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## Formal Institutions: the Source of Unproductive Entrepreneurship in Poland

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### ABSTRACT

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The purpose of this article is to determine the entrepreneurs' perception of formal institutions in Poland as a source of non-productive behaviours. The research methodology was developed based on many years of the teams' research experience. It involved three stages of research: 1) panel of experts and 2) telephone surveys of 1,612 entrepreneurs in Poland, which were the basis for 3) development of detailed research to be conducted among 300 entrepreneurs. The Polish entrepreneurs are mostly forced to unproductivity and they rather do not use the institutions to fight off the competition (offensive, voluntary unproductivity). The entrepreneurs themselves do not seem to provide much evidence for the unproductivity caused by the formal institutions. The study revealed a number of shortcomings in the research methodology itself. Conducting the research on a larger group of respondents necessitated the development of a standard questionnaire which does not capture all the shades of unproductivity. Perhaps individual interviews with entrepreneurs would allow for describing the activities treated as voluntary unproductivity. The original contribution of the authors is the division of unproductive entrepreneurship into voluntary and forced. So far no studies of this type have been conducted in Poland.

#### Keywords:

unproductive entrepreneurship, formal institutions, institutional economics

#### JEL codes:

P48, M21, L25

#### Suggested citation:

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## INTRODUCTION

The available analyses of entrepreneurship are mostly dominated by the approach exposing its positive nature and positive impact on economic development, treating it as an important factor of growth and socio-economic development. The vast majority of reports, expert opinions and analyses concerns the conditions for the development of entrepreneurship, the possibility of using these conditions etc. Naude (2012) rightly draws attention to the fact that such belief in the positive impact of entrepreneurship on the economy is supported by the experiences of many countries over the past 30–40 years. Indeed, there is little doubt that entrepreneurship has earned a positive image, widely accepted by policy-makers and shared by the academic economists in their published scientific works (though not always in a visible way). There are probably no countries without entrepreneurship support programmes (even if only on paper). Entrepreneurship is also very frequently called the "driving force" of economy or the "locomotive" of development.

At a time when such positive image of entrepreneurship began to take concrete shape, William Baumol (1990) published an article in which he also pointed to other faces of entrepreneurship<sup>1</sup>. In it, he differentiated three types of entrepreneurship, dividing it into *productive*, *unproductive* and *destructive*. He also initiated a discussion and attracted a large group of scientists, inspiring a number of studies going beyond the previously analysed aspects related to entrepreneurship. Still, the vast majority of research projects was focused on entrepreneurship treated as a factor of development, i.e. the productive entrepreneurship. The "darker" faces of entrepreneurship are considered marginal, while economists and politicians still react with surprise to such terms as *unproductive* and *destructive* entrepreneurship. On the other hand, it is probably no coincidence that the most recent (December 2015) collection of articles by Acs (one of the most outstanding contemporary researchers of entrepreneurship) opens with his article "A Model of Destructive Entrepreneurship", co-written with Desai and Weitzel (2010).

The major aim of this paper is to draw attention to unproductive aspects of entrepreneurship in the Polish economy. We do not know any research devoted to this problem in Poland. Hence we try to fulfil this gap. The core of our analyses and research is the hypothesis formulated by Baumol (1990), implying that it is the set of rules and not the supply of entrepreneurs or their objective goals that determines the outcome of the whole economy and causes its changes over time by allocating resources and entrepreneurial talents. As a consequence, we also equate entrepreneurial activities to the figure of entrepreneur (as Baumol, and then i.a. Murhy, Shleifer, Vishny, Sanders and Weitzel)<sup>2</sup>.

Due to practical difficulties we do not distinct between unproductive and destructive entrepreneurship. But we have introduced a distinction between forced and

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<sup>1</sup> For the sake of historical accuracy it should be noted that the negative aspects of the entrepreneurship were mentioned decades earlier by Th. Veblen (1889, 1904), W. Mitchell (1923) and C. Ayres (1962), without using terms proposed by Baumol.

<sup>2</sup> It is not a universal approach. E.g. Douhan and Henrekson (2008) indicated that the types of entrepreneurship relate to functions and not to figures/persons.



voluntary unproductive/destructive entrepreneurship. It is important if we want to understand not only motives of entrepreneurial behaviours but final macroeconomic results too.

Studies of such sensitive problem like unproductive entrepreneurship are not easy because of shortage, sometimes even lack of available data. Usually researchers are forced to collect data through research questionnaires. Being in such situation we conduct our research in three phases. The first one was devoted to the experts, whose opinion helped in creating the other two phases. In the second the 1,612 entrepreneurs were questioned with CATI method. The last one included the research, based on the questionnaire, conducted among three groups of entrepreneurs: potential, operating and those who shut the business. This paper is based on phase two data, and only answers from the operating entrepreneurs from phase three.

### THEORETICAL FRAMEWORK

The theoretical framework of this paper is institutional economics. In our opinion, it allows for the best analysis of the complex phenomenon of entrepreneurship and its role in the economy.

We know less about these "inferior"<sup>3</sup> types of entrepreneurship than about the productive ones not only because they are less frequently studied but rather because they are difficult to define clearly or reflect within a single theoretical framework. There are also a "sensitive" topic in empirical research.

