1983

Milton Stewart: Missionary for small business; Forecast: Software

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Recommended Citation
It is a balmy afternoon, and a light breeze makes this mid-winter Sunday in San Antonio ideal. Milton Stewart, his wife Joan, and a friend are strolling along the famed River Walk after a tour of the Alamo. Stewart stops for a "crispy dog," a frankfurter wrapped in a taco shell. At $1.50 it's a substantial tide-me-over, and Stewart bites into it with obvious relish. "You know," he says, "this would be a terrific franchise item."

An odd way to praise a local delicacy? Not for Milt Stewart, whose thoughts—not to mention activities—rarely stray from small business. An attorney with credentials as economist, journalist, investment banker, and White House advisor—he was named by President Carter in 1979 as first chief counsel for advocacy of the Small Business Administration—Stewart has devoted more than 39 years to a fervent, relentless small-business advocacy.

Those who call Milt Stewart the Billy Graham of small business are not exaggerating a great deal. While he speaks for all small business, Stewart's consuming passion is putting America back at the top of the high-technology heap, and he sees entrepreneurs of the type that pioneered Boston's Route 128 and California's Silicon Valley as the people to put us there.

As steps in this direction, he counts the signing by President Reagan in July 1982 of the Small Business Innovation Development Act, with its accompanying Small Business Innovative Research program (SBIR), and Stewart's own Small Business High Technology Institute (SBHTI), of which he is founder and president. The purpose of the SBHTI is to show high-tech entrepreneurs how to make the most of the government's new small-business initiatives—and, frankly, to give American high-technology entrepreneurs a shot at their fair share of government contracts. Stewart also feels that SBHTI will help the U.S. respond better to foreign competition.

Earlier that Sunday in San Antonio, he had addressed a convention of Small Business United, a nationwide confederation of small-business operators. "There is no expansion without small business," he told about 100 entrepreneurs in fields ranging from microchips to molding. A Billy-Graham-style orator he isn't. Short and stocky, and dressed in the string tie and Indian jewelry which, together, are the Southwest's equivalent of the three-piece suit, Milt Stewart speaks evenly and without notes, an elbow resting on the lectern. "Small business kept the economy afloat during the recession," he continued. "While the Fortune 500 was reducing employment by 600,000, small business created more than half of America's new jobs." After the luncheon, about half the audience converges on Stewart, bombarding him with questions which he fields patiently and expertly.

The afternoon's tour of San Antonio is a respite in an otherwise crammed schedule. The next day, Monday, the International Franchise Association is to give its first Free Enterprise award to Stewart at its convention in New Orleans. Then, following a brief stopover at his home in Phoenix, Stewart will leave for London, where he is to join European business and economic leaders for the launching of the European Economic Community's European Year of Small- and Medium-sized Enterprises (EYSME). Like today, Stewart will be accompanied by his wife Joan, a cheerful, attentive woman who keeps him.
organized and on schedule.

After the EYSME session, which will confirm for Stewart that foreign governments are stepping up their funding of innovative research by small companies, he is to host a joint meeting of the National Science Foundation and the SBHTI on his home turf of Phoenix. "We want to define ways for small high-technology entrepreneurs to use the largely untested SBIR to pursue federal research and development contracts," he says. The session is to put the federal science establishment and a bunch of feisty technology entrepreneurs under the same roof. "It's an excellent opportunity for the two to get to know each other better," says Stewart.

The energetic Stewart travels the industrialized world preaching his gospel of small business's value to a healthy, balanced economy. In so doing, he has become the spiritual leader—the word guru would not be inappropriate—of America's growing army of small-business operators, especially those wanting to grow in the expanding high technologies.

Stewart's entrepreneur-acylotes are galvanized by his views, which can be controversial.

- **On the need for more government support for U.S. high-tech entrepreneurship:** "Every foreign government is hustling to fund innovative research. But the rest of the world doesn't have as much basic science as we have in the U.S. Foreign science establishments learn about our breakthroughs and get to work on them. So we're saving the world lots of research dollars."

- **On taxation:** "We need two tax codes, one each for large and small businesses, to give the entrepreneur who takes risks a lighter load and greater incentive than the business bureaucrat who takes none. We also need more legislation like the Regulatory Flexibility Act of 1980, which prevents federal procurement, credit, capital formation, and tax policies from discriminating against small business."

- **On multinationals:** "The Export-Import Bank lends funds to foreign countries for 5 percent less than SBA loans. I think foreign countries get these favorable terms to make them better customers for multinational corporations. This means that the higher interest rates paid by small business subsidize Export-Import Bank loans, which in turn subsidize the MNCs."

- **On large universities:** "Big academia depends on the National Science Foundation and the big corporations for their research money. Therefore, they turn down requests by small businesses to fund research."

Such outspokenness, along with a straightforward manner and a self-deprecating sense of humor, puts Stewart in constant demand as a lecturer. His column, "The Buck Stops Here," in *Inc.* magazine (which he edited for two years) is well read and widely quoted. A syndicated radio feature, "Minding Your Business," is also on the air in 38 states.

But Milton Stewart doesn't need a radio program, national magazine, or lectern to air his opinions. The back seat of a taxi, a Mexican restaurant, or an airport departure lounge are enough of a forum to make the point that while small business may finally be getting its share of the pie, it has a way to go before it can take full advantage of its new opportunities.

