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AI-mediated plausibility regimes: Entrepreneurial judgment, epistemic risk, and the distribution of entrepreneurial futures

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ABSTRACT

Artificial intelligence (AI) is widely portrayed as enhancing entrepreneurial decision-making through improved prediction, pattern recognition, and data-driven evaluation. Yet entrepreneurship frequently unfolds under conditions of Knightian uncertainty, where action depends on entrepreneurial judgment about uncertain and evolving futures rather than calculable prediction alone. We theorize how AI-based systems reshape the epistemic conditions under which entrepreneurial beliefs are formed and evaluated. We argue that AI systems are not epistemically neutral: by generating plausibility signals from historical data, they influence which ventures appear credible and worthy of support. We conceptualize these dynamics as AI-mediated plausibility regimes and identify a dual epistemic risk. In generative modes, AI may inflate evaluative confidence beyond what the available epistemic grounding warrants (false positives). In evaluative and screening modes, AI may disadvantage low-precedent but potentially transformative ventures (false negatives). By distinguishing these system classes and their distributional effects, we specify when AI may expand entrepreneurial imagination and when it may narrow entrepreneurial variety.

1. Introduction

Artificial intelligence (AI) is increasingly being heralded as a transformative force for entrepreneurship. Scholars emphasize the capacity of contemporary systems to analyze vast datasets, identify hidden patterns beyond human perception, and generate predictive insights that could help entrepreneurs to improve ideation, assess feasibility, and scale their ventures more efficiently (e.g., Chalmers et al., 2021; Shepherd and Majchrzak, 2022). Some accounts go further suggesting that AI may progressively substitute for human judgment in entrepreneurial contexts altogether (Brynjolfsson and McAfee, 2014; Doshi et al., 2025; Townsend and Hunt, 2019). Others caution that AI's variance-minimizing design homogenizes entrepreneurial ecosystems by privileging statistically validated ideas over unconventional ones, thereby narrowing entrepreneurial variety and dynamism (Hunt and Kurdoglu, 2025).

Yet alongside these debates that typically focus on performance and efficiency sits a more profound theoretical concern: AI systems increasingly participate in the processes by which entrepreneurial beliefs are formed, evaluated, and institutionally legitimated. The critical question is therefore not whether AI predicts better on average, but how it interacts with the epistemic structure of entrepreneurial judgment, the process by which entrepreneurs form beliefs about possible futures, assess the feasibility of acting on those beliefs, and commit to courses of actions whose results cannot be known in advance. This question matters because entrepreneurship operates in a distinctive epistemic regime. Many of the most consequential entrepreneurial acts unfold not under conditions of

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calculable risk but under conditions of Knightian uncertainty, where relevant futures cannot be fully specified ex ante, knowledge remains incomplete, and entrepreneurial action unfolds through evolving and recursively changing conditions that resist probabilistic calculation (Dorobat et al., 2026; Knight, 1921; Packard et al., 2017;Townsend et al., 2018, 2024, 2025). Under genuine Knightian uncertainty, entrepreneurial action does not proceed from confident knowledge of outcomes. It proceeds from judgment, the irreducibly personal act of decision-making about the use of resources in anticipation of uncertain futures results, an act that, as Mises (1949) observed, defies any rules and systematization (Foss and Klein, 2012, 2020).

In this article, we therefore ask: How could AI-based systems reshape the epistemic conditions under which entrepreneurial beliefs are formed and acted upon, and with what distributional consequences for the variety and composition of entrepreneurial action? We argue that AI evaluation systems are not epistemically neutral. Their reliance on historical regularities, pattern recognition, and probabilistic inference generates plausibility signals that are well-calibrated for ventures whose viability is legible in prior data, but systematically miscalibrated for ventures whose viability depends on the kind of novel judgment that Knightian uncertainty makes irreducible (Dorobat et al., 2026; Townsend et al., 2018). When these signals are institutionalized as gatekeeping mechanisms, embedded in funding decisions, accelerator admissions, or platform allocation systems, they risk *suppressing* entrepreneurial judgment and the resulting entrepreneurial futures.

