

“Microbusinesses are from Venus; Big Business is from Pluto”

Ron P. Wacks

I have been told that one adult in eight in America owns or is a principal in a microbusiness. Yet few understand much about microbusiness people—our strengths and our fears; our priorities and our apathies; our cares and our habits; our needs and our numbers. The innovation we bring is as misunderstood by policy makers and the corporate community as women are by men.

Even more startling is the fact that those who create public policy and make critical economic decisions that affect microbusinesses and entrepreneurs know little about microbusiness owners, practices or priorities. This cavernous lack of understanding seems to defy common understanding considering the “age” we’re in.

For centuries, farming and herding largely dominated the world’s economic engine and thus, that historic period was known as the “**Agricultural Age**”.

Relatively recently, there was a massive shift in the world’s economy which led to the production of goods and products for sale and the invention of tools, machines and methods for producing them in mass. This historic and life changing period was called the “**Industrial Age**” which reshaped the world for over two centuries. More recently, another age has reshaped the world—the “**Technological Age**”. The age of technology has changed our lives immensely and more interestingly the technology invented has helped to bring about the next great age—the age that is now becoming the dominant force in America and around the world. The great age that has spanned the last decade and promises to reach far into the future is the “**Entrepreneurial Age**”.

The Entrepreneurial Age differs from the other Ages in a rather historic way.

The Entrepreneurial Age is the era of the Entrepreneur—the person; the creative professional; the innovator—the individual or small group business rather than the tools or products that dominated the economy as in previous eras.

This Age is about the person and the method of doing business rather than the business itself or tools used—it’s about the who—not the what. This is a significant development that is going largely unnoticed or properly acknowledged for what it is—great historic change—an *innovation in its own way.*

Part of this significance is the numbers with **95%** of all American firms being classified as microbusinesses. This is a significant number of people who are engaged as business owners or principals rather than employees as in the Industrial and Technological Ages or engaged in farming as a single business category. The Entrepreneurial Age features people engaged in businesses from A to Z; from technology to Tupperware® which again differs from the other eras in history. *Also different are many of the primary reasons people start and grow their own businesses rather than serve as employees.*

I am unaware of any scientific data on this, but from the thousands of entrepreneurs with whom I have spoken over the years, one thing is clear. **Few of them have wealth or large profits as their #1 priority, objective or motivator.** Sure, all of them are in business to make money—to earn a living, but for most of them, money beyond a decent living is not their number one priority, as it seems to be with larger businesses.

The reasons I hear most often are autonomy, independence, self-determination, flexibility of schedule, creative control, more financial security, and ability to be responsible for the outcomes of the business. There is also the pride and personal achievement factors. Just as there is much in life that money cannot buy, there are also many things in one's professional life that are more important than money.

This is another deviation from the norm—***an innovation of attitude and priority.***

There is also a prevailing truth that has surfaced over the past few decades and seems to be gaining strength throughout the business community. That is, **professional work is more integrated with people's personal lives when they are self-employed or a principal in a small firm where they have influence over outcomes.** This differs greatly from an employee model where the worker is often divorced from decisions and outcomes and where their value is minimal *and* employees are often made to feel that way.

This translates into microbusiness owners giving more to their professional lives as they are more invested in the outcomes...and their pride can come through as a reflection of their abilities. I'm sure many of you have heard the phrase in the form of a question, "do you live to work or work to live?"

Also as prevalent, is the aspect of the personal and professional life being intertwined in the world of the self-employed. Families are typically more involved in microbusinesses; people log more flexible work hours to include personal activities throughout the week and *blend* the personal and professional. Self-employed people generally feel they have accomplished more and sacrificed less of themselves in their work process than in most employee situations. There is usually a more clear sense of ROI than with the employee model. This includes the feeling of having made a visible contribution with the work rather than feeling a clear uncertainty about whether they've made a difference.

