

RESEARCH ARTICLE

Entrepreneurial Attrition: Red Tape and other Inefficient Practices from the Lens of New Business Owners

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ABSTRACT

This research examines bureaucratic and administrative hindrances to entrepreneurial attrition in the Philippines, with particular reference to experiences of recently founded business owners. Employing qualitative methodology, it was informed by in-depth interviews with 20 entrepreneurs across diverse industries in Surigao del Sur, Philippines. Results indicate that too much red tape, ambiguous requirements, and non-responsive government service delivery frequently hold up business operations and impose tremendous emotional and financial stress. Most interviewees indicated that they contemplated postponing or scrapping their business plans because of these barriers. A noteworthy discovery is the disproportionate experience of entrepreneurs. Entrepreneurs with personal contacts or insider help experienced fewer delays, which underlines systemic disparities in access to public services. Meanwhile, most entrepreneurs were subjected to inconsistent information, document resubmission, and insufficient online support. These issues validate earlier research on institutional inefficiency, with this work offering a people-oriented account from the Philippine experience. To remedy these problems, suggested solutions are process simplification, enhanced staff training, and creating inclusive, user-friendly online platforms. This research supports immediate policy and administrative changes for better efforts to create a more supportive and equitable environment for entrepreneurship. Ultimately, enabling entrepreneurs is not just critical for economic recovery and innovation but also for making progress in inclusive development in the nation.

Keywords: Entrepreneurship; red tape, bureaucratic inefficiencies; business registration; entrepreneurial attrition; MSMEs; Philippines

1. Introduction

Entrepreneurship is generally accepted to be one of the principal drivers of economic growth, job creation, and innovation, especially in emerging economies like the Philippines ^[1,2]. Micro, small, and medium enterprises (MSMEs) are the backbone of the Philippine economy, accounting for 1,241,733

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(99.63%) of all business registrants and employing most of the workforce ^[3]. Yet, even with all the benefits of entrepreneurship, potential business people are often confronted with a variety of institutional impediments – first among these, bureaucratic inefficiencies popularly known as "*red tape*."

Red tape, defined by excessive documentation, tortuous procedures, and slow government transactions, significantly hampers entrepreneurs, particularly those seeking to register and legalize their business enterprises. Such inefficiencies are a result of poor coordination among agencies, limited digitalization, and inconsistent public service delivery. Entrepreneurs, therefore, face delays, miscommunication, and financial losses that might affect their decision to continue or shelve their business undertakings.

In most instances, such bureaucratic issues deter entrepreneurship altogether, resulting in a process referred to as entrepreneurial attrition – the abandonment or delay of business projects because of systemic inefficiencies ^[4]. This research seeks to examine the government-associated challenges that influence entrepreneurial decisions, particularly how bureaucratic inefficiencies lead to entrepreneurial attrition. The inquiry is guided by the theoretical lens of Bozeman's (1993) red tape theory, which conceptualizes red tape as non-value-adding constraints that impose unnecessary costs on organizational or individual actors. Complementing this is the institutional theory perspective, which posits that the quality of formal institutions directly shapes entrepreneurial behavior and opportunity realization.

Grounded in these frameworks, this study interprets red tape not merely as an administrative inconvenience but as an institutional mechanism that affects motivation, decision-making, and persistence among entrepreneurs. Analyzing lived experiences, the study seeks to bridge micro-level entrepreneurial realities with macro-level institutional theory, offering an integrated understanding of how inefficiency and attrition are interlinked.

The present study hopes to add to the current debate on regulatory reform and entrepreneurial growth through providing empirical knowledge on what hinders entrepreneurs. The research results could be used as a point of reference by policymakers, business support organizations, and governmental agencies in designing interventions to rationalize business procedures and provide an enabling environment for entrepreneurship.

2. Review of related literature

Red Tape and Organizational Performance

Bozeman's ^[5] theory on red tape provides the foundational framework for understanding bureaucratic inefficiency as a non-value-adding constraint. Within this framework, institutional inefficiency can be decomposed into several dimensions rule redundancy, process predictability, compliance cost, response timeliness, and procedural transparency. These components help explain how administrative systems can unintentionally create barriers that discourage productive activity.

Huang et al. ^[6] and Yang ^[7] defined red tape as rules, regulations, and procedures that remain in force yet fail to deliver intended public value. Building on this foundation, Bozeman's later "non-value-adding constraints framework" conceptualizes red tape as a multidimensional construct composed of five critical elements: rule redundancy, process predictability, compliance cost, response timeliness, and procedural transparency

Subsequent studies ^[8] expanded this framework by linking red tape to individual motivation and organizational performance. Applying this perspective to entrepreneurship allows for a richer interpretation of how institutional structures translate into personal experiences of frustration, delay, and withdrawal. In the

Philippine context, where MSMEs dominate the economy but face persistent regulatory hurdles, these dimensions are crucial for assessing how inefficiency erodes entrepreneurial drive and continuity.

