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## Legal and Organizational Constraints on Entrepreneurship: A Case Study of Poland

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### **Abstract:**

**Purpose:** The article explores the intricacies of business trading, emphasizing the diverse aspects of entrepreneurship. It defines the participants to business trading and focuses on the multifaceted nature of entrepreneurship.

**Design/methodology/approach:** The study uses an analytical approach based on a review of legislation and micro/macroeconomic data from 2019-2023.

**Findings:** The study reveals that frequent alterations in business-related legal regulations contribute to a lack of legal stability. The inclination to invest is diminished by legal instability, imprecise regulations, a lack of public consultation, or consultations that are shortened in duration. All these factors contribute to difficulties in planning the course of business development and increase the scope of possible risks. In addition to regulatory uncertainty, rising labor costs further strain the financial performance of organizations. The study also highlights how many regulations directly implemented from EU legislation can lead to misinformation and challenges, particularly for micro, small, and medium enterprises (SMEs). These findings underscore the inherently complex nature of entrepreneurship and the need for a unified voice representing the interests of entrepreneurs. The article recommends establishing a universal economic self-governing body to advocate for and support entrepreneurs across all sectors.

**Practical implications:** The article highlights the great importance of the SME sector and points out key obstacles hindering business growth for entrepreneurs.

**Originality/value:** The article advocates for the establishment of a Universal Economic Self-Government, a body designed to support entrepreneurs by providing them with clear, accessible information regarding the legal and operational requirements associated with their chosen business structures.

### **Keywords:**

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## **1. Introduction**

The micro, small, and medium-sized enterprise (MSME) sector plays a pivotal role in the economies of both high-income and developing countries. In 2023, over 99% of all non-financial enterprises with less than 250 employees in the EU-27 will be classified as SMEs (European Commission, 2024, p. 1). Given this significance, establishing optimal conditions for their development should be the paramount policy objective of individual countries.

However, recent years have presented significant challenges for SMEs. The transition in Europe's industrial strategy towards a green and digital economy under the paradigm of Open Strategic Autonomy (OSA) presents a significant challenge for SMEs (European Commission, 2024, p. 2). In the context of these changes, a considerable number of SMEs are unable to maintain the requisite standards and consequently face bankruptcy.

In 2023, 25.8 million SMEs employed 88.7 million people, with approximately 94% of these enterprises classified as micro-enterprises. While the number of new SME registrations increased by 2.6% in 2023, the number of SME bankruptcies also increased by 13%, reflecting the challenging circumstances faced by SMEs in the EU (European Commission, 2024, p. 6).

A review of the data on SMEs reveals that they constitute a pivotal component of the economic landscape. SMEs contribute to job creation, drive local development, diversify the structure of the economy, and, due to their flexibility, are able to react more rapidly to changing market conditions. This makes them an important element of economic stability.

As indicated in the TMF Group's TMF Global Complexity Index 2023 report, Poland was positioned seventh in Europe and 12th globally among the least business-friendly countries. This represents an improvement of three places in comparison to the previous two years. Furthermore, it is the least favourable of the countries with which Poland shares a border, including Ukraine, which is currently experiencing a state of war. Greece presents the most difficult business environment among the countries considered (TMF Group, 2024).

TMF Group experts have highlighted that Polish entrepreneurs are burdened by a number of factors, including the necessity to repeatedly report the same information to a multitude of institutions and the volatility of regulations that have persisted for years. This includes the announcement of the introduction of the National eInvoicing System (KSeF), which was subsequently postponed, resulting in significant costs incurred by numerous large organisations to adapt to its implementation.

The legal framework governing business activities in Poland is comparable to that of other EU member states. An entrepreneur has the power to shape the legal structure

of business operations and the accounting standards that govern them. Furthermore, businesses from outside the EU are allowed to conduct business in Poland; however, additional requirements, usually related to the type of business in question, are frequently imposed on foreign investors.

For example, this might apply to industries like banking or insurance. Businesses operating in Poland need to have a thorough understanding of tax law, real estate law, labor law, and other areas of the legal system in addition to organizational and financial factors. Additionally, it is expected of them to exhibit knowledge of accounting laws and regulations.