Equally significant is young entrepreneur development which often comes from this "entrepreneurial family" environment. My 15 year-old daughter Alyssea, who joins me in Budapest, has had her own business for six years. Among the products she has developed and sold are a few that she "created" from her own vision. *She was an innovator before she began high school. This is one way to develop our future innovators in any field.*

Another influential aspect is the notion of "job security" which has all but disappeared in American business. Many acknowledged its disappearance decades ago. Again, with the absence of scientific data but with much evidence and prevailing opinion, it seems that most of the jobs that have been created in America over recent years have been ones that people have created for themselves—self-employment. I remember a friend who was employed by a large company calling himself a "free agent" as if he were a sports star. He said with certainty and unwavering confidence that he will not consider himself a loyal employee because the company has no loyalty to him. "The company can let me go at any time for any reason and with no notice; how can I return this with my loyalty? I'll give them whatever consideration they give me; it's up to them." He has recently become self-employed.

Let's look at microbusinesses and their specific innovations.

What is a Microbusiness?

The American Association of Microbusinesses defines “microbusiness” as ***a firm with ten or fewer people.***

“Size standards for businesses in the United States are a peculiar thing. We are perhaps the only industrialized nation in the world without a separate size category for medium-sized businesses. Here, a business comes in two sizes: large or small. This size standard is driven largely by political expediency rather than by either practical considerations or a true understanding of the particular challenges facing businesses at various points along the size continuum.

A more functional definition might be: *A microbusiness is a small business in which no one employee performs a single function or task for the business, and all employees (including the business owner) have functional responsibilities in multiple areas of administration, production and management for the business.*¹

How Many Microbusinesses are there in the U.S.?

The 2004 data (most recent available) shows:

- **Microbusinesses - fewer than ten - 95% (approx. 25 million)**
- **Large businesses – 500 or more - .07% (approx. 17, 047)**
- Homebased businesses – 49% (2002 data) 56% (recent estimate)
- *Non-employer Businesses - 77% (19.5 million)*
- Employer Businesses – 23% (5.8 million)
- Microbusinesses fewer than five employees - 90.9%

Microbusiness ownership has become more accessible with the development of technology. Microbusiness owners can be virtually invisible in their homes, offering more balanced lifestyle options and greater control over outcomes.

Invention and Innovation

Certainly, many microbusiness owners are inventors with many U.S. patents going to small and microbusiness applicants. But invention is only a part of innovation. Much of the innovation created, practiced and sustained by microbusinesses is about approach and process rather than the invention of a specific product or product improvement.

This innovation touches many areas including the high level of networking and relationship building that typically takes the place of advertising. The development of strategic partnerships and alliances, independent contractors and the wearing of multiple hats often replaces the hiring of employees. Extraordinary customer service, tied to referral and reputation, elevates micros to another level. Being a home-based entrepreneur, a “multi-preneur” or a mobile, virtual entrepreneur—or all of them, is way outside the box.

The aspect of working almost anywhere, wearing multiple hats, owning more than one enterprise, having your own large organization with few or no employees, and doing it with integrity and control of outcomes is *microbusiness as usual.*

¹ From “The Entrepreneurial Economy”, a white paper by Dawn Rivers Baker, Editor/Publisher of the MicroEnterprise Journal, Sidney, NY, October 1, 2004, © 2004

Power Networking

I teach a specialized class around the United States called “Power Networking: *How to Solve any Problem by Connecting with the Right Person*”. The question I pose to attendees is “*do you want to call people or do you want them to call you?*” The point here is innovation—learning to operate in a way to have clients, strategic partners and opportunities come to you instead of you having to find them. I have done this for many years and it works! *It’s very Venus.*

Micros and Big Business

Generally speaking, we know that when big business needs more work done, it hires employees. When microbusinesses have more work to be done, they hire other microbusinesses. Equally different is the measure of size or growth of big business and micros. **Typically, as big business grows, it creates jobs. When microbusinesses grow, they create work.** The big business measures that track employee numbers and jobs created as a barometer of its size or growth don’t fit micros; ***Micros don’t work that way.***

I know of a two-person microbusiness in Minnesota that grew their business exponentially over a three-year period. As their work level increased, their revenues and profits increased, as did their portfolio of strategic partners and alliances. With all of that growth, they remained a two-person company.

This is very typical of microbusiness growth but the same “jobs” measurement standard does not apply. **Micros do not create jobs, they create work and they create income.** *Of course, they also create and practice innovation most often through their processes, attitudes and approaches.*

Microbusinesses are from Venus

In the best-selling book “*Men Are From Mars, Women Are From Venus*”, Author John Gray offers revolutionary explanations of the differences between the sexes— differences in approach, perspective, mental and emotional processing, communication and other important relationship based elements.