The authors share the opinion of Douhan and Henrekson (2008) concerning the issue of vagueness of differentiating between unproductive and destructive entrepreneurship. Baumol adopted the impact on the macroeconomic effects of the economy as a criterion for division of entrepreneurship into the above-mentioned three types. The productive entrepreneurship contributes to their improvement, while the unproductive one has no impact on them and the destructive one worsens them. In practice, the determination of these effects (particularly the latter two types of entrepreneurship) is very difficult and they certainly cannot be measured precisely.

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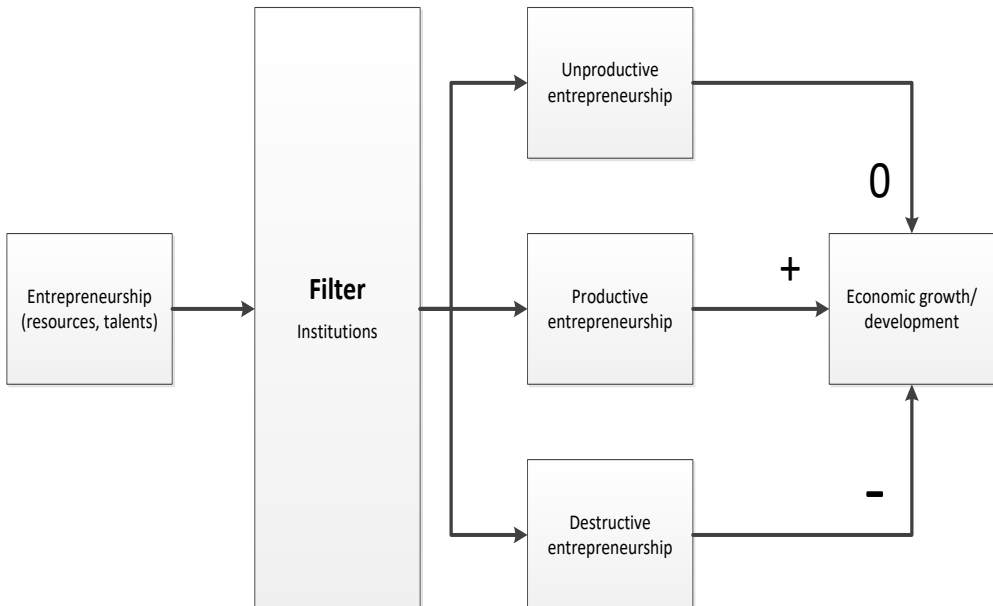
Baumol himself did not develop the concept of destructive entrepreneurship in his work and operated mainly by confronting productive and unproductive entrepreneurship. This is due i.a. to the fact that the same entrepreneurial activities can

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<sup>3</sup> The negative types of entrepreneurship are often described in the literature with terms different from these proposed by Baumol. Sautet (2005) divided entrepreneurship into productive, evasive and socially destructive. Henrekson (2007) and Holcombe (2011) talk about *predatory* instead of unproductive/destructive entrepreneurship. The productive entrepreneurship is also differentiated from *institutional, political* or even *legal* one (Sobel 2008).

have a neutral or negative impact on the macro-economic effect, which cannot be determined by examining them at the micro level. Therefore, for the purposes of our research we combine both types in a way by using mainly the term "unproductive". Such approach was applied i.a. by Sobel (2008)<sup>4</sup>.

We followed Baumol's hypothesis, We assumed, therefore, that it is the available institutions (formal and informal ones) that have decisive influence on the productive, unproductive or destructive nature of the entrepreneurs' actions. Thus, institutions are a kind of filter which directs the entrepreneurs' actions (Figure 1).



**Figure 1. Institutions as the filter of entrepreneurship**

Source: Dominiak, Wasilczuk, Starnawska (2016)

The use of Baumol's approach in empirical studies, however, faces a number of problems. Firstly, there is a long "path" between the entrepreneur's decision to take action and its macroeconomic effect. The "length" of this path is determined by the process of preparing and making decisions itself and the time passing between the decisions and the onset of their effects. The evaluation of the effects can only be conducted *ex post* and only then the actual nature of entrepreneurship can be determined. The *ex ante* evaluation can only be approximate and made on the basis of previous experience. Secondly, the adoption of the macroeconomic perspective means

<sup>4</sup> Some researchers have focused solely on the destructive actions (e.g. Sanders, Weitzel (2009); Douhan, Henrekson (2008a); Foss, Foss (2000); Desai, Acs (2008), Sauka (2008), Sauka, Welter (2010), Tonoyan, Strohmeier, Habib, Perlitz (2010) or Desai, Acs, Weitzel (2010)). In Poland, the only studies on destructive entrepreneurship known to authors are those conducted by M. Bielenia within the framework of the NCN project (2015).

that the entrepreneur taking action may not know (or be aware of) their macro effect. Thirdly, even if the cumulative macroeconomic result of entrepreneurs' actions is known, assigning (disaggregating) them to specific activities or specific businesses is problematic. Lastly, the action which is unproductive or destructive in the macro scale can be (and usually is) productive from the point of view of the micro (entrepreneurs, enterprises) or (probably less frequently) meso level (region, sector).