This paper contributes to emerging debates on AI and entrepreneurship in three ways. First, we ground both error types in a coherent account of entrepreneurial judgment and belief formation under Knightian uncertainty. In doing so, we resolve a theoretical tension in prior work: concerns about AI-generated false positives and concerns about AI-mediated variety compression are not contradictory empirical observations but arise from tensions between AI's inference logic and the demands of entrepreneurial judgment under genuine uncertainty. Second, we develop a contingency account of AI-entrepreneurial judgment fit. We argue that AI systems are most useful where entrepreneurial viability is historically legible and amenable to probabilistic inference, but become epistemically risky when AI-generated plausibility signals acquire authority in judgment-intensive contexts where viability depends on experimentation, institutional work or category creation. Third, we introduce the concept of plausibility suppression to describe how AI screening systematically disadvantages low-precedent, judgment-intensive ventures whose viability cannot yet be inferred from historical data, and we trace its distributional consequences for entrepreneurial ecosystems. Building on these three contributions, we outline how entrepreneurs and institutions might preserve the epistemic conditions necessary for judgment-driven action by designing AI systems that function as tools for provocation rather than arbiters of plausibility.

2. Entrepreneurial judgment and the epistemic logic of AI-based plausibility

Debates about AI-based assessments often assume that improved data, prediction, and analytical sophistication necessarily enhance entrepreneurial decision-making. Yet such claims depend on deeper assumptions about how entrepreneurial judgment operates under uncertainty and the extent to which the viability of entrepreneurial action can be inferred from historical information. While entrepreneurship scholars differ in how they conceptualize opportunities and their relationship to entrepreneurial action (Alvarez and Barney, 2007; Foss and Klein, 2020; Packard and Madjdi, 2026; Ramoglou and McMullen, 2024; Ramoglou and Tsang, 2016; Shane, 2003), our concern here is not to adjudicate these ontological debates. Rather, we focus on the epistemic conditions under which entrepreneurial beliefs are formed, evaluated, and acted upon under Knightian uncertainty, and on how AI systems interact with these processes.

2.1. Entrepreneurial judgment Under Knightian uncertainty

Entrepreneurship frequently unfolds under conditions of Knightian uncertainty, where actors cannot know ex ante which futures are realizable, which entrepreneurial actions will succeed, or how markets, institutions, and competitors will evolve over time (Dorobat et al., 2026; Knight, 1921; Townsend et al., 2018, 2024). Under such conditions, entrepreneurial action cannot be reduced to probabilistic optimization or prediction alone. Historical analogies, market data, and prior experience may inform entrepreneurial decision-making, but they provide only incomplete and fallible guides for evaluating novel entrepreneurial situations.

The judgment-based view of entrepreneurship conceptualizes entrepreneurial action as the decision-making about the use of scarce resources under uncertainty (Foss and Klein, 2012, 2020; Klein, 2008). Entrepreneurs act on heterogeneous beliefs, anticipative understandings, and interpretations of uncertain futures that cannot be fully validated ex ante through statistical inference or formal calculation. Judgment therefore involves more than identifying patterns in existing information; it requires interpretive evaluation and commitment under conditions where relevant information is incomplete, evolving, or not yet observable. Drawing on Mises (1949), Foss and Klein (2020) note that, entrepreneurial action ultimately depends on decision-making that cannot be fully specified through objective rules or systematized procedures.

Recent work further suggests that the epistemic limits associated with Knightian uncertainty are not merely temporary informational deficiencies that can be overcome through more advanced analytics (Townsend et al., 2025). Under conditions of uncertainty characterized by evolving contexts, agentic novelty and recursive interaction effects, entrepreneurial futures may remain only partially tractable even for highly sophisticated AI systems, limiting the extent to which entrepreneurial judgment can be fully replaced through computation (Townsend et al., 2025). Entrepreneurial judgment therefore remains necessary not because entrepreneurs possess superior predictive capabilities, but because entrepreneurial action requires commitment under conditions where relevant futures cannot be fully known or computationally resolved in advance (Dorobat et al., 2026). These epistemic conditions become particularly consequential as AI systems are increasingly used to generate, evaluate, rank, and filter entrepreneurial ideas.

2.2. Historical regularities, entrepreneurial novelty, and AI-based plausibility

Unlike entrepreneurial judgment, contemporary AI systems generate assessments primarily through statistical inference from historical data. Whether in predictive analytics, recommender systems, or generative AI applications, these systems identify correlations, regularities, and probabilistic associations across prior observations in order to generate outputs that appear plausible relative to learned patterns (Chalmers et al., 2026; Rady et al., 2026). AI-generated plausibility signals therefore derive largely from coherence with historically observable relationships. This mode of inference can be highly valuable in entrepreneurial contexts where relevant patterns are stable, recurrent, and legible in available data. In such situations, AI systems may help entrepreneurs identify overlooked correlations, improve forecasting, reduce informational search costs, and refine evaluations of ventures whose viability resembles prior market configurations (Townsend et al., 2018; Shepherd and Majchrzak, 2022). The growing use of AI-based systems in venture screening, investor evaluation, market analytics, and entrepreneurial ideation reflects these capabilities.