In 2001, I first learned of the differences in how women and men typically start a business and their success rates. As with the “Venus” theory, women communicate and process things differently. A favorite joke in America is the one about men asking for directions while lost on the road. They typically don’t. Women almost always do. That one aspect is a telling tale with business and entrepreneurial development.

Typically, women take more time to plan, collaborate, talk things through, research, assess, test, and reassure before taking action and along the way. Men usually do much less of that.

Last week, I asked an experienced woman entrepreneur the question, “if you were going to start a business and open your doors on May 1st of 2008, what steps would you take between today and May 1? She responded off the top of her head with a long list that involved planning, research, collaboration, coaching, testing and decision-making. She was quite clear about those steps and how she would use the timetable and her network to open that business on time and with stability. I then asked her how a man would likely approach the same situation on August 1st with a May 1st deadline.

She smiled and responded immediately by saying “he would open the doors on October 1st”...implying faster is better.

As we try to better understand both microbusinesses and the innovation movement, we need to understand their relationship as innovation is largely steered by microbusinesses. Since micros help drive innovation and innovation helps drive a progressive, healthy society, micros and innovation are joined at the hip. What’s good for one is likely good for the other.

I strongly believe that the better we understand microbusiness needs and their unique operating style—and actively contribute to their prosperity, the more we feed innovation. One clear way is through young entrepreneur development. Another tangible way is to understand the “Venus factor” and learn something from our female side and the data that supports it. The more we implement these types of tactics, strategies and attitudes into our entrepreneurial way of life, the more deliberately and thoughtfully we plant the seeds that grow innovation.

A special thanks goes to two very expert and talented people who contributed to this presentation and the resource material included.

Dawn Rivers Baker

Editor/Publisher
The MicroEnterprise Journal
Sidney, NY
www.microenterprisejournal.com

Chair
The Microbusiness Research institute
Sidney, NY
www.microbusinessresearch.org

Deb Hess

Executive Director
The Minnesota Inventors Congress
Redwood Falls, MN
www.inventhelper.org

Small Serial Innovators: The Small Firm Contribution To Technical Change

by

**CHI Research, Inc.
Haddon Heights, New Jersey**

for

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<http://www.sba.gov/advo/research/rs225tot.pdf>

Executive Summary

CHI Research is pleased to present to the Office of Advocacy of the Small Business Administration the results of our study of small patenting firms. Our research examined all 1,071 U.S. firms with 15 or more patents between 1996 and 2000. We have found that:

- The small firm share of U.S. patenting is similar to their share of manufacturing employment – 41%
- Small firms produce more highly cited patents than large firms on average. Small firm patents are twice as likely as large firm patents to be among the 1% most cited patents. That is, small firm patents are on average more technically important than large firm patents.
- Small patenting firms produce 13-14 times more patents per employee as large patenting firms.
- The small firms are younger than the large firms, but are not new startups. Persistence distinguishes these patenting small firms from innovative small firms in general. We think of these small firms the “serial innovators,” a term suggested by Leigh Buchanan at *Inc* magazine.
- Small firm patenting is very strong in health technologies and gaming, and there are a large number of small firm innovators in parts of information technology.
- Small firm innovation is twice as closely linked to scientific research as large firm innovation on average, and so substantially more high-tech or leading edge.
- Small firm innovation is more extensively linked to outside technology while large firms build more their own technology.
- Small firm innovators are more dependent on local technology.

Small firms are effective innovators. Small firms may well be most important to our economy as agents of change (Audretsch, 1995) signaled by the fact that the small firm contribution to innovation is most intense in new technologies. Small firms often pursue leading-edge technical niches. Any barriers to their participation in new technologies or exclusion from policy development concerning those technologies would be most unfortunate.

Small firm innovation should benefit disproportionately from the Internet and communication technologies that have made it much easier to find technical information and contact experts. This is because small firm innovation is more inter-connected with outside technology than is large firm innovation. The current policy interest at the local level in clusters of innovation should also disproportionately help small firms because for small innovative firms the local technological environment is an important resource.