Drawing from this concept, Walker and Brewer ^[9] posit that over bureaucratization in government agencies cripples operational effectiveness and dilutes the institutional strength to facilitate business growth. George et al. ^[10] add further that excessively binding regulation may constrain managerial discretion, curtail innovation, and finally diminish the general competitiveness of organizations.

These results indicate that red tape, rather than being usually analyzed from an organizational or managerial standpoint, has broader implications that affect entrepreneurial activities. Rauf ^[11] adds that bureaucratic inefficiencies impose operational bottlenecks in both public and private sectors, indicating that entrepreneurs usually resource-scarce are especially susceptible to such system issues.

In addition, Zahradnik ^[12] and Van Der Voet ^[13] state that the persistence of red tape degrades organizational effectiveness and demotivates people in organizations. Zahradnik proposes system reforms to enhance institutional performance, while Van Der Voet states how excessive bureaucracy results in emotional exhaustion, lower morale, and disengagement. These consequences closely reflect the emotional and financial stress felt by entrepreneurs under delayed regulation for an extended period.

Red Tape and Entrepreneurial Attrition

Attrition, in a general sense, refers to the gradual withdrawal or decline of people from an organization or enterprise, and it is a significant concern in different industries globally ^[14]. Within entrepreneurship, this occurred when entrepreneurs defected or suspended their businesses due to unovercomeable challenges, such as bureaucratic inefficiencies.

While all these studies eminently illustrate organizational red tape's costs, most concentrate on mature companies and internal management issues, with little investigation of its particular effect on entrepreneurship, especially that of new or prospective business owners. Entrepreneurial businesses, particularly micro and small firms, do not have the institutional assistance or cushion resources to cope with extended bureaucratic slowdowns, thus being at higher risk of business discontinuance or attrition.

Recent Philippine evidence further substantiates this gap. UNESCAP and World Bank reports show that to start a business in the Philippines takes at least 13 procedure steps, averaging 33 days and incurring significant costs as a ratio to per capita income (UNESCAP, n.d.). This bureaucratic complexity is further magnified by localized hurdles. For example, Ansoos et al. ^[15] state that MSMEs in Cebu experience it as "fairly challenging" to get permits, with issues concerning taxation, licensing, and environmental compliance. Likewise, Francisco et al. ^[16] notes that while new electronic systems such as the e-Business Permit and Licensing System (e-BPLS) have been implemented, much concern lies in how much time and money compliance takes. More critically, the Asian Institute of Management Rosales ^[17] points out how informal payments – up to 54% of the annual costs of an SME – add further complexities to the regulatory framework, creating further layers of inefficiency and inequity in business opportunity access. Business associations have also listed regulatory compliance among the most identifiable impediments to market access in the nation ^[18].

Previous research centers on organizational performance or regulatory compliance in established SMEs, thus not fully exploring new entrepreneurs' lived experiences quitting or postponing their enterprises because of bureaucratic hassles. Emotional and economic impacts of red tape on entrepreneurs are also not present in the current scholarly literature, especially in the Philippine context.

This research fills these gaps by moving the focus to entrepreneurial attrition and testing the effects of red tape and government inefficiency on entrepreneurial persistence and decision-making. Exploring the opinions of nascent entrepreneurs both those who managed to start and those who abandoned their plans, this research deepens our understanding of the nexus between entrepreneurship, bureaucracy, and business survival.

3. Methodology

3.1. Research design

This study employed a qualitative exploratory design anchored on grounded theoretical logic. Such an approach is appropriate for examining underexplored institutional mechanisms that influence entrepreneurial behavior. Using qualitative narratives to observe how institutional inefficiencies are internalized by entrepreneurs as lived constraints.

To ensure methodological rigor, the study adhered to Braun and Clarke's study in year 2006 where *six*-phase process of thematic analysis including data familiarization, initial coding, theme generation, theme review, definition, and reporting. This systematic procedure ensured transparency and consistency from raw data to conceptual interpretation ^[19]. Furthermore, findings were validated through thematic saturation and peer debriefing, enhancing the study's reliability despite its small and purposive sample.