Entrepreneurs are guided by their own interests, simply seeking to attain net profit without thinking about the macroeconomic effects. Of course, there are exceptions, but it would be difficult to assume that the entrepreneurs as a collective group make decisions by preferring the interest of the whole economy at the expense of their self-interest or the interest of their own company. They utilize available opportunities, while trying to gain a competitive advantage. They play a game whose rules derive from existing formal and informal institutions. They may try to disrespect these rules, avoid them, bend etc., but will not do it in the interest of the entire economy — on the contrary, their behaviour will result from their individual interest<sup>5</sup>. Obviously, entrepreneurs are different. The heterogeneity of this group is noticed by Desai, Acs and Weitzel (2010). In their study, they assume i.a. that entrepreneurs are divided into less and more patient. The former are more likely to engage activities falling within the scope of unproductive and destructive entrepreneurship.

The authors point out that when considering the choice of the type of entrepreneurial activities, the alternative to productive activities are the unproductive/destructive ones. The entrepreneur decides either to conduct productive activities that lead to positive macroeconomic effect, or to take actions that are neutral or detrimental in the macro perspective. A completely different way is omitted in this approach, however<sup>6</sup>. An entrepreneur who finds themselves in the situation when they cannot act productively, simply ceases their activities. The macro effect is negative but such decision has nothing to do with entrepreneurship, e.g. when the entrepreneur did not take into consideration (at all — for ethical reasons or for fear of legal and financial consequences) the alternative: I pay all taxes and act legally or evade payment and hide my business. If the latter option is out, it does not mean that all entrepreneurs will remain at the first one, since there is also a third possibility.

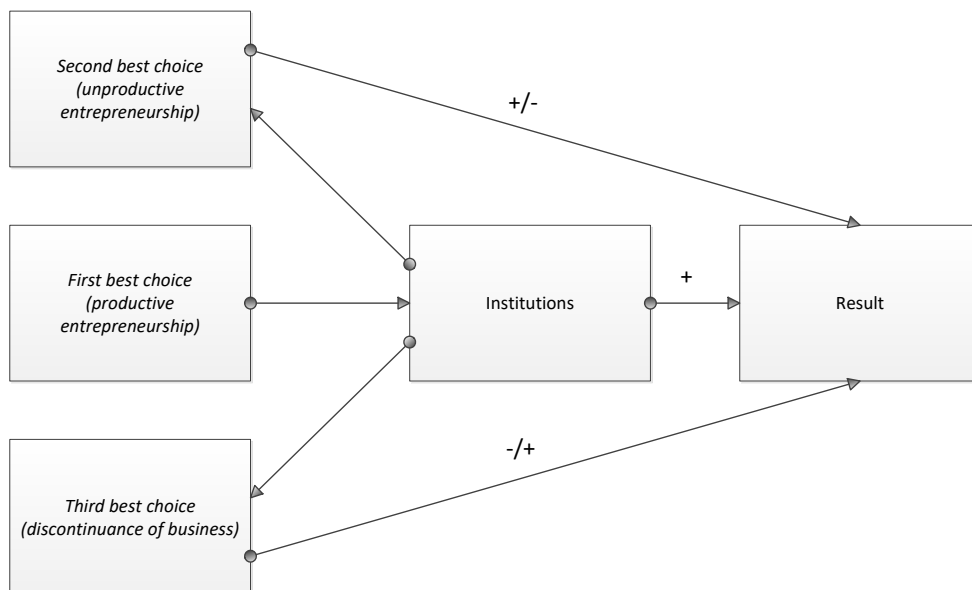
Some entrepreneurs will close their businesses when they come to the conclusion that the amount of taxes prevents them from achieving positive economic results. In such case, choosing the second option can be better than choosing the third one (figure 2). Better in terms of the micro (entrepreneur's) perspective but also in the macro view, as e.g. the actual unemployment will be lower and the supply will be higher. As a result, the living standard will not decrease as much as in the case of the third option. Douhan and Henrekson (2008) cite examples of business activity of mafia, as well as corruption, as the "second best" type of solutions.

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<sup>5</sup> In addition to Baumol (1990), the topic was discussed by Murphy, Shleifer and Vishny (1991), as well as Desai, Acs and Weitzel (2010).

<sup>6</sup> The exceptions are Douhan and Henrekson (2008).