The small “serial innovators” we have studied are distinguished from other innovative small firms by their innovative success and persistence, and from large patenting firms by their concentration on high quality and leading-edge technical change that builds on a broad array of outside knowledge. We are only just beginning to understand their unique contribution to the competitive environment surrounding technical change that maintains our nation’s economic dynamism over the long term.

Additional Resource Material

On September 30 and October 1, 2004, the SEI Center for Advanced Studies in Management of the University of Pennsylvania's Wharton School of Business convened a meeting to discuss whether the theory of the firm remains a relevant model in the face of the way companies currently operate. In an article in their email newsletter, Knowledge@Wharton, the Wharton editors make the case for a fundamental change in structural orientation of companies in a new, global economy: *In the old days, most companies made products out of raw materials and then sent those goods on to their customers. "The traditional theory of the firm is about the unitary, rational actor that more or less controls all the pieces of the puzzle that it needs in order to produce its outputs," says [Paul Kleindorfer, a professor of operations at Wharton and co-director of the school's Risk Management and Decision Processes Center]. But today, he says, global companies like GM or Toyota don't directly control most of their inputs. "Rather, these organizations are a part of a huge set of interlinked networks across the planet.*

Perhaps even more telling is this, from the same article:

In operations, Kleindorfer sees a vast distance between the traditional theory and current practice. "If you look at the way in which outsourcing has driven the value chain recently, you would see [that the changes have been huge.] Even along a traditional value chain - from incoming logistics and manufacturing to outgoing, outbound logistics, to marketing, sales and after sales support - firms use contracting and strategic partnering rather than direct ownership to manage the value chain."

It is no accident that professors of business management in prestigious business schools are noticing that global companies are beginning to operate in precisely the same way that microbusinesses do. In both instances, the lure is obvious; by opting to use contracting and partnering to manage the value chain, firms are able to produce output less expensively than they could if they were to own and control all aspects of production. The trend toward this kind of lean operation is a matter of improving corporate profits for the big boys, but it is a matter of survival for the microbusiness.

Ron P. Wacks

CEO, Co-Founder, Microbusiness Strategies LLC
CEO, Co-Founder, Microbusiness Strategies Group of Companies

Vice-Chair
Microbusiness Research Institute

President, Applied Integrity

President Emeritus, American Association of Microbusinesses

2003 Home-based Business Advocate of the Year, Midwest Region
United States Small Business Administration

Quote

“Finally, Ron Wacks opened the door to an arena of organizations and networks of self-employed beyond those represented by microenterprise development programs and Association of Enterprise Opportunity members. This Best Practice Guide has benefited from his honed skills as an enthusiastic networker.”

Staying Connected: Building Entrepreneurial Networks — March 2004
FIELD Best Practice Guide Volume 6, The Aspen Institute • Washington D.C.

Personal contact:

Ron P. Wacks

612-922-6000 (office)

612-331-8200 (home)

info@microbusinessstrategies.com

www.microbusinessstrategies.com

info@issueslive.com

www.issueslive.com

Bio

Ron P. Wacks, a native of the San Francisco bay area, has served in various leadership positions on twenty-four boards of directors, commissions and task forces since 1970. He has had extensive experience in program and policy development, strategic planning, resource and partnership development, advocacy, legislative development, organizational improvement, curriculum development, customer service, public speaking and training, large event coordination, volunteer program management, creative & resourceful problem solving and elite power networking.

Ron has spent the past 37 years working in the non-profit world and became an entrepreneur in 1978. Many of those years have been spent in developing a higher level of networking and partnership development skills, which led Ron to write a definitive book on this entitled "Power Networking: How to Solve any Problem by Connecting with the Right Person". Ron has used this book as a guide in workshops and seminars he has taught around the United States for more than four years. Ron applied what he teaches in the partnership development of the American Association of Microbusinesses and consults with others to further develop their businesses and organizations. Ron works exclusively by referral and has not placed an "advertisement" for his services since 1978.