As emphasized by Chavez and Ceneciro ^[20] exploratory designs are particularly useful in uncovering emerging themes and associations within narratives, allowing researchers to gain a deeper appreciation of the lived experiences of participants. Happell ^[21] concurs that qualitative exploratory approaches provide opportunities to investigate complex social phenomena that are not extensively covered in existing literature.

Moreover, qualitative research serves as a rigorous methodological approach for the in-depth exploration of perspectives and conceptualizations relevant to a specific area of inquiry. According to Polit ^[22] and Szabelska et al. ^[23] this type of research is especially well-suited for studying contexts where knowledge is limited, facilitating the generation of new insights, meanings, and hypotheses based on participants' experiences.

3.2. Population and sampling

This study utilized purposive sampling, a non-probability technique suitable for qualitative research, as it enables the deliberate selection of participants who can provide the most relevant and insightful data aligned with the research objectives ^[24]. According to Rai and Thapa ^[25] and Tongco ^[26], purposive sampling allows researchers to target individuals with specific characteristics or experiences that are central to the study. This sampling strategy ensured that the participants selected had direct encounters with bureaucratic challenges in business registration, licensing, or related government procedures.

The study focused on new and aspiring entrepreneurs in the Philippines who experienced delays or inefficiencies in formalizing their business ventures. Participants were chosen based on their firsthand experiences with red tape and government-related obstacles. The sample included individuals who either successfully launched their businesses within the last two to three years or those who opted to delay or abandon their plans due to bureaucratic difficulties. A total of 20 participants from Surigao del Sur, Philippines were interviewed, with the final sample size determined based on data saturation.

3.3. Instrument

This study used a semi-structured one-on-one interview guide as the main research instrument. This format allowed for open-ended questioning, enabling participants to share in-depth experiences while still

focusing on key study objectives ^[27-28]. The design intentionally included questions that prompted reflection on both positive and negative experiences with government processes. While some items appeared to be negatively worded (e.g., “What bureaucratic processes do you find most discouraging?”), these were formulated not to bias responses but to elicit concrete examples of procedural barriers and emotional reactions, consistent with the research objectives.

According to Knott et al. ^[29] and Naz et al. ^[30], qualitative interviews often employ experience-focused framing to encourage respondents to recount specific incidents rather than general opinions. Thus, the phrasing was purposely experiential rather than evaluative. To maintain neutrality, follow-up questions were always open-ended (e.g., “Can you describe what helped or made it easier for you?”), allowing participants to balance their narratives with both challenges and coping strategies. This approach ensured rich, balanced, and authentic data rather than leading respondents toward negativity. The complete set of interview questions is provided in the Table 1 below:

Table 1. Interview Guide Questions

Objective	Research Questions
1. To explore the specific government-related challenges encountered by new business owners.	<ol style="list-style-type: none"> 1. What bureaucratic processes do entrepreneurs find most discouraging when starting a business? 2. How do entrepreneurs evaluate the efficiency and responsiveness of government agencies involved in business registration? 3. What patterns of delay or miscommunication are commonly experienced during business processing?
2. To assess how red tape and poor service affect entrepreneurial decisions and outcomes.	<ol style="list-style-type: none"> 1. In what ways did government inefficiencies influence the decision to delay or quit starting a business? 2. What emotional or financial consequences did these entrepreneurs face due to bureaucratic delays? 3. What changes or improvements do entrepreneurs wish to see in public service delivery?

3.4. Data gathering procedure

Data collection was carried out through one-on-one, in-depth interviews, conducted face-to-face, depending on the participants’ availability and preference. A semi-structured interview guide was used to maintain consistency while still allowing participants the freedom to elaborate on their experiences. As Mendoza ^[31] highlights, narratives are shaped by the interaction between interviewer and participant—thus, a flexible and open approach was essential for uncovering deeper insights. The interviews focused on participants’ experiences with bureaucratic processes, including delays, miscommunication, emotional and financial impacts, and decisions to proceed with, delay, or abandon their business ventures. Suggestions for improving public service delivery were also explored. Each interview, conducted in English or Filipino based on participant preference, lasted approximately 30 to 60 minutes. All sessions were audio-recorded with informed consent and transcribed verbatim for analysis.

3.5. Data analysis

The study used thematic analysis following the framework of Braun and Clarke ^[32] and the narrative approach described by Creswell ^[33]. Each interview transcript was carefully reviewed, coded, and organized to identify recurring patterns and underlying meanings from participants’ accounts. To ensure methodological rigor, the researcher engaged in repeated reading of all transcripts for data familiarization and initial note-taking. Using open coding, key expressions were highlighted to capture bureaucratic challenges, emotional responses, and coping strategies experienced by entrepreneurs. Examples of common codes included delayed permits, missing requirements, financial strain, and reliance on personal connections.