**Figure 2. Institutions and available options**

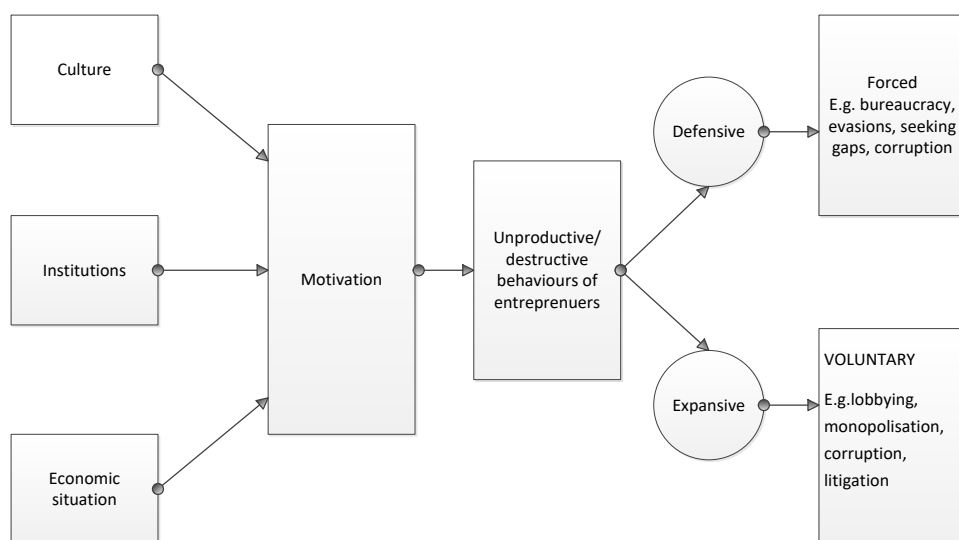
Source: Dominiak, Wasilczuk, Starnawska (2016)

An important new element of the authors' research was distinguishing between two types of unproductive entrepreneurship: voluntary and forced (Figure 3). It should be remembered that there is a significant difference between taking unproductive action voluntarily, without any external pressure, and the actions forced by the environment. The first are offensive (sometimes predatory). They include i.a. rent seeking in the form of e.g. lobbying, corruption, litigation or monopolistic practices. The forced entrepreneurship is defensive in nature and includes actions enforced by bureaucratic restrictions (*red tape*), related e.g. to the payment of taxes and other fiscal or quasi-fiscal levies, statistical reporting, reporting associated with the efforts to obtain various permits, mandatory certifications etc. Some of these actions are routine in nature but they consume resources (time, money) that could be used productively. Some of the activities are related to creative actions, searching for loopholes, "creative" accounting (e.g. depressing profits or inflating costs), circumvention of (particularly absurd) regulations, illegal employment or paying "under the table" etc. It can be debated whether such measures can be treated as "forced", as the entrepreneurs might not take them. However, two kinds of motives they are guided by have to be distinguished. If creativity in this area is defensive in nature, that is if its purpose is to protect the company against liquidation (of jobs or manufacturing activity), then such actions are the second best solution. If, however, such actions are initiated voluntarily to achieve rent (at the expense of other entities), then certainly they have to be classified in the second group and treated as socially unproductive or even harmful. The forced activities bring losses (in relation to the first best option) both at the micro (company) and at the macro level. They are not the predatory version of the destructive entrepreneurship, however. Even corruption may be defensive in nature, when business cannot be conducted

without paying bribes to officials who make decisions related to the functioning of the company.

In authors' approach, the forced unproductive entrepreneurship does not include the defence against competition or the actions resulting from the entrepreneur's earlier errors. It applies to defensive reactions to the institutional environment. The potential scale of such activities depends on the quality of formal institutions. On the other hand, the actual scope of such activities is determined by informal institutions and results mainly from the broadly understood culture<sup>7</sup>.

Moreover, the tendency to take such actions may be higher if the economic situation of the entrepreneur/company is more difficult.



**Figure 3. Voluntary and forced unproductive/destructive entrepreneurship**

Source: Dominiak, Wasilczuk, Starnawska (2016)

Voluntary actions of an unproductive/destructive nature are taken in order to achieve benefits not being the result of a productive activity.

In research practice, the distinction between voluntary and forced productive activities is not easy. In fact, the motives of entrepreneurs and the contexts in which they make decisions should be analysed and their formal and informal environment should be carefully examined. Studies of this type would require access to plenty of detailed data. Often such data simply do not exist<sup>8</sup>.

<sup>7</sup> The impact of formal and informal institutions on corrupt behaviours of entrepreneurs and their determinants (from the perspective of bribe-takers and bribe-payers) in the economies of the post-socialist countries was discussed by Tonoyan, Strohmeyer, Habib and Perlitz (2010).

<sup>8</sup> Thus, there is very little research on the unproductive/destructive activities, using quantitative data obtained from different types of records. The few available studies include Sobel and Garrett (2000) and Sobel (2008).



As a result, the researchers are forced to avail of information obtained through research questionnaires, interviews etc. of invariably limited scope and questionable credibility. As a result, while being aware of the many limitations, the authors decided to implement Poland's first research program related to unproductive entrepreneurship.

## METHODS

The empirical studies comprised three phases:

Stage 1 – a panel of experts, the aim which was to verify whether the concept of unproductivity is comprehensible for the entrepreneurs and people from the widely understood economic environment;

Stage 2 – carried out on a sample of 1612 entrepreneurs registered in Poland, acting in the micro (51%) and small (39%) scale, with some conducting their activity in the medium (8%) and large (2%) scale. The selected companies operated in the construction, manufacturing, retail and professional services sectors, in roughly equal proportions (respectively: 24%, 26%, 24% and 26%). The research was conducted towards the end of 2012 using a survey questionnaire among companies from all regions of Poland, based on the CATI method. Its aim was i.a. the analysis of the entrepreneurs' opinions on the formal institutions in Poland, as well as determining the cost of their ineffectiveness.