However, entrepreneurial situations differ in the extent to which their viability can be inferred from historical regularities. Some entrepreneurial initiatives involve incremental recombination, established market categories, or relatively observable demand conditions, making them more amenable to probabilistic inference and historical comparison. Other initiatives involve higher degrees of novelty, institutional transformation, recursive uncertainty, or category creation, limiting the usefulness of historical precedent and increasing reliance on entrepreneurial judgment about uncertain and evolving futures (Dorobat et al., 2026; Townsend et al., 2024, 2025). Because genuinely uncertain situations cannot be fully reduced to classification against prior instances (Dorobat et al., 2026; Knight, 1921), AI systems trained on historical regularities are structurally limited in their ability to assess ventures whose viability depends on evolving institutional conditions, emergent consumer meanings, entrepreneurial experimentation, or forms of judgment that are not yet legible in existing data. Historical regularities may therefore provide incomplete guidance precisely in situations where entrepreneurial novelty matters most. This distinction suggests that the epistemic consequences of AI depend on the fit between two conditions, i.e. the historical legibility of the entrepreneurial context and the authority granted to AI-generated plausibility signals. Where ventures resemble historically observable patterns, AI may usefully augment judgment. Where ventures depend on judgment-intensive action under uncertainty, AI becomes less reliable as an evaluative arbiter and more appropriate as a tool for provocation or reflection.

Importantly, this limitation does not imply that AI systems are inherently conservative or incapable of supporting entrepreneurial imagination. Generative AI systems may expand the range of ideas entrepreneurs consider by recombining heterogeneous domains of knowledge, surfacing non-obvious associations, or provoking alternative interpretations of market possibilities (Ramoglou et al., 2026). Yet the plausibility of these outputs remains grounded primarily in statistical relationships derived from prior data rather than situated entrepreneurial judgment about uncertain and evolving contexts. Consequently, AI-generated plausibility signals may become epistemically miscalibrated in two distinct ways: they may inflate confidence in ventures whose coherence reflects statistical familiarity more than grounded entrepreneurial understanding, or suppress confidence in ventures whose viability cannot yet be inferred from historical precedent.

2.3. When plausibility signals become institutionalized

The implications of AI-generated plausibility signals become most consequential when such signals are institutionalized within entrepreneurial ecosystems (Chalmers et al., 2026; Kellogg et al., 2020). Increasingly, AI systems are embedded in venture accelerators, funding platforms, innovation contests, recommender infrastructures, and investment screening processes that influence which entrepreneurial ideas receive attention, legitimacy, and resources (Chalmers et al., 2021, 2026). We conceptualize these evaluative environments as AI-mediated plausibility regimes: configurations of AI systems, institutional practices, and interpretive conventions through which certain entrepreneurial beliefs become reinforced as credible while others are discounted as implausible (cf. Hunt and Kurdoglu, 2025; Navis and Glynn, 2011; Suchman, 1995). These regimes matter because they shape not only how ventures are evaluated externally, but also how entrepreneurs interpret the feasibility of acting under uncertainty (Lebovitz et al., 2022; Logg et al., 2019). The next section develops how these regimes generate two distinct epistemic risks depending on the fit between AI's inferential logic, the judgment demands of the entrepreneurial context, and the authority granted to AI-generated plausibility signals (Rady et al., 2026; Townsend et al., 2025).

3. Judgment-intensive ventures and the long tail of plausible futures

Under conditions of Knightian uncertainty, entrepreneurial action frequently involves commitment to futures whose viability cannot be probabilistically established ex ante. Entrepreneurs often act despite incomplete knowledge because they form beliefs, aspirations, and anticipatory understandings about futures that appear desirable, meaningful, or worth pursuing (Dimov, 2020; Garud et al., 2014; Madjdi et al., 2024; McMullen and Shepherd, 2006; Packard and Madjdi, 2026). Entrepreneurial judgment under uncertainty is, therefore, not purely inferential; it commits to futures that cannot be fully justified by historically observable evidence, particularly where uncertainty remains Knightian in character (Packard and Clark, 2020; Townsend et al., 2025).