Afterward, axial coding was employed to group related codes into broader categories, forming the basis of a structured coding ontology. A sample codebook was also created to maintain consistency, grouping codes under preliminary clusters such as procedural complexity, institutional responsiveness, and emotional and financial impact. These clusters were then refined and abstracted into overarching themes that represented the core patterns within the data namely, bureaucratic confusion, unequal access, and discouragement-driven attrition. Consistent with Murray's ^[34] emphasis on meaning-making in narrative inquiry, themes were continuously revisited and refined to ensure they accurately reflected the experiences and perspectives of the participants.

Negative and counter-cases were also examined, such as entrepreneurs who experienced faster transactions due to insider assistance. Including these deviant accounts helped maintain balance and strengthen interpretive validity. Data saturation was reached by the eighteenth interview, after which no new significant insights emerged. The final two interviews confirmed the consistency of existing themes. Peer debriefing and an audit trail of coding decisions further ensured analytical transparency and reliability. Overall, this systematic and reflective process enabled the transformation of raw narratives into theoretically grounded insights that illuminate how bureaucratic inefficiencies shape the lived experiences of new entrepreneurs in the Philippines.

3.6. Ethical considerations

Ethical considerations were strictly observed throughout the research process. Participants were informed of the study's purpose, their rights, and the confidentiality of their responses. Informed consent was obtained from all participants prior to the interviews. To maintain anonymity, pseudonyms were used in reporting findings, and all personal identifiers were removed from the transcripts.

4. Results

Research Objective 1. To explore the specific government-related challenges encountered by new business owners

Question No. 1. What bureaucratic processes do entrepreneurs find most discouraging when starting a business?

1.1 Repetitive and Unclear Requirements

Seven out of 20 respondents expressed direct frustration with the repetitive process of submitting requirements and unclear guidelines during business registration. However, the remaining 13 participants offered mixed evaluations of the process. Five described their experience as manageable but inconsistent, noting that while requirements were numerous, they were able to comply through persistence or guidance from local offices. Another four participants reported neutral experiences, stating that they simply followed the checklist provided without major issues. The remaining four respondents described partially positive experiences, citing that the use of online systems or assistance from business support desks helped simplify the process.

These differences highlight that bureaucratic inefficiencies are not uniformly experienced. While confusion and redundancy emerged as dominant concerns, other entrepreneurs encountered more tolerable or even improved procedures, especially when supported by digital platforms or responsive personnel. This broader analysis reinforces the diversity of administrative encounters among new business owners in the Philippines.

“The most discouraging for me is the repeated requirements. Sometimes I think I’ve completed everything, but they tell me something is missing again.”

“I thought I already submitted the required documents, but they suddenly asked for another new form. It’s frustrating because there seems to be no standard.”

“They kept asking for forms I didn't understand, and it was too technical. I was intimidated.”

1.2 Overwhelming Permit Requirements

Six respondents described the overwhelming nature of securing multiple permits from different agencies, such as fire safety, sanitary permits, and BIR requirements. These processes were not only time-consuming but also intimidating, especially for solo entrepreneurs or those unfamiliar with legal and tax systems. One respondent even admitted that navigating the bureaucracy became manageable only because of personal connections within the licensing office, revealing how informal networks often become a necessary tool just to move forward.

“I thought it would be simple since I’m just an online seller, but when I inquired at BIR, there were so many forms and technicalities. I felt intimidated.”

“DTI, Mayor’s Permit, Sanitary, BIR – they all came at once. It was overwhelming. Good thing my uncle knows someone inside the licensing office.”

1.3 Delays in Zoning and Other Local Clearances

Six business owners cited zoning and local government permits as a major source of discouragement. They highlighted the long waiting periods and lack of follow-ups from offices, even after documents were submitted months in advance.

“The zoning clearance was really slow. I submitted my request in July, and by October, I still hadn’t received an update.”

“If you don’t know anyone inside, you’ll be the one chasing them for updates. They don’t even call or email.”

Question No. 2. How do entrepreneurs evaluate the efficiency and responsiveness of government agencies involved in business registration?

2.1 Slow and Unresponsive Staff

Eight respondents shared that government employees handling registration were slow to respond, often appeared disinterested, and lacked a sense of urgency. This inefficiency, according to them, reflected poor public service.

“Honestly, they were slow and sometimes acted like they didn’t want to assist. Time is money for us.”

“I walked into the office to follow up, but the staff acted irritated and told me to come back next week. I had been waiting for days.”