The objective of this article is to elucidate the fundamental principles of entrepreneurship and to identify the prevailing constraints that impede its advancement. The primary focus of the research is an examination and assessment of challenges associated with entrepreneurship development. The authors concentrate on identifying the most significant barriers to entrepreneurship based on their professional experience.

The analysis of the above problems requires the following research questions:

- What is the essence of entrepreneurship?
- Does the concept of entrepreneurship have multiple dimensions?
- Does entrepreneurship lend itself to stable regulation?
- What has been the trend in labor costs between 2019 and 2024?

By addressing these questions, this research will provide valuable insights into the challenges faced by entrepreneurs and propose the establishment of a Universal Economic Self-Government to advocate for and support entrepreneurs across all sectors.

## **2. Literature Review**

### **2.1 The Nature of Entrepreneurship**

The term *entrepreneurship* refers to the process of creating something new, such as a business aimed at achieving market success, a management approach that focuses on the efficient use of resources, or a strategy adapted to prevailing market conditions. It also includes a set of characteristics typical of entrepreneurial behavior, such as risk-taking, flexibility, and innovation in implementing new ideas (Korol, Kusideł, and Szczuciński, 2016, p. 56).

In essence, the concept of entrepreneurship is multifaceted. It refers to defining a company's mission that relies on a comprehensive understanding of entrepreneurship's complex nature. A core component of entrepreneurship is organizing actions into a process inherently oriented toward proactive engagement.

This implies that entrepreneurship is not feasible without a focus on creating products or services with distinct attributes that establish brand recognition and cultivate an environment of innovation.

Entrepreneurship embodies an attitude and approach that underscores a readiness to undertake new, unconventional, and often risky ventures, along with the proactive pursuit and realization of these initiatives (Duraj, 2000, pp. 15-16). It involves structuring a series of actions designed to meet consumer needs for a product or service.

These processes include identifying business objectives and the nature of operations. Once defined, it is essential to outline the segmentation of these processes, categorized into three main types: management processes (which relate to the company's mission, objectives, strategy, and market positioning), core processes that drive organizational outcomes, and supporting processes (Stanik and Kiedrowicz, 2017, p. 343).

Process implementation is one component that helps to increase the efficacy and efficiency of actions that are undertaken. Consequently, these processes are oriented towards the creation of solutions tailored to specific financial situations, market position, human resources, organizational structure, and available infrastructure. The complexity of an organization is correlated with the processes it implements. A more structured organization requires the development of adaptive processes that can respond to its specific circumstances.

Creating new processes serves to enhance the appeal of the company while simultaneously addressing the evolving expectations of consumers with regard to the products or services on offer. As a process, entrepreneurship is oriented towards the generation of market benefits. The identification of these benefits is not homogeneous; rather, it is defined as a characteristic trait of actions aimed at achieving economic efficiency, which ensures the rational functioning of the company and provides the foundation for its growth (Gajda, 2017, p. 11).

Entrepreneurship cultivates a distinct mindset, one that is marked by differing levels of risk tolerance. It is understood as a multidimensional phenomenon that encompasses a range of observational aggregates—from individuals and firms to regions, industries, and nations. This behavior demands possessing entrepreneurial skills and capabilities while actively engaging in competitive activities (Wennkers and Thurik, 1999, pp. 27-55).

This understanding underscores the necessity for proactive engagement in fostering entrepreneurial attitudes. Only developing behaviors is insufficient for effective action. It is also vital to integrate these behaviors into meaningful participation within a competitive socio-economic environment. As a result, entrepreneurial entities actively embrace new challenges, thereby shaping the social status of the

entrepreneur. What is more, entrepreneurship shapes the identity of the entrepreneur and is evident across all new and dynamically evolving businesses, irrespective of their size or industry profile (Acs and Audretsch, 2006, p. 6).

It establishes a comprehensive catalog of behaviors that facilitate the recognition of the need for change in goal identification, foster motivation for their achievement, and support the implementation of solutions that enhance organizational efficiency.

The phenomenon of entrepreneurship is distinguished by its universality, as it is not constrained by the boundaries of any particular industry. Furthermore, it is not constrained by geographical limitations. To fully comprehend the essence of entrepreneurship, one must consider the individual entrepreneur, who should exemplify traits such as innovation, uniqueness, creativity, and a willingness to take risks.