The risks of plausibility suppression are greatest in contexts characterized by high novelty, weak historical precedent, or low initial legitimacy. These conditions characterize what McBride et al. (2024) term 'rogue' entrepreneurship: entrepreneurial initiatives that initially appear implausible relative to prevailing expert consensus, dominant business models, or established evaluation criteria. Rogue projects frequently deviate from historical patterns, lack conventional legitimacy signals, or challenge taken-for-granted institutional and market logics (Fisher et al., 2016; Kuratko et al., 2017; Martens et al., 2007; Singh et al., 1986). From the

standpoint of historically grounded plausibility assessment, they may appear marginal, eccentric, or misaligned with existing demand structures. Yet some of the most transformative ventures began this way. For example, although Airbnb emerged within broader technological and market conditions that enabled peer-to-peer exchange, its founders still had to cultivate new trust mechanisms, normalize the practice of staying with strangers, and progressively legitimate a category that initially lacked strong institutional precedent. Similarly, pioneers of the Danish wind industry reimagined energy production as decentralized and community-based, while simultaneously engaging in the regulatory, technological, and institutional work necessary to render such models viable (Garud and Karnøe, 2003). In both cases, entrepreneurial viability was not easily inferable through existing market analogies or historically established evaluative criteria at the outset. What distinguished these ventures was not the replacement of opportunity belief by motivation, but the presence of belief in a possibility that others doubted (McMullen and Shepherd, 2006). In this sense, judgment-intensive ventures are conceptually compatible with what the actualization view describes as agency-intensive opportunities, where viability emerges not solely from prior inferability, but through enactment, legitimization, and the progressive realization of uncertain futures (Ramoglou and Tsang, 2016; Ramoglou and McMullen, 2024).

These examples matter because entrepreneurial ecosystems depend on a long tail of judgment-intensive initiatives: ventures that initially appear low-probability, weakly legitimate, or difficult to evaluate, but that may become consequential through experimentation, institutional work, and progressive legitimation (Anderson, 2007; Clark et al., 2023; Crawford et al., 2015; Shim, 2016). The long tail therefore refers not to abstract possibility but to the realized distribution of ventures that receive sufficient attention, legitimacy, and resources to be pursued (Wurth et al., 2022). AI-mediated plausibility regimes may leave the imagined space of entrepreneurial ideas intact while narrowing this realized distribution: when algorithmic assessments become embedded in funding, acceleration, hiring, or platform-visibility systems, historically legible ventures may attract disproportionate support, while lower-precedent initiatives face higher barriers to enactment (Dietvorst et al., 2015; Kellogg et al., 2020; Logg et al., 2019; Parasuraman and Manzey, 2010). This effect is conditional rather than inevitable, where AI outputs are treated as advisory, variance may be preserved or even widened, whereas where they become authoritative gatekeeping mechanisms they redistribute legitimacy toward historically validated trajectories (Hunt and Kurdoglu, 2025). Section 4 develops this distributional logic by distinguishing the dual risks of plausibility inflation and plausibility suppression.

4. AI-mediated plausibility regimes and dual epistemic risk

We distinguish two modes through which AI-mediated plausibility regimes shape entrepreneurial judgment, namely generative expansion and algorithmic screening. These modes do not correspond simply to 'good' or 'bad' AI. Rather, they create different epistemic risks depending on whether AI is used to provoke entrepreneurial imagination, evaluate venture viability, or allocate legitimacy and resources (Chalmers et al., 2021, 2026; Kellogg et al., 2020; Shepherd and Majchrzak, 2022). Generative systems may inflate confidence in ideas whose plausibility exceeds their situated grounding (Rady et al., 2026; Ramoglou et al., 2025), while evaluative and screening systems may suppress low-precedent ventures whose viability cannot yet be inferred from historical data (Hunt and Kurdoglu, 2025; McBride et al., 2024; Townsend et al., 2025). Fig. 1 summarizes this dual risk, with generative inflation concentrated among data-legible ventures and screening suppression concentrated in the low-precedent tail of the realized distribution.