2.2 Generic or Mismatched Responses to Concerns

Four respondents encountered delayed or copy-paste replies from government offices. They said the replies were often not relevant to their questions and lacked human touch or concern.

“I emailed them, and after 10 days they replied with something generic. They didn’t even address my concern properly.”

“Their response seemed like a template. I just ended up asking other online sellers instead.”

2.3 Unequal Experiences Based on Connections

Eight participants pointed out that having a connection inside government offices resulted in faster and smoother processing. Those who lacked such networks were left to experience long waits and confusion.

“I didn’t experience much delay because someone was guiding me every step. That helped a lot.”

“If you know someone inside, things move faster. If not, you’re stuck waiting.”

Question No. 3. What patterns of delay or miscommunication are commonly experienced during business processing?

3.1 Inconsistent Information

Six out of 20 respondents noted discrepancies between information provided on websites and what staff told them in person. This caused confusion, multiple errors, and a sense that applicants were being set up to fail.

“What’s written on their site was different from what the counter staff told me. I thought my papers were complete, but during inspection, I was told I lacked a fire exit plan.”

“It felt like they were playing with us. No one told me I needed that until the last minute.”

3.2 Trial-and-Error in Processing

Eleven participants described their experiences as a series of trial-and-error attempts, with no clear checklist or guidance provided. They had to guess which step came next, leading to wasted time and money.

“They said I was good to go, but days later they called saying I still needed more documents. No clear instructions at all.”

“You end up going back and forth. It’s like you’re figuring it all out yourself.”

3.3 Lack of Adaptation to New Business Types

Three respondents, particularly those in online or non-traditional setups, experienced difficulties due to government offices not adjusting their procedures for modern business models.

“The barangay made me go in-person to verify my store, even if I have no physical location. They don’t seem to understand online businesses.”

“They’re not yet updated on how new types of businesses operate. That adds to the hassle.”

Research Objective 2. To assess how red tape and poor service affect entrepreneurial decisions and outcomes.

Question No. 1. In what ways did government inefficiencies influence the decision to delay or quit starting a business?

1.1 Delayed Launch and Missed Opportunities

Eight out of 20 respondents explained that bureaucratic inefficiencies delayed their business openings and led to missed opportunities. Delays in securing permits caused them to lose potential clients, cancel pre-arranged plans, or miss their target launch dates.

“I didn’t quit, but it was really delayed. I lost a contractor who had a bulk order because I wasn’t fully operational.”

“The process took so long that I almost gave up. It’s hard to start when the system is this complicated.”

1.2 Considering Informal Alternatives

Seven entrepreneurs reported varying degrees of disengagement from the formal process. Three expressed intentions to postpone or reconsider registration (“considering withdrawal”), while two described actual behavioral delay a pause of more than two months in their registration efforts due to procedural fatigue or financial strain. The remaining two decided to temporarily operate informally while awaiting permit approval. This differentiation reveals that entrepreneurial attrition operates on a continuum of disengagement ranging from psychological hesitation (intention) to behavioral postponement (delay) and finally to circumstantial informality (substitution). Recognizing these gradations helps refine the concept of attrition beyond a binary “quit-or-continue” view, offering a more nuanced understanding of how entrepreneurs cope with bureaucratic barriers.

“Honestly, I thought of just doing sideline work without registering. The requirements are too heavy, and I wasn’t earning much yet.”

“It crossed my mind to stop the registration and just work informally. The system was discouraging.”

1.3 Persistent Despite Setbacks

Five participants pushed through with the process despite hardships, usually because they had already invested or had support from others. While delays occurred, they did not abandon their entrepreneurial goals.

“I almost backed out, but since we already invested in equipment and made down payments, I forced myself to finish it.”

“I didn’t think of quitting or delaying because the process was smooth for me. But that’s because I had someone assisting me.”

Question No. 2. What emotional or financial consequences did these entrepreneurs face due to bureaucratic delays?

2.1 Financial Losses from Inactivity

Nine respondents shared that they suffered financial setbacks due to the extended delays in securing permits and other legal documents necessary to begin operations. During this inactive period, many were already incurring expenses without generating any revenue. They had to continue paying rent for their commercial space, monthly utility bills such as electricity and water, and in some cases, salaries for staff who had been hired in anticipation of an earlier launch. These ongoing financial obligations placed a burden on their initial capital, forcing some to borrow money, dip into their personal savings, or delay other important business investments. One respondent recounted how they lost nearly three months’ worth of income because of permit backlogs, while another mentioned that the delay disrupted their supplier

commitments, resulting in canceled contracts. These financial losses not only reduced their operating funds but also affected their business growth potential during the critical early months of establishment.