"Small business today is where civil rights was in the sixties," says Stewart. He speaks from experience, going back as far as his stint as director of research on President Truman's Committee on Civil Rights.

"Small entrepreneurs are making legislative and moral breakthroughs, but they have a long way to go before their influence reflects their economic importance and their numbers."

"And now they also must come to terms with new technologies in their own businesses. Entrepreneurs often form companies around a single technology or product that a few people think is marketable. Polaroid and Apple are two of the great successes that come to mind. But there are high-tech businessmen who have enough experience to think that they don't need help," Stewart continues. "For example, they have the microcomputer, which has become to modern business what the six-shooter was to frontier America—the great equalizer. Micros give small businesses information-processing and business-planning muscle that up until now only big businesses could afford."

But, says Stewart, who likes to lapse into the argot of his native New York, "that ain't enough." Small-business people, especially those in the emerging technologies, enter the industrial battleground woefully ill-equipped for the skirmishes that face them, contends Stewart. "Not only are they ill-equipped to deal with cash flow, return on assets, and all those mundane details that can be the difference between survival and doom, they don't know the playing field."

"New technological entrepreneurs still need savvy when it comes to striking the best deals with bankers, venture capitalists, investment bankers, lawyers, and brokers. They need to learn what incentives and programs are available to them, such as which states offer tax credits or low-interest loans to potential high-tech investors or to low-tech companies wanting to grow into high tech. Most new entrepreneurs don't know the value of networking. They miss out on little nuggets of information like the American Bar Association's science and technology section, which has 1,200 members. And they have to become proficient at such small but important details as writing proposals, pricing contracts, and protecting an idea while they're marketing it to potential investors or customers."

An important step toward greater sophistication among small-business operators, Stewart says, is the establishment and eventual promise of the Small Business High Technology Institute (SBHTI). Wrote Stewart in *Inc.* last November: "Formation of SBHTI underscores the passage of the Small Business Innovation Development Act.... The program set in motion by the act directs nine federal agencies that spend more than $100 million a year on research and development to set aside not less than 0.2 percent of its extramural R&D budget for small business."
The SBHTI's two main tasks will be to mobilize the private sector to use the new law and to stimulate the federal government to work with private enterprise to maximize the prospects that the new program will succeed.

Ironically, one of the institute's biggest jobs will be to convince the best of the small, high-technology companies to participate in the Small Business Innovative Research program. "In the past, these companies have avoided doing business with the government—and with good reason," wrote Stewart. "They found that agencies often tailored specifications to big-company products." In addition, applying for a government contract was enormously time-consuming and expensive. "The innovation program specifies that application procedures must be simple and not costly," observes Stewart, adding that the SBHTI members now have to convince small companies that the governmental scales have begun to tip in their favor.

The last couple of years have been good ones for Milton Stewart, although, as he ruefully acknowledges, it took a severe recession to convince the government of small business' value to the American economy—and to prompt President Reagan to call small business a tonic for what ails the country. It can even be said that there is a small-business chic: the Wall Street Journal publishes a weekly column on the subject, and the Harvard Business Review has a small-business editor.

So what does that leave for Milton Stewart, who has manned the barricades in entrepreneurship's behalf for so long?

"I got an agenda," he says, lapsing once again into New York-ese. It is as follows:

- To get SBHTI up and running as an organization that speaks for high tech by promoting it with publications and at such gatherings as the Small Business United conference in San Antonio.
- To finish establishing a "small-business square-table," a small group of opinion leaders selected for their entrepreneurial spirit and achievements, their demonstrated understanding of small-business problems, and their record of community service.
- To give more time to "Minding Your Business," Stewart's series of radio spots.

"The American people like small business," says Stewart, "because Americans like to see the underdog succeed. It's a particular point of pride to see names you've never heard of before—American names—on innovative, research-based technological products and processes.

"What the nation needs in order to succeed even more is what small business now lacks—more competent and broader-based lay leadership. One of the serious shortcomings of small business has been its lack of cohesiveness and its lack of lobbying effectiveness. We hope that SBHTI and America's new small-business consciousness will change all that."

Meanwhile, America's small-business operators, especially those on the cutting edge of the new technologies that surface every day, still have to grapple with confounding business conditions and an economic system that still favors the major corporations, even those whose muscle has gone to flab.

Milton Stewart relishes his victories and applies his missionary zeal to consolidating his growing constituency's gains. "Small business, with its flexibility and drive, will remain America's economic tonic for a long time to come," he says. "And high technology is the tonic's most active ingredient."

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Steve Blickstein

Microcomputers will have a vast impact on how businesses conduct their operations. They will serve as workstations for all types of employees, from top executives to secretaries. With a price tag of less than $5,000, these workstations will account for more than 70 percent of the computing done in a company. In large corporations, thousands of workstations will be linked to the primary database in the company's mainframe computer. Corporate information will be available instantly and in an easy-to-understand format, the type of information depending on the password used by the workstation operator. Operating separately, workstations will provide a wide range of word processing and other personal computer capabilities, making them especially user-friendly. The workstation will also impact how business is done outside the office. External auditors may never need to go to their clients' offices. By using a password, they'll be able to dial in the client and visit the office electronically.

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