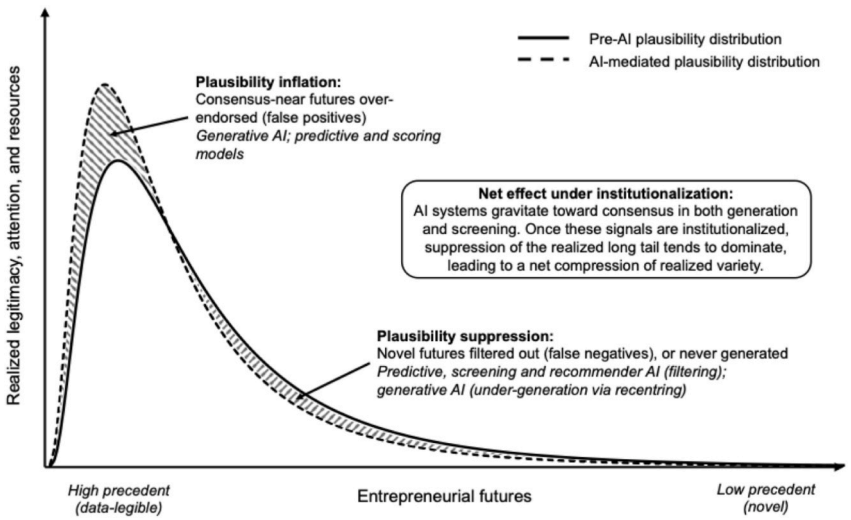

Fig. 1. Generative inflation and screening suppression redistribute legitimacy across venture types under uncertainty.

4.1. Generative expansion: the risk of false positives

Generative AI systems, such as large language models (LLMs) and image generators, are increasingly used for ideation, analogy formation, and scenario construction. In this mode, AI can act as a creative provocateur, rapidly recombining existing knowledge and surfacing distant associations that may expand the search space of entrepreneurial ideas (Shepherd and Majchrzak, 2022). By generating novel combinations, counterfactual scenarios, or unexpected analogies, generative AI may broaden the range of entrepreneurial initiatives that actors consider worth exploring. Yet generative expansion also introduces a distinct epistemic risk. Because outputs are derived from probabilistic recombination of historically available data, generated ideas remain anchored in patterns embedded within prior discourse and observed associations (Lazar et al., 2025). As a result, AI-generated initiatives may appear coherent, persuasive, and plausible even when they exceed the contextual grounding available through purely statistical inference. When entrepreneurs, investors or evaluators treat such outputs as credible signals of entrepreneurial viability, AI systems may contribute to plausibility inflation by increasing the confidence in ventures whose apparent coherence reflects statistical familiarity more than the situated entrepreneurial grounding available under uncertainty (Rady et al., 2026; Ramoglou et al., 2025). We use "false positive" in an epistemic rather than ontological sense here, representing a situation in which entrepreneurs, investors, or evaluators treat an AI-generated plausibility signal as stronger evidence of venture viability than the available situated grounding warrants, which is a miscalibration between confidence and evidential support. In such cases, AI can amplify false positives by encouraging commitment to ventures that appear entrepreneurially persuasive without providing sufficiently grounded basis for evaluating their feasibility under uncertainty.

Generative AI therefore creates a paradoxical dynamic. On the one hand, it may expand ideational variety by enabling broader exploratory search and facilitating unconventional recombinations. On the other hand, because these recombinations remain conditioned by historically available representations and discursive regularities, generative systems may also subtly recenter entrepreneurial imagination around statistically legible recombinations of prior consensus (Hunt and Kurdoglu, 2025).

Table 1
Entrepreneurial judgment, AI types, and the dual epistemic risk.

Context	Epistemic condition	AI types most implicated	Primary epistemic risk	Distributional consequence	Governance design move
Data-legible ventures	Relevant patterns are stable, recurrent, and well-represented in prior data; viability can be inferred from historical analogues (Shepherd and Majchrzak, 2022; Townsend et al., 2018)	Predictive AI; scoring and forecasting models	Mild overconfidence in precision (low-grade false positives) when historical analogues are treated as guarantees rather than indications (Logg et al., 2019; Parasuraman and Manzey, 2010)	Efficient allocation toward ventures that fit established evaluative criteria; little impact on entrepreneurial variety	Use AI as assessment aid; surface confidence intervals and analogue strength; flag where historical fit is partial
Recombinative ventures	Genuine novelty exists, but evaluation can draw on partial analogies, comparable markets, or observable demand signals	Generative AI; predictive analytics; market-intelligence tools	False positives: statistical coherence mistaken for situated entrepreneurial understanding (Rady et al., 2026; Ramoglou et al., 2025)	Ideation expands, but attention recentres on familiar recombinations of prior discourse rather than departures from it	Frame generative outputs as provocations rather than endorsements; require independent feasibility grounding before resource commitment
Judgment-intensive ventures[a]	Viability depends on experimentation, institutional work, emergent consumer meanings, or category creation that is not yet legible in data; rogue and category-creating ventures sit at the extreme of this class (Garud and Karnøe, 2003; Ramoglou and McMullen, 2024; Ramoglou and Tsang, 2016)	Predictive and screening models (where miscalibration is greatest); generative AI useable only as non-evaluative provocation	False negatives: weak historical legibility mistaken for weak viability (Townsend et al., 2025)	Low-precedent ventures face reduced legitimacy and higher resource barriers; the entrepreneurial long tail narrows in its *realized* (not imagined) form	Treat AI scores as non-decisive; build explicit carve-outs for low-precedent proposals in screening; pair AI output with deliberative human judgment
Institutional allocation *(cross-cutting condition)*	*AI outputs are embedded in funding, accelerator, hiring, platform-visibility, or investment-screening systems, regardless of which venture type is being evaluated* (Chalmers et al., 2026; Kellogg et al., 2020)	*Recommender AI; ranking algorithms; automated screening and decision-support pipelines* (Dietvorst et al., 2015; Lebovitz et al., 2022; Logg et al., 2019)	*Plausibility suppression amplified system-wide: algorithmic scores substitute for situated judgment rather than informing it*	*Legitimacy and resources shift toward historically legible ventures across all venture types unless safeguards preserve exploratory variance*	*Algorithmic scores capped at advisory weighting; human override required for low-precedent cases; periodic audits of allocation variance across the venture-type distribution*