Additionally, they should be able to make use of processes associated with entrepreneurship, organizational development, and value creation (Bartnicki and Strużyna, 2001, p. 38). Consequently, the role of the entrepreneur is to cultivate the individual characteristics of their organization, thereby enabling the implementation of processes that are aligned with the organization's operational profile, brand recognition, geographic scope of activities, and motivational factors for employees.

There is a strong relationship between an entrepreneur's traits and their propensity to establish procedures inside their company. One characteristic that entrepreneurs and the methods they employ have in common is their ability to innovate, which is the motivation to present new ideas that facilitate the development and implementation of original business models.

Entrepreneurship is a defining characteristic of individuals, processes, and organizations. It is characterized by dimensions such as sensitivity to change, innovation (the pursuit and implementation of new ideas), and a willingness to take risks (Bednarczyk, 1996, p. 18). This implies that these attributes must be collectively embodied by the organization.

To effectively realize these characteristics, it is essential for individuals to identify the processes that should be implemented within the organization to facilitate necessary changes. These changes are crucial for achieving a new approach to defining the company's mission and for optimizing its resource utilization. Individuals' entrepreneurial traits form the foundation of their decisions, which assist in putting procedures and initiatives into action that impact business decision-making.

Entrepreneurship can also refer to the management of resources, which can vary significantly across different enterprises. These resources constitute the competitive potential of an organization, encompassing all tangible and intangible assets

necessary for operation and competitiveness in a given market (Stankiewicz, 2005, p. 93).

However, mere possession of resources is insufficient for successful entrepreneurship; these resources must be actively utilized by the enterprise, as the source of competitive advantage lies in the effective deployment of resources that facilitate value creation (Dzikowska and Gorynia, 2012, p. 17).

The concept of resources is subject to systematic evolution and includes organizational, structural, physical, and financial resources that are continuously updated to meet the current needs of the company. That is why entrepreneurship involves ongoing monitoring of these resources and their adaptation to the prevailing market conditions.

One's resources encompass a range of elements that include brand equity, internal technological knowledge, employee skills, business contracts, machinery, procedures, and capital (Wernerfelt, 1984, p. 171) and can be viewed as either strengths or weaknesses. Importantly, however, these resources are not static; they are in a state of constant flux, necessitating systematic expansion in both tangible and intangible categories.

Commercial contracts have an essential function in the development of a customer portfolio and as instruments for brand building. That makes it possible for the company to differentiate its goods and services in the market, which is important for competitive strategies and for improving market recognition.

The concept for an organization, which forms the basis of its operations, is a crucial component of its success. It involves the degree of one's willingness to take risks and is conducive to creating business models that are employed to achieve organizational goals.

A business model articulates how an enterprise operates, who its customers are, what those customers value, and how the enterprise delivers value while minimizing costs (Gwarda-Gruszczyńska, 2012, p. 385). It establishes operational guidelines and order as well as emphasizes the importance of fostering long-term customer relationships that are integral to value creation.

The business model serves as a synthesis of the company's strategic vision and the technologies required for practical implementation, essentially forming a value chain that allows for effective resource utilization and renewal (Obłój, 2002, p. 97).

Knowledge emerges as a key driver of enterprise creativity, enabling the analysis of changes in legal requirements that regulate the company's operations and the corresponding instability risks. Knowledge, which is defined as information gathered by people or groups and processed to help with decision-making or

problem-solving (Niklewicz-Pijaczynska, 2019, p. 67), is linked to the acquisition of information and its influence on decisions within the enterprise. This information, integral to knowledge, must be processed in a way that is effectively in the organizational context.

Business models delineate a set of principles that guide the enterprise in utilizing its resources to create customer value. It establishes a framework for the enterprise's value system, integrating both tangible and intangible components aimed at achieving organizational objectives. Each model is unique in its composition, as no two sets of resources and capabilities are identical.

Furthermore, entrepreneurship is not a monolithic concept. Literature highlights the necessity of distinguishing macroeconomic entrepreneurship, which encompasses the collective economic, social, political, legal, cultural, and personal conditions within a country that promote entrepreneurial attitudes (Sudol, 2008, p. 38).

Thus, macroeconomic entrepreneurship is shaped by various external factors, including legal regulations that establish norms and rules of conduct within specific socio-political contexts. The organizational culture that entrepreneurs choose to adopt is greatly influenced by these codes of conduct and regulatory frameworks.