“We were paying rent and utilities even though we weren’t allowed to open yet.”

“I lost around ₱25,000 in one month because of rent and electricity while waiting for the permit.”

2.2 Emotional Toll and Burnout

Six out of 20 respondents expressed high levels of stress, burnout, and demotivation caused by the uncertainty and inefficiencies. Long waiting periods and unclear instructions left them feeling anxious and exhausted.

“The stress was too much. I couldn’t sleep at night thinking about all the pending expenses and delays.”

“I was always tired and stressed. I kept thinking I might get penalized for operating without a permit.”

2.3 Discouragement Despite Good Intentions

Four business owners felt discouraged despite their willingness to comply with legal requirements. They shared that the lack of government support, slow processing, and poor communication made them question whether registration was even worth it. Their initial motivation faded, replaced by frustration and disappointment, which affected their confidence in the system and their drive to grow their businesses.

“I wanted to be legal and proud of my business, but they made it harder instead.”

“I invested in the application, but I couldn’t even continue right away. It’s demotivating.”

Question No. 3. What changes or improvements do entrepreneurs wish to see in public service delivery?

3.1 Streamlined and Transparent Processing

Ten out of 20 respondents emphasized the need for a truly efficient one-stop-shop system—where all necessary permits and registrations can be processed in one location or through a unified system. They called for clear, consistent checklists and step-by-step procedures to avoid confusion and unnecessary repeat visits. Several entrepreneurs pointed out that existing “one-stop shops” often require applicants to go back and forth between different windows or offices, which defeats the purpose of a centralized service.

“I hope the process is streamlined, like a single window system with clear steps. Going back and forth wastes too much time.”

“They should have a real one-stop shop, not just in name. You should be able to process everything in one go.”

3.2 Digitalization and Online Accessibility

Six respondents highlighted the urgent need to digitize government processes. They proposed the development of an accessible, user-friendly online platform where entrepreneurs could apply for permits, upload documents, pay fees, and monitor the status of their applications in real time. Many were aware that countries abroad already have such systems and expressed hope that the Philippines could implement similar

innovations. These business owners believe that moving services online would reduce corruption, improve transparency, and cut down physical visits that cost time and money.

“Everything should be available online, like in other countries. It would make things easier for us all.”

“I hope they create a user-friendly digital platform so we don’t have to keep going to the office.”

3.3 Orientation and Equal Treatment

Four respondents suggested the government provide guidance seminars or beginner-friendly orientations, especially for first-time and small-scale entrepreneurs. They also highlighted the need for fair treatment, even for those without connections.

“I hope they offer orientation or webinars. Not all of us are business graduates.”

“Even though my process was okay, I wish everyone had the same experience, not just those with connections.”

5. Discussion

Research Objective 1. To explore the specific government-related challenges encountered by new business owners

This research uncovers the ingrained and pervasive challenges faced by nascent entrepreneurs in dealing with the Philippine business registration process. The findings provide a vivid picture of the bureaucratic setting characterized by excessive red tape, anarchic procedure, and lack of transparency among government offices. Such findings not only corroborate prevailing studies on inefficiency in public administration but also point to the concrete implications of such systemic inefficiencies for small and new enterprises.

Many respondents expressed frustrations that they had to resubmit a document because of unclear or constantly changing requirements. This cycle of back-and-forth typically added weeks, and sometimes months, to the process. These experiences resonate with Gupta ^[35], who suggests that bureaucratic redundancies waste precious time and money, especially hurting small businesses that need to move quickly and be flexible. The entrepreneurs in this research consistently outlined the registration process as a "trial and error" affair, ambiguous rules have the propensity to dent motivation and cause psychological fatigue on the part of business owners.

Further, the research bares a jarring absence of inter-agency coordination – particularly in acquiring fundamental permits like that of the Bureau of Fire Protection, local zoning authorities, and the Bureau of Internal Revenue (BIR). These bottlenecks led to lengthy durations of operating standstill. One interviewee mentioned that after they presented the necessary documents, they heard nothing for three months waiting for zoning approval. This example indicates a severe breakdown in institutional communication and responsiveness, contend can eventually lead to diminishing confidence in government and interrupting economic momentum. In a related institutional analysis, Chavez et al. ^[36] found that lapses in policy awareness and uneven compliance reflect systemic neglect of worker rights issues parallel to the inconsistencies entrepreneurs face in public service delivery. Such administrative indifference deepens inequity and weakens confidence in regulatory institutions.