[a] Includes rogue, category-creating, and identity-driven ventures as high-intensity cases of this class (McBride et al., 2024).

4.2. Algorithmic screening: the risk of false negatives

A second mode emerges when AI systems are used not to generate possibilities but to assess, rank, filter, and allocate among them. Predictive models, scoring systems, and recommender algorithms are increasingly embedded within funding decisions, accelerator admissions, hiring processes, and platform visibility mechanisms (Chalmers et al., 2021). In these contexts, AI systems operate not primarily as exploratory tools, but as arbiters of legitimacy and gatekeeper of institutional attention. Because such systems infer plausibility largely through historical regularities, their assessments reflect prior trajectories of success, established market categories, dominant business models, and historically validated patterns of demand. Ventures that resemble what has worked before are therefore more likely to receive favorable scores; those that deviate sharply from precedent, what we earlier described as 'rogue' projections (McBride et al., 2024), are more likely to be filtered out. As with false positives, we use "false negative" in an epistemic rather than ontological sense, representing a situation in which low historical legibility is mistaken for low viability.

Algorithmic screening systems may thus contribute to plausibility suppression by systematically disadvantaging ventures whose viability depends on forms of entrepreneurial experimentation, institutional transformation, or judgment-intensive actions that remain weakly represented in historical data. Here, the risk is not proliferation but compression. AI-mediated algorithmic screening can generate false negatives by prematurely discounting ventures whose viability cannot yet be inferred through historically established analogies or statistically recognizable trajectories. When AI-mediated plausibility judgments become institutionalized, embedded within investment committees, platform-ranking systems, or automated funding pipelines, the entrepreneurial long tail may become increasingly narrow in practice, even if entrepreneurial imagination remains theoretically unconstrained (Townsend et al., 2025). In data-intensive domains such as pharmaceuticals and biotech, for example, opaque 'black box' screening models have reportedly filtered out anomalous but potentially high-upside initiatives, generating false negatives for ventures lacking strong historical precedent (Belenguer, 2022).

4.3. Disaggregating AI's distributional effects

To clarify these dynamics, Table 1 disaggregates major classes of AI systems according to their epistemic conditions, the AI types most implicated, and the dominant error and distributional tendency each is likely to produce under uncertainty (Hunt and Kurdoglu, 2025). The aim is not to attribute deterministic effects to particular technologies, but to show how the fit between AI's inferential logic and the judgment demands of a context shapes which risk predominates. Where ventures are data-legible, predictive and scoring models may improve efficiency with limited effect on variety; where ventures are recombinative, generative tools risk mistaking statistical coherence for situated understanding (false positives); and where ventures are judgment-intensive (e.g., category-creating, rogue, or otherwise dependent on enactment and institutional work), screening models risk mistaking weak historical legibility for weak viability (false negatives). Cutting across these contexts, the institutionalization of AI outputs within funding, accelerator, hiring, and platform-visibility systems shifts legitimacy and resources toward historically legible ventures unless safeguards preserve exploratory variance. Across these conditions, the central issue is not whether AI categorically narrows or expands entrepreneurship, but how it redistributes plausibility under conditions of uncertainty.