The landscape of entrepreneurial activity is further complicated by the variable characteristics of the determinants influencing macroeconomic entrepreneurship. The development of entrepreneurial activity characteristics necessitates monitoring the evolving conditions in which macroeconomic entrepreneurship unfolds, as well as implementing solutions that allow for adaptation of operational strategies to the changing attributes of the socio-economic environment.

In macroeconomic entrepreneurship, a number of discrete types have been identified, including spontaneous, evolutionary, ethical, and systemic entrepreneurship (Haber, 1996, p. 15). Spontaneous entrepreneurship is typified by a pronounced aspiration for success, accompanied by a proclivity for risk-taking and a readiness to act in a manner that may contravene established norms.

An aspiration for success may frequently be devoid of planning, with entrepreneurs initiating ventures without sufficient forethought or capital. In contrast, evolutionary entrepreneurship is oriented towards the formulation of multi-stage tasks aimed at achieving a defined goal. Ethical entrepreneurship, meanwhile, emphasises adherence to specific value systems and behavioural norms.

Lastly, systemic entrepreneurship involves structured, deliberate actions undertaken within a market economy. It includes all conditions that allow the implementation of systematic solutions, recognising the importance of fostering entrepreneurial attitudes. Systemic entrepreneurship pertains to a market economy in which the state creates favorable conditions for entrepreneurial growth, acts as a promoter of

entrepreneurship for its citizens, and encourages its development (Lichtarski, 2007, pp. 63-65).

Within systemic entrepreneurship, legal entrepreneurship assumes a central role. It includes a variety of measures intended to create clear legal guidelines that support entrepreneurial mindsets and raise the social standing of business owners. Legal entrepreneurship also shapes the organizational culture within businesses, and it should be implemented systematically to increase participants' legal and economic awareness in business transactions.

Legal entrepreneurship describes a set of attitudes that facilitate an understanding of the fundamental principles of a legal provision and an awareness of the various methods of interpreting it, along with the potential risks associated with such interpretations.

Primarily, it concerns the selection of the legal form of a business and the subsequent implications for enterprise liability, as well as an understanding of the rules governing business conduct. This is because it is a crucial element for engaging in business activities. Legal entrepreneurship thus serves as a foundation that enables individuals to start and sustain businesses.

## 2.2 Legal Instability

Legal instability poses a significant challenge to fostering entrepreneurial attitudes. Currently, no single comprehensive legal act covers all aspects of entrepreneurship; instead, entrepreneurs must navigate various sources of law, including the *Law on Entrepreneurs*, the *Civil Code*, and the *Commercial Companies Code*. This fragmented system complicates compliance and increases administrative burdens.

Different definitions of "entrepreneur" further add to this complexity. Article 4, Paragraph 1 of the Law on Entrepreneurs states that a natural person, legal entity, or organization that has been given legal capacity by independent legislation and is conducting business is considered an entrepreneur.

According to Article 431 of the Civil Code, an entrepreneur is a natural person, legal person, or organization that engages in business or professional endeavors under their own name. These variations highlight the inconsistencies in defining the role and responsibilities of entrepreneurs, contributing to legal ambiguity.

The above definitions indicate that the legislator distinguishes three legal entities as potential entrepreneurs in an analogous manner. At the same time, the legislator focuses on different attributes of the entrepreneur, such as possessing legal capacity as a prerequisite for being a subject of rights and obligations and conducting activities in their own name.

The legislator's approach to activities influencing the formation of entrepreneurship differs as well, not making a clear decision regarding the identification of activities undertaken and conducted by an entrepreneur.

Furthermore, the legislator limits the identification of possible activities undertaken by entrepreneurs. Business activity is defined under Article 3 of the Entrepreneurs' Law as organized, profit-oriented activity conducted in one's own name and continuously. The legislator does not address the essence of professional activity, however. Additionally, the use of meta-clauses<sup>3</sup> presents challenges when it comes to their interpretation.

Additionally, the dual registration system exacerbates these issues. Entrepreneurs must register either with the *National Court Register* (KRS) or the *Central Registration and Information on Economic Activity* (CEIDG), each with different requirements for business suspension periods, thereby creating inequality in access to certain legal benefits.

