

## Small Entrepreneurs as Creators of Chaos: Increasing Returns Requires Scaling

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**Abstract :** Small entrepreneurs are ubiquitous. Regardless of location their success depends on several behavioral characteristics and several market conditions. In this concept paper, we extend this paradigm to include elements from the science of chaos. Our observations, research findings, literature search and intuition lead us to the proposition that all entrepreneurs seek increasing returns, as did the many small entrepreneurs we have interviewed over the years. There will be a few whose initial perturbations may create tsunami-like waves of increasing returns over time resulting in very large market consequences—the butterfly impact. When small entrepreneurs perturb the market-place and their initial efforts take root a series of phase-space transitions begin to occur. They sustain the stream of increasing returns by scaling up. Chaos theory contributes to our understanding of this phenomenon. Sustaining and nourishing increasing returns of small entrepreneurs as complex adaptive systems requires scaling. In this paper we focus on the most critical element of the small entrepreneur scaling process—the mindset of the owner-operator.

**Keywords :** entrepreneur, increasing returns, scaling, chaos

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