4.4. The dual risk and the realms of possibility

Taken together, these dynamics reveal a structural tension in how entrepreneurial futures are evaluated under conditions of uncertainty. When AI systems are treated as authoritative arbiters of plausibility and viability, they can encourage an overly deterministic understanding of entrepreneurial evaluation in which historically observable patterns become proxies for what is considered realistically achievable. Yet under Knightian uncertainty, no dataset can fully specify the range of realizable trajectories that may ultimately prove viable, particularly when entrepreneurial outcomes depend on evolving institutions, emergent consumer meanings, recursive competitive dynamics, or judgment-intensive experimentation (Dorobat et al., 2026; Knight, 1921; Townsend et al., 2018, 2025). The dual epistemic risk is therefore both evaluative and distributional. On one side lies the inflation of plausibility, where AI-enabled generative systems lend undue credibility to entrepreneurial initiatives whose statistical coherence exceeds the available grounds for evaluating their viability under uncertainty (Rady et al., 2026; Ramoglou et al., 2025).

On the other lies plausibility suppression, where historically weakly legible but potentially transformative ventures become systematically deprioritized because they diverge from historically validated patterns (Hunt and Kurdoglu, 2025; McBride et al., 2024). Together, these dynamics reshape not only how entrepreneurial initiatives are assessed, but also how legitimacy, visibility and resources are distributed across entrepreneurial ecosystems. The two risks are not symmetric in practice. Generative effects operate mainly at the stage of articulated ideas, whereas screening operates at the stage of resourced enactment. Once AI outputs are institutionalized in allocation systems, suppression therefore tends to dominate and the realized long tail narrows even as the imagined space of ideas even as the imagined space of ideas remains nominally open.

Recognizing this dual risk does not entail rejecting AI in entrepreneurship. Instead, it requires understanding AI systems as participants in broader entrepreneurial sensemaking and judgment processes and not as a final arbiter of entrepreneurial viability (Faraj et al., 2018; Raisch and Fomina, 2025). The challenge is, therefore, how AI systems can be designed and governed in ways that preserve the epistemic conditions necessary for judgment-driven entrepreneurial action under uncertainty while still supporting practical processes of evaluation and allocation (Sarasvathy, 2021).

5. Implications for research and practice

As AI systems become increasingly embedded within entrepreneurial ideation, evaluation, and allocation processes, they begin to shape which entrepreneurial initiatives appear credible, legitimate, and worthy of institutional support. AI-mediated plausibility regimes therefore introduce new challenges for entrepreneurship scholarship and ecosystem design.

First, our argument reframes current debates on AI and entrepreneurial judgment (Rady et al., 2026; Ramoglou et al., 2025; Townsend et al., 2025). Much of the emerging literature asks whether AI expands the entrepreneurial opportunity space or improves decisions through superior predictive capabilities (e.g., Chalmers et al., 2021; Shepherd and Majchrzak, 2022). We shift the emphasis from predictive accuracy alone toward the epistemic conditions under which entrepreneurial judgment is formed, maintained, and acted upon. The critical issue is how AI-generated plausibility signals interact with the heterogeneous beliefs, situated knowledge, and anticipatory judgments that underpin entrepreneurial action under uncertainty (Foss and Klein, 2012, 2020; Hunt and Kurdoglu, 2025; Lebovitz et al., 2022).

Future research could explore how entrepreneurs interpret and respond to algorithmic plausibility signals, and under what conditions such signals are deferred to, reinterpreted, or resisted. How do AI-mediated assessments shape entrepreneur's confidence in their own judgment under uncertainty? Under which conditions do algorithmic plausibility signals redirect entrepreneurial attention toward historically legible trajectories, and when do entrepreneurs continue pursuing low-precedent initiatives despite weak algorithmic endorsement? How do entrepreneurs combine AI-generated recommendations with their own situated understanding of uncertain contexts? Addressing such questions would shift scholarly attention away from whether AI 'gets it right' toward understanding how AI reshapes the epistemic ground on which entrepreneurial judgment unfolds.

Our framework also foregrounds the distributional consequences of AI within entrepreneurial ecosystems. The dual epistemic risk we identified in this paper, namely, plausibility inflation in generative contexts alongside plausibility suppression in screening contexts, suggests that AI may alter not simply the quantity of entrepreneurial initiatives, but also the variance and composition of those that ultimately receive legitimacy, attention, and resources (McBride et al., 2024; Rady et al., 2026; Ramoglou et al., 2025). Entrepreneurial ecosystems have long depended on heterogeneity and experimentation (e.g., Wurth et al., 2022). If AI-mediated screening systems become deeply embedded within funding decisions, accelerator admissions, hiring processes, or platform governance, they may inadvertently narrow the realized entrepreneurial long tails by systematically privileging statistically familiar trajectories over lower-precedent initiatives (Anderson, 2007; Clark et al., 2023). Empirical inquiry might therefore move beyond questions of algorithmic bias or predictive efficiency to examine whether AI-assisted selection processes shift resource allocation toward statistically familiar models and whether variance declines over time in ecosystems where such systems are deeply institutionalized.