To illustrate, businesses registered in the Central Register and Information on Economic Activity can suspend their activities indefinitely or for a specified period not shorter than 30 days. In contrast, entrepreneurs registered in the National Court Register can suspend their activities for a period of 30 days to 24 months. This effectively creates inequality in the suspension rights of different entities.

### **3. Methods and Materials**

The study employs an analytical approach based on a review of legislation and micro- and macroeconomic data from 2019-2023, aiming to provide a comprehensive overview of the challenges faced by entrepreneurs in the current economic landscape. Based on these, we were able to offer feasible remedies to support their growth and stability.

For the purpose of data collection, the study uses various sources, such as national reports (reports from the Social Insurance Institution (ZUS) that provide insights into national economic trends and labor costs), international reports (which include global and regional economic reports to compare Poland's business environment with other countries), literature (academic publications and economic literature offered theoretical and empirical background), and economic databases (which include such databases as Eurostat and the World Bank for comprehensive data on economic indicators).

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<sup>3</sup>*Meta-clause: in a legal context, a meta-clause refers to a broad or general clause in legislation or contracts that allows for interpretation flexibility, often serving as a guiding principle rather than a specific rule.*

As for analytical tools, the study employs several research tools that were used to analyze the collected data, including descriptive statistics, by which we were able to summarize and describe key data points related to labor costs and, consequently, identify changes and trends over time.

The data points the study looked at included minimum gross wages, social insurance contribution base, social insurance contributions (both with and without sickness insurance), and health insurance contributions, all of which showcase changes in labor costs over the specified period.

Part of the study also incorporated a legal analysis through which we examined such acts as the Entrepreneurs' Law, the Civil Code, and the Commercial Companies Code, all of which dictate the manner in which business activities can be operated in Poland. Thanks to this analysis, we were able to assess the implications of these legal frameworks on business operations and identify regulatory challenges faced by entrepreneurs.

Based on international reports, Poland's business environment was compared with other EU countries, which constitutes a comparative analysis aimed to highlight Poland's competitive disadvantages and areas for improvement relative to other EU countries. In order to do so, Poland's standing and business-friendliness are assessed using rankings and scores from publications such as the TMF Global Complexity Index.

Also, part of the study focused on interviews that were conducted in-depth with five entrepreneurs: three running sole proprietorships and two who are majority stakeholders in limited liability companies. Their purpose was to gather qualitative insights on the impact of rising labor costs and regulatory challenges. The purpose of conducting interviews was to give participants the freedom to freely share their thoughts and experiences.

#### **4. Findings**

Entrepreneurship is characterized by excessive and uneven regulatory burdens that are disproportionate to the needs of entrepreneurs. Legal instability and unpredictability, lack of public consultations, or shortened consultation periods reduce the willingness to invest. These issues cause difficulties in planning business development and increase the scope of business risks.

Business trading shapes entrepreneurship, understood as creativity, innovation, diversity of ideas, and the combination of different legal entities prepared to achieve a specific result, aimed at the development of the enterprise as well as the personal growth of individual stakeholders. Entrepreneurship is complex and involves the correct organization of the enterprise to achieve its goals.

It encompasses value systems and talent management and involves shaping the mentality of stakeholders regarding profit distribution and loss coverage principles.

The need to unify legal definitions related to entrepreneurs and economic activities by introducing an entrepreneurship code is evident. The recommended legal act would regulate economic law issues considering various forms of business operations by entrepreneurs.

Additionally, a single act would cover matters related to entrepreneurs engaging in activities with different missions and goals. The necessity of maintaining two business registers, the Central Register and Information on Economic Activity and the National Court Register, should be reconsidered. Furthermore, the establishment of a Universal Economic Self-Government to represent the interests of entrepreneurs regardless of their industry is recommended.

Our study demonstrates that conducting business activities, irrespective of organisational size, entails a series of obligations that are reflected in, for instance, labour costs. The mandatory social insurance contributions for business owners and their employees have a significant impact on these costs.

In Poland, social insurance contributions (ZUS) have undergone notable changes between 2019 and 2024, influenced by the rising contribution base, which is now dependent on the average and minimum wages in the economy. Table 1 illustrates the amount of contribution to social insurance for self-employed individuals.