Stage 3 – a survey of 300 active entrepreneurs (based on the CATI method), 51 who shut down their businesses (CATI) and 254 who belong to the group of potential entrepreneurs (based on PAPI method). The purpose of this stage was to clarify the information collected during stage 2. The results of stages 2 and 3 are discussed below – only the answers given by the active entrepreneurs were taken into account.

Prior to designing the research questionnaire, a list of behaviours that can be attributed to a particular type of unproductivity was drawn up (table 1).

**Table 1. Voluntary and forced unproductive actions of entrepreneurs.**

Voluntary unproductive actions	Forced unproductive actions
Collusions in tenders	Reporting (bureaucracy)
Corruption	Studying regulations
Legal loopholes in relations with employees, suppliers and institutions	Efforts to obtain licenses
Tax evasion (e.g. depressing profits)	Errands in government offices
Entrepreneurs' private relationships with politicians or government administration officials	Seeking unofficial and private relations with decision-makers
Using legal loopholes	Corruption (due to the chronic administrative proceedings which threaten business)
Lobbying	
Lawsuits	
Exaggerated promotion	

Source: own elaboration

Some non-productive behaviours are difficult to be precisely classified into one of two types unproductivity, as they may arise due to different motives. An example of such behaviour is corruption: bribery to expedite settlement of a matter in an office ceases to



be a way to fight off competitors when the case drags on long enough to jeopardize the functioning of the company.

The research on unproductive behaviours, presented in the table, in many cases relates to activities which are illegal, unethical or on the edge of law. The research team looked for the best way for formulating questions in a way that would enable drawing valid conclusions from the answers, without fear that the respondents answered insincerely because of fear of possible legal consequences (guaranteeing the use of research results only for statistical purposes, without analysing the individual responses, does not seem to be a sufficient warranty for the entrepreneurs). The questions have been so designed, in a way that would make them refer to the entrepreneurs' knowledge about the conduct of their industry or the environment, and not to their personal behaviours. Efforts were made to avoid suggestions that it is the studied entrepreneur who is behaving in an unacceptable way (resorting to bribery, conspiracy, tax evasion etc.).

Questions relating to hypothetical situations in the respondents' companies were also introduced. Their aim was to find out to what extent the entrepreneurs are willing to take advantage of inefficient institutions when the business of their companies is at stake. It was assumed that this would allow for obtaining a picture of the entrepreneurs' tendency to engage in unproductive behaviours.

## RESULTS AND DISCUSSION

The respondents participating in the first stage of the research had no doubt that formal institutions are the source of unproductive activities of entrepreneurs in Poland (50% pointed to the weakness of the law, whereas 38% to weaknesses of government offices) (figure 4). The informal institutions, such as standards and customs common in Poland, were indicated by 37% of respondents. Only 22% stated that in their opinion it is the market mechanisms that are responsible for unproductivity. The last result refers to the unproductivity as understood by Baumol, who argued that the unproductivity is a result of entrepreneurs' rent-seeking and using inefficient institutions to fight off competition.

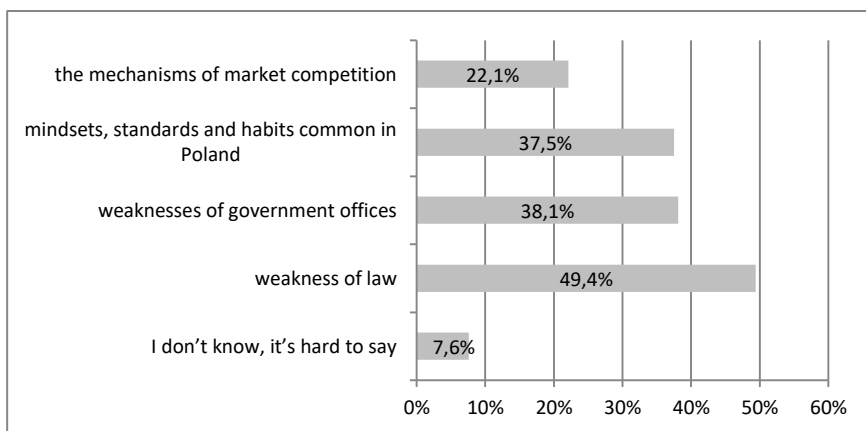
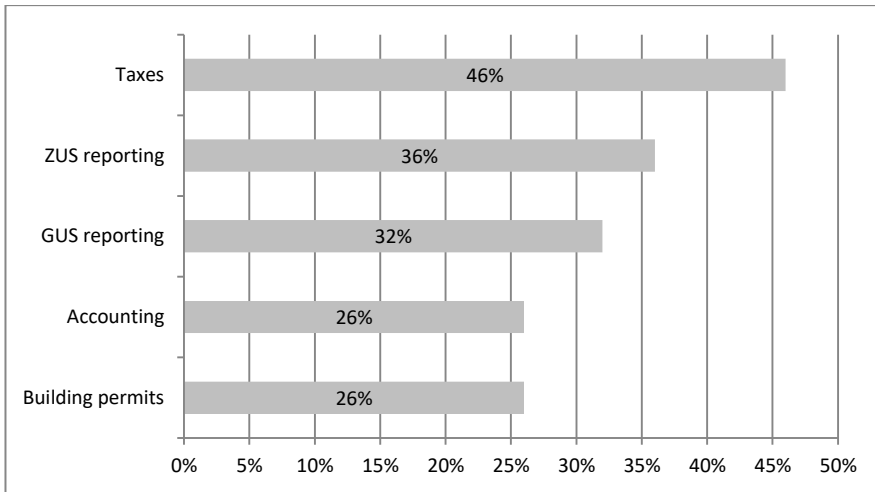


