EXPLORING PRODUCTIVE, UNPRODUCTIVE AND DESTRUCTIVE ENTREPRENEURSHIP (SUMMARY)

Arnis Sauka  
Stockholm School of Economics in Riga, Latvia, asauka@sseriga.edu.lv

Friederike Welter  
University of Siegen, Germany

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SUMMARY

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Arnis Sauka, Stockholm School of Economics in Riga, Latvia
Friederike Welter, University of Siegen, Germany

Principal Topic

Entrepreneurship can take various forms, and not everything labelled as ‘entrepreneurial’ is actually desirable. In this context, a key question concerns the activities entrepreneurs pursue in order to create value, which as argued by W. Baumol, points to the necessity to distinguish between productive, unproductive and destructive entrepreneurship. According to entrepreneurship literature, however, no consensus on the determinants of these concepts exists. The main reason for this is that in reality a few activities among, for example rent seeking, make absolutely no contributions to economy output.

Drawing on Baumol’s concepts and relevant amendments, this paper aims to contribute to the entrepreneurship literature by developing a conceptual framework allowing to operationalise productive, unproductive and destructive entrepreneurship for empirical assessment. Furthermore, authors make one of the first attempts to address the concepts empirically.

Method

Empirically, the paper is based on face-to-face interviews with firms up to 250 employees, conducted in Latvia in 2005, and follow-up phone interviews with the same 130 owners-managers in 2006. Hierarchical linear regression analysis was used to assess the determinants and influences on the involvement in productive, unproductive and destructive entrepreneurship and test whether a universal, contingency, or configuration model best fits the data. The key hypotheses included exploring the relationship between entrepreneurial behaviour, entrepreneurial orientation and SMEs output on various levels and time perspectives, as well as taking into account moderation effects of environmental dynamism and access to capital. Additionally we controlled for the effects of age and size of the firm, industry, sex and education.

Results and Implications

The results provide support for the conceptual framework highlighting the importance to shift the focus from firms’ activities to output on both, venture and societal levels, short and long term, when the concept of productive and unproductive entrepreneurship is addressed empirically. Overall findings suggest that productive entrepreneurs are those who are less involved in behaviour such as tax avoidance or illegal business and show a higher level of entrepreneurial orientation. Furthermore, our findings suggest that the involvement in conforming behaviour together with stable environment facilitates the productive contribution of entrepreneurs. These findings have implications for policy-makers indicating the need to ensure a stable environment.

CONTACT: Arnis Sauka; asauka@sseriga.edu.lv; (T): +371 26 043 567; (F): +371 67 830 249; Strelnieku street 4a, Riga, LV1010, Latvia.