**Table 1.** Contributions to social insurance (ZUS) for self-employed individuals between 2019 and 2023, in Polish zloty (PLN)

|                                                           | 2019     | 2020     | 2021     | 2022     | 2023     |
|-----------------------------------------------------------|----------|----------|----------|----------|----------|
| Minimum gross salary                                      | 2 250,00 | 2 600,00 | 2 800,00 | 3 010,00 | 3 490,00 |
| Contribution assessment base                              | 2 859,00 | 3 136,20 | 3 155,40 | 3 553,20 | 4 161,56 |
| Contributions (excluding voluntary sickness contribution) | 974,65   | 1 069,14 | 1 081,43 | 1 211,28 | 1 351,39 |
| Contributions (including voluntary sickness contribution) | 1 316,97 | 1 431,48 | 1 447,05 | 1 633,78 | 1 770,72 |
| Health insurance contribution (levy)                      | 342,32   | 362,34   | 381,81   | 419,92   | 520,00   |

**Source:** Own elaboration based on ZUS 2024.

Table 1 illustrates the increase in social insurance contributions over the years. The year 2022 marked a significant change with the introduction of income-dependent health insurance contributions. These contributions are now 9% of income, with a minimum amount based on the minimum wage. This change has introduced

additional variability in contribution calculations. For high-income entrepreneurs, this has posed a significant challenge. Conversely, entrepreneurs with lower incomes pay lower contributions, but their income must be below the minimum wage.

Changes in the calculation of health insurance contributions introduced by the Polish Deal (Polski Ład) in 2022 have significantly impacted the cost of doing business. Previously, the health insurance contribution was calculated based on a fixed assessment base, allowing for predictable obligations.

Post-2022, the health insurance contribution is 9% of the entrepreneur's income, adding variability and uncertainty to the contribution amount. High-income entrepreneurs now face much higher contributions (9% of actual income, e.g., a monthly income of 100,000 PLN results in a 9,000 PLN contribution), which has become a significant challenge.

Additionally, there is one group of entrepreneurs who pay lower contributions; however, their income must be below the minimum wage (9% of the minimum wage, which was 270.90 PLN per month in 2022 and increased to about 314.10 PLN in 2023). The most significant change brought by the Polish Deal was the removal of the ability to deduct the health insurance contribution from taxes.

Previously, entrepreneurs could deduct 7.75% of the health insurance contribution from their income tax, reducing their overall tax burden. Since 2022, this deduction has been eliminated, increasing the real cost of paying health insurance contributions. The inability to deduct this contribution means that the full 9% of income constitutes an additional cost of running a company.

The calculation of contributions varies for taxpayers paying a lump-sum income tax or a flat-rate income tax. For the former, the health insurance contribution depends on annual revenue and is progressive.

**Table 2.** Monthly health insurance contributions for individuals settling taxes with a lump-sum income tax in 2023-2024

| Income             | Contribution Calculation Method      | Contribution in 2023 | Contribution in 2024 |
|--------------------|--------------------------------------|----------------------|----------------------|
| Up to 60,000 PLN   | 9% of 60% of average monthly salary  | 335 PLN              | 419.46 PLN           |
| 60,001-300,000 PLN | 9% of 100% of average monthly salary | 559 PLN              | 699.11 PLN           |
| Above 300,000 PLN  | 9% of 180% of average monthly salary | 1007 PLN             | 1258.39 PLN          |

**Source:** Own elaboration based on ZUS, 2024; and Bogucka, 2024.

Entrepreneurs who pay a flat-rate income tax are required to contribute 9% of their income, although the minimum contribution is 9% of the average monthly salary in Poland. Entrepreneurs who settle their income tax liability through the issuance of a tax card (or who benefit from a start-up relief) are required to make contributions to the health insurance scheme based on the minimum wage applicable on 1 January of the relevant year.

In 2024, the contribution assessment base for this group is 4,242 Polish Zloty (PLN), with the contribution amount equalling 381.78 PLN. The initial health insurance contribution in this amount was remitted by entrepreneurs in February 2024 (Bogucka, 2024).

As demonstrated in the preceding analysis, the amendments implemented in 2022 have resulted in increased financial obligations for high-income entrepreneurs, particularly those operating sole proprietorships. The inability to deduct the health insurance contribution from taxes and the income-dependent contribution amount introduced new challenges in financial planning for businesses.