Figure 4. Sources of unproductive behaviours. Source: Own work based on research results. (n=1612)

Source: own elaboration based on research results

The above-described sources of unproductive behaviour indicated by entrepreneurs are related to a large extent to bureaucratic burden being the subject of the next question. According to respondents, the most burdensome spheres related to bureaucracy are taxes (46%), reporting to the Social Insurance Institution (ZUS – 37%), as well as reporting to the Central Statistical Office (GUS – 32%). Less than one third of the entrepreneurs pointed to the accounting and building permits (26%) (figure 5).



**Figure 5. The most burdensome spheres associated with bureaucracy. Source: own work based on research results. (The entrepreneurs could indicate any number of answers) (n = 1612).**

Source: own elaboration based on research results

The mentioned nuisances are due to the ambiguity of the rules, leading to different interpretations (taxes), as well as due to reporting related to self-employment and the employment of workers (ZUS), which is often equal to duplication of information being already in the possession of ZUS. The source of an additional reporting requirement for entrepreneurs is the Central Statistical Office (GUS), which demands not only the annual activity reports but also statements that involve randomly selected entrepreneurs in connection with the implementation of the statistical research program of public statistics established every year on the basis of a special Ordinance of Council of Ministers<sup>9</sup>.

From the point of view of entrepreneurs, all reporting/bureaucratic obligations are considered to be nuisances that distract them from productive activity. Moreover, they recognize them to be a result of ineffectiveness of the institutions imposing such duties. Thus, when asked about the benefits of reducing bureaucracy, they pointed to the

<sup>9</sup> On the other hand, it should be noted that in Poland we have, in comparison to many other countries, a relatively narrow range of information on the functioning of enterprises. As a result, conducting scientific research, monitoring of the condition of the economy or preparing reliable reports, which should provide a basis for making decisions on economic policy, becomes difficult. Even general overview of the Eurostat company databases shows many gaps related to this group of entities in Poland.



possibility of transferring employees to more productive activities (67%) or even reducing employment (14%) (Table 2). It is thought-provoking, however, that in 23% of cases, the entrepreneurs do not see a possible reduction in bureaucracy as a possibility to improve the efficiency of their company. This may mean that the bureaucracy is not as burdensome as the entrepreneurs think.

**Table 2. The expected effects of reducing bureaucracy for the company's operations (n=1612)**

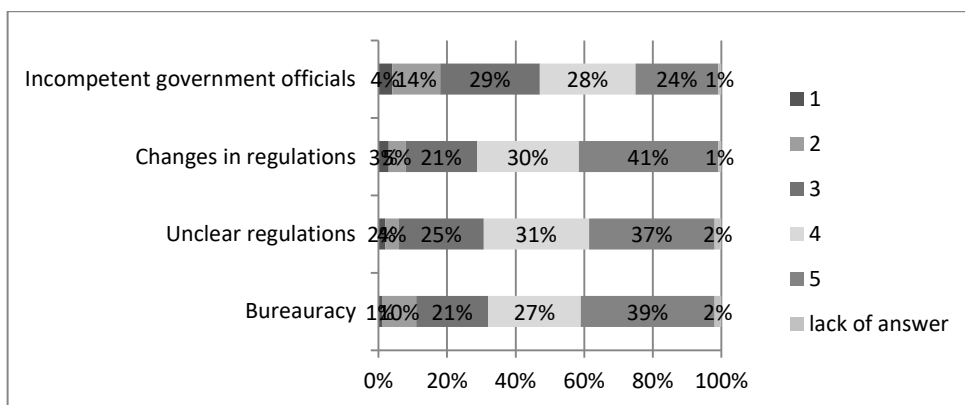
The benefits of reducing bureaucracy	Number	% of cases
reduction of employment in the company	227	14.1
transferring employees to activities more productive for the company	1072	66.5
no effect on efficiency	379	23.5
"I don't know"	65	4.0
Total	1743	x

Source: own elaboration based on research results

The continuation of this question was an open-ended question (one of the few in the questionnaire) regarding the usage of time saved due to reducing bureaucracy. The answers also show that not all the entrepreneurs feel the inconveniences to be that discomforting – 16% (260 entrepreneurs) did not give any answer. It must therefore be assumed that at least some of them spend so little time on actions identified as bureaucratic that they do not even wonder what else they might be doing during the time spent on them. As an alternative to fulfilling bureaucratic procedures, the other entrepreneurs frequently mentioned the opportunity to engage in the development of their company or development of their own competences or the competences of their employees (27% of responses). 14% would be searching for new markets and customers, 3% would spend this time on the development of production, while 5% would treat it as leisure time spent on resting or being with family. As mentioned earlier, a significant part of the publications related to the impact of institutions on unproductive entrepreneurship refers to the transforming economies. It is recognized that rapid changes of formal institutions, typical for transformation, create, on the one hand, some temptation, while on the other (due to the haste, faults and gaps — inevitable in these processes) impose difficult choices related to nature of entrepreneurial activity (acting productively/unproductively or discontinuing operations). As a result, space for unproductive activities is created — both voluntary and forced.

