the aprés-coup, in which the past will have been traumatic once it is activated as such in the present. In analogy to this the judgment will have been rational once the leap has been made from doubt to confidence in a particular action (for example to recommend an investment). Although our description of our 'line of' reasoning will portray a deductive line, this is not what we should expect when examining the process of judging. In his Remarks on the philosophy of psychology (1980, vol I, § 554-7) Wittgenstein explains how we in our inquiries expect a smooth, regular contour only to find a ragged one. Rules occur to us, no doubt, but the reality, as he puts it, “shows nothing but exceptions”. We should accept, or rather remember, that we often demand explanations, not because of their content, but because they have the form of explanations. As I argued earlier, the authoritarian aspect of judgment is connected to its rule-following aspect (Wittgenstein, 1953/1974, Beiner, 1983). Wittgenstein (1953/1974) writes: ‘How am I able to obey a rule?’ - if this is not a question about causes, then it is about the justification for my following the rule in the way I do. ... Remember that we sometimes demand definitions for the sake not of their content, but of their form. Our requirement is an architectural one; the definition a kind of ornamental coping that supports nothing. (§ 217)

The motivations of our judgment are at best like an apparent cornice of syllogisms and arguments supporting one another. The judgment is not a conclusion in the sense of being the last logical step in a series of deductions. It is one of many 'knots' in the apparent cornice supporting and being supported by the other knots. But it is a crucial one since it is a leap from description to ascription, from analysis to employment, from doubt to confidence and readiness to act. Returning to the assessor at the Swedish Industrial Development Fund, the description of the case, i.e. the facts, calculations and evaluations will determine the judgment of the assessor and board of directors, but will be overdetermined by the way in which values, importance and meaning are ascribed to the facts of the case. In other words, in a situation requiring of us to judge our descriptions and ascriptions will go hand in hand.

References


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