For lower-income individuals, the new rules may be beneficial, but income variability throughout the year complicates their financial situation. Many entrepreneurs have expressed criticism of this method of calculating health insurance contributions, viewing it as an additional tax burden.

## **5. Discussion**

The preceding analysis leads to the conclusion that there is a need to unify the legal definitions of entrepreneurs and economic activities by introducing an Entrepreneurship Code. It is recommended that the legal act regulate issues pertaining to economic law, taking into account the various forms of business operations conducted by entrepreneurs.

Moreover, a unified act would address the legal issues pertaining to entrepreneurs engaged in diverse activities with varying missions and goals. The necessity of maintaining two business registers, namely the Central Register and Information on Economic Activity and the National Court Register, should also be reconsidered.

The changes outlined above also show that some kind of regulatory solution is necessary. These could include universal economic self-government that would represent the interests of entrepreneurs across all industries. Such an entrepreneurial resource and compliance center would serve as a solution and would establish the necessary mechanisms for amicable dispute resolution within the framework of the proposed self-government structure.

Moreover, it would undoubtedly encourage efforts to reduce the involvement of common courts in dispute resolution. This could result in greater stability of

commercial contracts between entrepreneurs and their contractors, as the existence of a court dispute significantly reduces the likelihood of continuing cooperation between the parties to a commercial agreement.

Furthermore, employing amicable dispute resolution would undoubtedly influence the organisational culture of enterprises while concurrently reducing the financial burden of legal proceedings.

Additionally, the universal economic self-government could play a significant role in informational and educational initiatives aimed at tracking changes to business trading laws in various industries. This would considerably diminish the risks associated with a lack of awareness of current legal regulations pertaining to business operations.

It is similarly imperative to educate entrepreneurs on the necessity of evaluating their conduct from a professional standpoint, encompassing the fulfilment of obligations delineated in individual commercial contracts. This approach might be very helpful in preventing improper contract fulfillment and reducing the risks of individual contractors pursuing compensation claims or requesting interest for delays.

## **6. Recommendations**

The organisational constraints on entrepreneurship in Poland encompass both formal legal, administrative, and financial barriers, as well as internal issues pertaining to management, innovation, and infrastructure. The quality of the institutional environment, the complexity of regulations, the accessibility of education and training for employees, and the availability of financial support could all be improved, which would have a markedly positive impact on the situation of Polish entrepreneurs.

The following list offers some possible recommendations to enhance the standing and operation of SMEs:

- Establishing a universal economic self-government (UESG) whose primary roles would include policy advocacy, providing legal and financial guidance, offering dispute resolution services, and delivering educational programs.
- Reducing financial burden associated with labour costs, particularly the significant expense of health insurance contributions. This involves state interventions implementing tax relief or subsidies on health insurance contributions for small businesses, particularly those in rural or underserved areas. Priority should be given to MSMEs operating within local communities, as they frequently serve as the sole employers or sources of income in the area.

- Providing greater stability in legal regulations, which involves developing a stable and transparent legal framework tailored to the needs of SMEs as well as reducing the frequency of regulatory changes. What this could entail is a consolidated "Entrepreneurship Code" that would set consistent definitions, standardize key business regulations, and provide SMEs with a predictable legal environment to support long-term planning.
- Enhancing access to dispute resolution mechanisms, such as mediation and arbitration within the UESG framework. Providing SMEs with effective tools for resolving conflicts outside of court would reduce costs, shorten resolution times, and strengthen business relationships, fostering a cooperative business culture.
- Encouraging innovation and digital transformation by offering incentives, such as tax credits or grants, to SMEs that adopt digital tools, implement new technologies, or engage in innovative practices.
- Implementing systematic integration of new technologies by recognizing the importance of systematically incorporating new technologies into business practices. It should be remembered that while these technologies will not automatically replace knowledge, experience, and skills, they will serve as valuable tools to enhance their effective utilization, ultimately helping to achieve the company's objectives.
- Educational and training programs for SME owners and managers (focusing on financial literacy, legal compliance, digital skills, and innovation management) and employees (focusing on technical skills, customer service excellence, problem-solving abilities, and adaptability to new technologies) to enhance overall business performance and competitiveness.

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