Thus, in the third stage of the presented study, an attempt was made to evaluate the nuisances related to the functioning of the formal institutions in Poland. The entrepreneurs were presented with a list of potential nuisances arising from inefficient formal institutions and asked to indicate the intensity level of nuisance in the scale of 1 to 5. The changes in regulations were cited as most burdensome by 41% respondents (figure 6), while 39% of them mentioned bureaucracy, and another 37% the lack of law clarity. This confirms the frequently encountered opinion that the volatility of formal institutions, characteristic for transformation, is the most serious problem for business.





**Figure 6. The scale of nuisance of actions resulting from various causes. (n=300).**

Source: own elaboration based on research results

The entrepreneurs were most lenient for the government officials, whose incompetence was rated as the most burdensome by only 24% of respondents. It is interesting to refer here to the results of research carried out within the Pomeranian Economic Observatory IV project, implemented in 2012 in the Polish Pomeranian province (Dominiak, Wasilczuk, Zięba, Daszkiewicz, 2013). Over 600 entrepreneurs from the SME sector were asked then about their relationships with the personnel of government offices and institutions they contact regularly. Only the relationships with three types of institutions: the county office, the State Inspection of Commerce and the Employment Office were not been evaluated as positive. In the case of the other institutions (the municipal office / tax office, Social Security Institution and State Inspectorate of Labour) at least half of the respondents identified those relations as good and very good.

Examining the costs of entrepreneurs' unproductivity proved to be impossible. It was due to the fact that it is difficult to determine the value of business expenditures on meeting the requirements of government officials and offices that are superfluous from the point of view of business activity, while being necessary from the point of view of normal functioning of the state itself and the government offices in particular. Thus, the costs of inefficiency of formal institutions, resulting from the forced inefficiency, can only be estimated on the basis of assessments of the entrepreneurs themselves.

Their level can be indirectly estimated on the basis of the fact that about 80% of the surveyed entrepreneurs (table 3) indicate that they spend up to 25% of their time on reporting, up to 25% of their time on studying the regulations and also up to 25% on errands in government offices. Such activities can be considered, to a large extent, to be unproductive. The same percentage of respondents indicated that they spend also up to 25% of their time on strategic activities. This division of time is not the most favourable in terms of business development but we must remember that the study was conducted in SMEs, in which the entrepreneurs do not have specialized departments (dealing e.g. with legal matters).

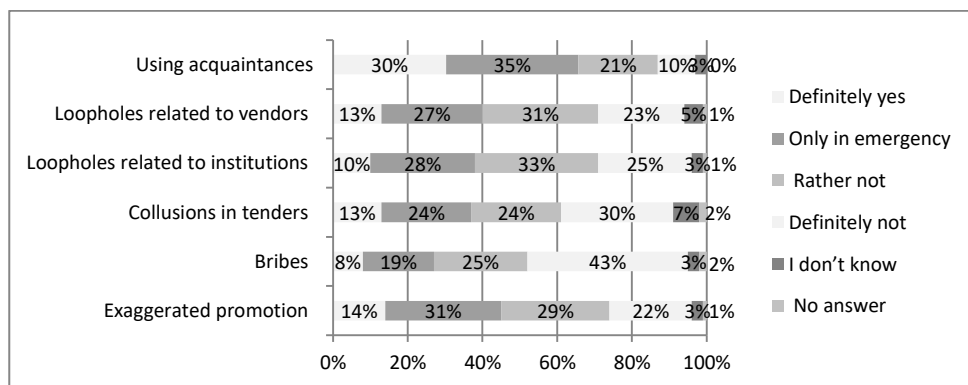
**Table 3. The time spent on various activities related to the operation and functioning of the company (n=300).**

The share of time spent on various activities	Current activity	Strategic actions	Reporting	Studying regulations	Errands in government offices
0%	0%	3%	15%	14%	9%
up to 25%	24%	80%	79%	82%	86%
26–50%	40%	16%	5%	4%	5%
51–75%	26%	1%	1%		
76–99%	10%				

Source: own elaboration based on research results

The entrepreneurs were asked what actions they would be willing to take in an emergency situation to save their companies. The most frequent idea was using acquaintances – 30% of respondents said they definitely would be ready for it, while 35% declared that would do it only in an emergency situation (figure 7). The second idea was related to unreliable promotion. 14% of respondents confirmed their readiness for such actions in general, while 31% only in an emergency for the company. The readiness to give bribes was significantly lower (respectively 8% and 19%) — slightly lower than the readiness to exploit legal loopholes. It is characteristic that apart from using acquaintances, in other cases the tendency to use non-productive activities was significantly higher in an emergency for the company (in some cases more than twice as high).