In confronting these systemic weaknesses, researchers such as Santos et al. ^[37] recommend more interaction between frontline staff and high-level decision-makers. Building internal communication

structures within public agencies can enable the determination of which procedures actually contribute to a genuine regulatory goal and those that delay the process unnecessarily. Through leadership encouragement, mid-level bureaucrats might be given the authority to eliminate or simplify redundant steps, thus improving both service efficiency and popular perception of governmental responsiveness.

Alarming, some respondents candidly confessed that the sole reason their applications progressed was because they had "connections" or unofficial support from insiders within the system. This complements the arguments of Eduard Schmidt et al. ^[38] who posits that informal networks tend to be de facto shortcuts within bureaucratic red tape. While these workarounds may provide short-term relief, they also reinforce long-term inequality by privileging those with influence and leaving those without it at a disadvantage. As a result, access to entrepreneurship in the Philippines may be skewed in favor of the well-connected, contradicting the ideals of fair opportunity and inclusive economic growth.

Overall, the conclusions from this research identify an urgent need for policy reforms that streamline procedures, facilitate transparency, and foster even-handed access—most importantly, for grassroots entrepreneurs who are denied institutional privilege. If not, bureaucratic inefficiencies will continue to stifle innovation, repress entrepreneurial potential, and reinforce rounds of inequality within the business arena.

Research Objective 2. To assess how red tape and poor service affect entrepreneurial decisions and outcomes.

The findings illustrate that entrepreneurial attrition is not a singular event but a progressive behavioral process encompassing three distinct stages: (1) intention to withdraw expressed through hesitation or emotional fatigue, (2) behavioral delay manifested by the temporary suspension of application or registration steps, and (3) adaptive informality when entrepreneurs temporarily bypass the formal system to sustain operations.

This three-level typology strengthens the analytical clarity of the study by separating motivational from behavioral outcomes. It aligns with van Zhou et al. ^[39], who conceptualized attrition as a process influenced by cumulative institutional friction, additionally entrepreneurial exit decisions evolve over time rather than occur abruptly.

For the purpose of this study, entrepreneurial attrition is defined as either (a) the decision to terminate or indefinitely suspend the formalization process, or (b) a procedural delay exceeding two months resulting in financial or operational stagnation. This operational threshold provides a clearer empirical basis for interpreting disengagement behaviors observed among participants.

Delays in obtaining permits and clearances resulted in significant financial burdens.

Entrepreneurs repeatedly were forced to pay for rent, utilities, and other fixed expenses without being able to operate legally. Financial bleed during this time, with no return on investment, put substantial stress on their already tight capital and created a negative atmosphere of anxiety and uncertainty. The impacts were not merely financial – they were psychological. Helplessness, frustration, and exhaustion were common themes in their stories, illustrating the way inefficiencies in bureaucracy also affect the mental state of people attempting to create something from scratch.

Fresh tourism graduates in Eastern Visayas reported that their primary motivations were a strong service-oriented passion, aspirations for personal and professional growth, and the pursuit of a stable career in the expanding tourism sector ^[40]. They considered customer-care roles as emotionally fulfilling and pivotal for developing interpersonal and leadership competencies. However, participants also anticipated substantial challenges: handling difficult customer behaviours, bridging the divide between academic training and real-

world service demands, coping with long working hours and multitasking under pressure, and meeting employer expectations with minimal onboarding or mentorship.

Cuilan et al. ^[41] highlight that persuasive entrepreneurs often rely on both verbal and non-verbal strategies such as storytelling, emotional appeals, and confident body language to build trust and engagement with clients. These adaptive communication behaviors mirror how Filipino entrepreneurs navigate bureaucratic challenges through emotional and relational competence rather than structural support.

This psychological strain echoes Rellon's ^[42] notion of the "language of emotions," which highlights how emotional awareness and empathy strengthen resilience in business interactions. In her study on tourism industries, Rellon observed that connecting emotionally with clients and maintaining empathy under pressure help sustain motivation and foster meaningful relationships despite systemic or environmental barriers. Applied to entrepreneurship, such emotional intelligence could serve as a coping resource, enabling entrepreneurs to navigate bureaucratic frustrations while preserving commitment to their business vision.

Reamico et al. ^[43] identified that travelers' motivations and behaviors often dictate the direction of effective marketing strategies. Their study highlights that successful initiatives are those that adapt to travelers' emotional and experiential priorities such as authenticity, cultural connection, and social resonance rather than relying solely on promotional persuasion. This strategic adaptability parallels how entrepreneurs reframe marketing approaches to sustain engagement and innovation amid institutional limitations.