Ron has authored hundreds of articles and facilitated workshops and seminars on many topics dating back to 1971. Ron published his first major white paper in 1984 called "The Fundamentals of Volunteer Program Management" which was also published in summary form. More recently, Ron wrote a somewhat controversial article called "Trade Show Myths and Truths" which caught the attention of a University and Professional Journal in India where it was published in 2006. Ron published a two-part series in the fall of 2005 called "Summer Conversations in Eleven States" after interviewing entrepreneurs in eleven Midwest, Rocky Mountain and Pacific Coast states and published the common themes of those interviews. Ron also authored a two-part feature in 2005 called "AHP's: A Real Hot Potato" which discussed the lack of affordable health care coverage for small business that gained media attention. That followed the very controversial a two-part series "Why Take a Stand?" that featured one of the most crucial, high profile Intellectual Property law suits in the U.S., the EMI vs. Scott Smith trademark infringement case still ongoing in California.

In 2006, Ron co-founded and serves as the CEO of Microbusiness Strategies LLC. and the Microbusiness Strategies Group of Companies. The Microbusiness Strategies Group of Companies, headquartered in Minnesota, serves those who serve the American microbusiness community and its stakeholders. The "Strategies" Group of Companies employs these 'Power Networking' concepts, tactics and strategies in its operations and does not anticipate the need for any traditional advertising for its services or its client and partnership development. These tactics and strategies, along with many other strategies and services, are offered to clients to better serve the microbusiness demographic, market, and constituency, in a mutual interest.

Ron served for eight years as President and CEO of the American Association of Microbusinesses, a non-profit professional association of microbusinesses and entrepreneurs. Ron oversaw the educational curriculum, partnership development, and general operations of the association including chairing its Board of Directors. He also co-chaired its annual Small Business Expo & Conference, the largest small business event in the Midwest...that started in 1999 in a school gym.

In 2003, the United States Small Business Administration recognized Ron for his work with home-based microbusinesses and entrepreneurs by awarding him the Home-Based Business Advocate of the Year awards for Minnesota and the Midwest Region.

In January of 2005, Ron was also named as a founding member of the Board of Directors of the New York-based Microbusiness Research Institute where he currently serves as its Vice-Chair.

Ron was also recognized in 2004 by the Aspen Institute in Washington D.C. in its Best Practice Guide for entrepreneurial service providers called, "Staying Connected: Building Entrepreneurial Networks". The Aspen Institute said, "Finally, Ron Wacks opened the door to an arena of organizations and networks of self-employed beyond those represented by microenterprise development programs and Association of Enterprise Opportunity members. This Best Practice Guide has benefited from his honed skills as an enthusiastic networker."

Ron is frequently quoted as a regional and national microbusiness leader and speaks on issues which affect microbusinesses and entrepreneurs including affordable health care, access to capital, rural economic development, entrepreneurial best practices, partnership development, home-based business issues, entrepreneurial innovation, young entrepreneur mentoring and elite Power Networking.

In an effort to represent American entrepreneurs and the American Association of Microbusinesses, Ron filed an Amicus Curiae Brief in January 2004 to the United States Court of Appeals for the Ninth Circuit in support of Scott Smith and the free use of the word "entrepreneur". This was in opposition to the monopoly of the word "entrepreneur" by Entrepreneur Media Inc., publishers of Entrepreneur Magazine, who claim they have the exclusive right to use the word "entrepreneur" in any form...and others who use the word are infringing on their trademark. This case affects any entity that uses the word "entrepreneur" in any form in a title or name of a publication, business, organization, event, curricula or award. As the trial is in its 9th year, Ron remains active in the case. Ron was in court on February 7, 2007, in Sacramento, California and is scheduled as an expert witness in the trial later in 2007.

In 2006, Ron co-hosted "MicroBiz Live", a national weekly pilot radio program that covered an array of microbusiness feature stories and vital issues. Ron expects to launch the show later in 2007.

Ron taught a weekly kindergarten - 8th grade Computer Exploration enrichment class for eight years and also taught beginning and intermediate Computer Exploration classes for working professionals and seniors. Alyssea has taught creative writing and is working on a screenplay with a writing partner.

Ron is also a trained chef and has cooked for clients in fourteen states while frequently donating his cooking to charitable causes. Ron lives in Minneapolis with his 15 year-old daughter, Alyssea, who has owned her own business for six years and is an entrepreneur in her own right. Alyssea was featured in the July 2005 edition of Women's Business Minnesota magazine, on WCCO.com and numerous other print and electronic publications. Ron and Alyssea are very active in the community with various initiatives and campaigns. They love to travel, cook, write, and help others and they both love animals.