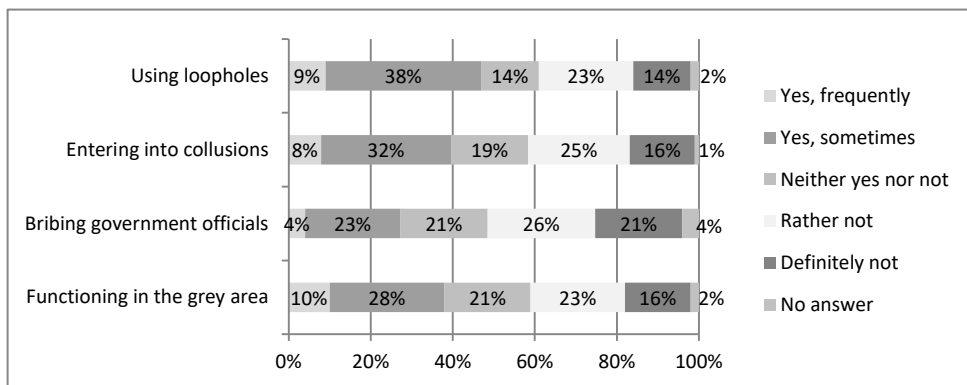
It can therefore be presumed that in phases of economic downturn the scale of unproductive entrepreneurship is growing. It must also be assumed that it will be so also during the phases of tightening the restrictive formal procedures and increasing the bureaucratic and/or fiscal burden. Moreover, in transforming economies the scale of unproductivity will be intensified along with the ambiguity of legal solutions or the level of negative perception of formal institutions (as weak or unreliable).

**Figure 7. The readiness to take unproductive action depending on the situation of the company.**

Source: own elaboration based on research results



The entrepreneurs' declared tendency to take unproductive actions corresponds with their views on the unfair practices they observe. The surveyed entrepreneurs frequently observed the bribery of government officials (Figure 8) (27% of respondents). However, they met with competitors' availing of legal loopholes or entering into collusion even more often (respectively 47% and 40% of respondents).



**Figure 8. The observed unethical behaviours of active entrepreneurs.**

Source: own elaboration based on research results

## CONCLUSION

The review of the scientific literature on entrepreneurship shows that despite the fact that research is still dominated by analysing the positive impact of entrepreneurship on the economy, more and more authors pay attention to the darker side of enterprise. There is general consensus as to the view that the directions of entrepreneurial activities are determined by available institutions. It is the formal and informal rules of game that induce the entrepreneurs to take productive action or resort to unproductive or destructive activities. Differentiating the latter two types of actions is difficult and in this respect there are differences of opinion among scholars. For the purposes of the presented research, the authors accepted the division of entrepreneurship in only two types: productive and non-productive.

The studies conducted are of pioneering nature in Poland and rare in international scale. The nature of the problems related to unproductive entrepreneurship makes obtaining objective knowledge in this area very difficult. The range of available statistical data in this area is limited and often relates only to the superficial aspects of the analysed phenomena (e.g. the details of the disclosed corruption cases, the number of lawsuits, the number of required reports etc.). In questionnaire studies, the researchers often encounter the reluctance of respondents related to the disclosure of phenomena that they think can be considered to be cause of condemnation of not only themselves, but also their industry, region etc. Conscious of this, the authors conducted the research gradually, using the knowledge acquired during earlier stages of research in subsequent phases of the study.

Dividing the study into three phases allowed for a better understanding of the research problem, i.e. the unproductivity of entrepreneurs, but also for identifying the sources and costs of such unproductivity. In conditions typical for Poland, the sources of

unproductivity are primarily formal institutions represented by the applicable law and the government offices. The Polish entrepreneurs are mostly forced to unproductivity and they rather do not use the institutions to fight off the competition (offensive, voluntary unproductivity) — at least those originating from the SME sector. Perhaps the complicated legal regulations and the weakness of institutions whose existence dates back to the beginning of the transformation at most do not leave much time for seeking legal loopholes and private relationships with public officials, aimed at harming competitors. On the other hand, the entrepreneurs themselves do not seem to provide much evidence for the unproductivity caused by the formal institutions: they do perceive the bureaucratic burdens and complain about them but not everyone of them can indicate what they would do with the saved time. There is therefore no certainty that those burdens actually reduce the scale of productive activity.

The study also revealed a number of shortcomings in the research methodology itself. Conducting the research on a larger group of respondents necessitated the development of a standard questionnaire which does not capture all the shades of unproductivity and does not allow for understanding all the nuances of acting on the edge of law. Perhaps individual interviews with entrepreneurs would allow for describing the activities treated as voluntary unproductivity. After all, many of these individual cases are described in news reports (e.g. the acquiring of residential units by heir proxies or hostile takeovers of companies on the stock exchanges). However, in the questionnaire used for mass research there is no place for a longer explanation of what the classical, Baumol unproductivity is (described by the authors as voluntary).

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