The long-term consequences of such inefficiencies reach far beyond the realm of the private sector. Garil et al. ^[44] emphasize that emotional connection in communication enhances engagement and long-term impact. Applying this idea to entrepreneurship, maintaining empathy and authentic connection with stakeholders can help offset the demotivating effects of bureaucratic barriers, reinforcing entrepreneurs' resilience amid red tape. Pandey ^[45] argued that the consequences of red tape spill over into society, affecting not only public institutions but also private businesses that rely on them. This is evident in the way business owners in this study experienced bureaucratic barriers as direct threats to their operations. Simultaneously, Stazyk and Goerdel ^[46] highlighted the need to consider how organizational experiences and administrative processes influence public servants' motivation in the long run. In this regard, the disorganized and slow delivery of government services could be indicative of eroded internal motivation in the workings of public offices – further exacerbating the inefficiencies entrepreneurs encounter.

Branding strategies in hospitality must align their operational behaviour with consumer values and emphasize participatory engagement and authenticity instead of traditional loyalty models ^[47]. Though some managed to get on through with less travail, this was often explained by their having someone in the system or through guidance from middlemen in place of the process working ^[48]. This indicates a structural issue on a larger scale: if inside knowledge becomes the basis for navigating public services, then fairness becomes compromised. These practices debase the notion of equal opportunity and stifle the advancement of those without insider networks. Bangahan et al. ^[49] found that destination branding communication significantly influences how audiences form perceptions and long-term loyalty. Effective branding depends on emotional appeal, perceived quality, and reputation, which cultivate both revisit intention and attachment to associated local enterprises. The study shows that communication strategies grounded in transparency and authentic storytelling generate stronger public trust paralleling entrepreneurs' need to establish credibility and confidence with clients amid systemic inefficiencies. In a related perspective, Fernandez et al. ^[50] emphasized that individuals with a strong sense of economic purpose and self-efficacy remain motivated despite institutional limitations. This idea aligns with how entrepreneurs in the present study persevere

through bureaucratic barriers, driven not only by financial goals but also by intrinsic belief in self-reliance and contribution to community progress.

The participants also suggested a number of reforms for the betterment of the situation. They were: A clear, centralized, and digitalized system that enables users to finalize the registration process more effectively and with better instructions. These recommendations conform to international public sector reform practices and are in line with the UNESCAP ^[51] request for inclusive, technology-enabled, and citizen-focused delivery of services.

6. Conclusion

This study shed light on the bureaucratic hurdles and inefficient administrative practices that continue to undermine entrepreneurial growth in the Philippines. Through in-depth interviews with 20 new and aspiring entrepreneurs from diverse industries, the findings provide vivid, ground-level evidence of how red tape, poor coordination, and unclear procedures create tangible emotional and financial burdens that discourage enterprise creation. The accounts gathered offer a valuable micro-perspective on the human costs of inefficiency — an area often overlooked in macro-level policy discourse.

While the conclusions are grounded in authentic experiences, this research acknowledges the limitations of its empirical design. The purposive sample size and geographic concentration constrain the extent to which findings can be generalized across all regions or industry sectors. Hence, the interpretations presented here are context-bound and exploratory rather than universally representative. Nonetheless, the narratives collectively expose systemic tendencies that are consistent with established theories of institutional inefficiency. This theoretical alignment reinforces the credibility of the results even within a limited scope.

Future research can strengthen the external validity of these findings through mixed-method or cross-regional studies that quantitatively assess the degree to which bureaucratic dimensions such as rule redundancy, compliance cost, and procedural transparency affect business outcomes. Building on this qualitative foundation, subsequent inquiries could integrate Bozeman's "non-value-adding constraints" framework or institutional theory to develop a more robust conceptual model of entrepreneurial attrition under red tape conditions.

Despite methodological constraints, the insights derived here carry practical and policy relevance. The lived experiences documented in this study reveal a governance environment that inadvertently penalizes compliance and privileges access through personal connections. If left unaddressed, such systemic inequities will continue to discourage innovation and push small entrepreneurs toward informality. Therefore, institutional reform should prioritize process simplification, inter-agency coordination, digital accessibility, and staff accountability ensuring that regulatory mechanisms facilitate rather than obstruct business formation.

In sum, this study does not claim to represent the entirety of the Philippine entrepreneurial landscape but contributes an empirically grounded and human-centered understanding of how bureaucratic inefficiencies shape entrepreneurial decisions. It calls for an urgent rethinking of administrative systems that define the country's business climate toward one that is transparent, inclusive, and genuinely enabling of entrepreneurship.

Conflict of interest

The authors declare no conflict of interest

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