For entrepreneurs, investors and policymakers, the challenge is not to reject AI but to govern its epistemic role within entrepreneurial ecosystems. Our analysis suggests a critical distinction between treating AI as a tool for provocation and treating it as a mechanism of permission. In generative contexts, AI can widen exploratory search, surface distant analogies, and stimulate creative recombination (Lazar et al., 2025). In screening contexts, however, its outputs may gradually acquire gatekeeping authority, particularly when embedded in allocation systems that rely on plausibility scores as proxies for viability. Institutional actors therefore face important design choices regarding how AI-mediated plausibility assessments are interpreted and operationalized. Algorithmic assessments can be interpreted as advisory rather than binding (Raisch and Fomina, 2025), complemented by human review processes that are explicitly attentive to low-precedent initiatives, or balanced through portfolio approaches that preserve exploratory experimentation alongside more historically validated ventures (Hunt and Kurdoglu, 2025). More broadly, evaluation of AI systems within entrepreneurial ecosystems might need to extend beyond predictive performance alone to include their longer-term effects on entrepreneurial heterogeneity, exploratory search, and judgment-driven experimentation.

Ultimately, the rise of AI-mediated plausibility regimes raises broader questions about entrepreneurial agency and judgment under uncertainty. As algorithmic systems increasingly shape which entrepreneurial initiatives appear reasonable, legitimate and fundable, entrepreneurs may experience growing pressure to align their judgments with historically legible patterns. Reliance on algorithmic plausibility signals may also undermine entrepreneur's confidence in their own situated judgment, particularly when such systems are treated as authoritative markers of viability (Logg et al., 2019). Yet entrepreneurial action under uncertainty has long depended on the willingness of actors to pursue initiatives that initially lack consensus, precedent, or strong external validation. The institutionalization of AI does not eliminate such judgment-driven action altogether, but it may reshape the epistemic and institutional conditions under which it becomes more or less difficult to pursue. Recognizing the dual risks of plausibility inflation and suppression is therefore central to understanding how AI redistributes legitimacy, attention, and resources across ecosystems. In this sense, the challenge is not to choose between human judgment and AI, but to ensure that AI systems are designed and governed in ways that preserve the exploratory variance through which entrepreneurial futures continue to emerge under uncertainty.

6. Conclusion

AI is often framed as a tool for improving entrepreneurial prediction and decision-making. In this paper, we argued that the deeper issue concerns how AI reorganizes plausibility assessment under conditions of uncertainty. As AI systems become increasingly embedded within entrepreneurial processes of ideation, assessment, and allocation, they do more than enhance efficiency or expand analytical capacity. They participate in structuring which entrepreneurial initiatives appear credible, legitimate, and worthy of institutional support. The central challenge is therefore not simply whether AI predicts accurately on average, but how AI-generated plausibility signals interact with entrepreneurial judgment in contexts where the future cannot be conclusively inferred from historical data alone.

By distinguishing between generative expansion and algorithmic screening, we identified a dual epistemic risk associated with AI-mediated entrepreneurship: plausibility inflation, in which generative systems lend undue credibility to superficially persuasive but weakly grounded initiatives, and plausibility suppression, in which low-precedent but potentially transformative ventures are systematically disadvantaged because they diverge from historically legible patterns. These risks are not technologically predetermined. They emerge from how AI systems are interpreted, institutionalized, and embedded within entrepreneurial ecosystems. The challenge, therefore, is not to resist AI, but to ensure that the plausibility regimes it helps construct remain compatible with the heterogeneity, exploratory search, and judgment-driven experimentation on which entrepreneurship under uncertainty depends. In the era of generative AI, the future remains uncertain. The critical question is whether the infrastructures increasingly mediating plausibility preserve the variance necessary for low-precedent entrepreneurial initiatives to emerge and be pursued, or progressively narrow that variance in the name of prediction and statistical legibility.

CRediT authorship contribution statement

Farsan Madjdi: Conceptualization, Investigation, Visualization, Writing – original draft, Writing – review & editing. **Bernd Wurth:** Conceptualization, Investigation, Visualization, Writing – original draft, Writing – review & editing.

Declaration of competing interest

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Data availability

No data was used for the research described in the article.

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