# Small Businesses and Entrepreneurs:
## An Indispensable Force in the AI App Economy

ACT
The App Association

# Introduction

While artificial intelligence (AI) has been a transformative force for years, it's only recently captured the broader public and policymakers' attention. Our members at ACT | The App Association have been harnessing AI's potential long before its current surge in popularity. As the app economy experiences a renewed wave of AI-driven innovation and opportunity, these tech companies stand at the vanguard. They're adapting to the AI evolution and shaping it with their unique applications to address real-world challenges. Marc Fischer, CEO and co-founder of member company Dogtown Media, aptly says, "It's amazing to see all the novel ways that people interact with AI and how users are using AI concepts like large language models (LLM) in unforeseen ways to solve really incredible problems."

These small businesses are navigating the app ecosystem's vast landscape, carving out niches that larger corporations might overlook. Their role in propelling the staggering $1.8 trillion app economy forward is undeniable. Their passion for tech advancement is both inspiring and essential. However, the road to AI adoption isn't smooth. They face hurdles like data handling and potential biases. Such challenges highlight the need for human involvement, ensuring AI's ethical and responsible use.

Predictably, public sentiment towards AI is shifting more negatively, as recent data from Harris and the Mitre Corporation shows the number of Americans who view AI as "safe and secure" is declining. This change emphasizes the need for open dialogue about AI's strengths and limitations. This paper provides insights from App Association member focus group sessions that further spotlight the synergy between humans and AI, underlining the value of human guidance in the world of AI.

As AI becomes more prevalent in business, it poses technical and regulatory challenges. Addressing these challenges requires the small business owner's voice and necessitates a comprehensive framework for AI's responsible integration into the app economy.

# Background

Our member companies are the architects behind the growth of the app economy. Their pragmatic and direct approach allows them to address specific problems and craft effective solutions that reach beyond their market or even country. This passion for innovation and commitment to human-centric design places them at the heart of the app economy's future trajectory. Their influence extends beyond mere economic contributions, shaping the app economy's narrative, values, and direction, highlighting the importance of a comprehensive approach to technological evolution.

To gain a deeper understanding of their experiences with AI, we organized a series of focus groups. These sessions provided an opportunity for members from diverse sectors to share their AI journeys, offering valuable insights into the AI landscape within the app economy.

As AI evolves, these businesses recognize its potential for operations and enhancing customer experiences. Their commitment to innovation and human-centric design makes them key players in the app economy's future trajectory. In essence, they contribute economically and play a crucial role in shaping the app world's narrative, values, and direction.

## An Inside Look at AI Utilization by Small Businesses

In the dynamic app economy, small businesses are uniquely positioned to harness the transformative power of AI. Their agility, a direct result of their size and skill, allows them to swiftly adapt to marketplace changes and innovate at a pace larger entities might find challenging. This agility and a visionary mindset have enabled them to leverage AI in diverse and groundbreaking ways.

Scott Weiner, CTO of member company NeuEon, Inc., provides a glimpse into how AI can be a game-changer for businesses like his. By utilizing AI's capabilities, they've managed to automate tasks that previously consumed significant time, such as scanning and summarizing vast documents.

> "
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> We've found that AI's ability to scan and summarize documents has been invaluable. It not only speeds up our processes but also ensures we're capturing the essence of the content. The time savings in generating content and structuring ideas has been a significant boon for us."
>
> -Scott Weiner, CTO of NeuEon, Inc.

However, the journey of AI integration is not without its challenges. Developers, while eager to harness the potential of AI, often find themselves navigating a myriad of concerns. Patty Bollenbach, founder and CEO of RxPlace, emphasizes the importance of data management in this journey. For businesses like RxPlace, AI is pivotal in refining processes, especially when establishing data rules and guidelines that inform decision-making algorithms.

> **"The solution, powered by AI, enables our customers to make more informed decisions. We input rules and data, fine-tuned with AI's insights, and the software then bases its decisions on this structured input. This approach has resonated well with our customers, empowering them in their decision-making processes."**
>
> -Patty Bollenbach, Founder and CEO of RxPlace

Integrating AI into the operations of entrepreneurs and enterprises is a journey filled with excitement and caution. Their approach, characterized by a blend of enthusiasm for AI's potential and a deep respect for its complexities, exemplifies the essence of responsible AI adoption in the app domain.

## Building Trust in AI Systems

AI is changing the app economy. Tools like LLMs are at the forefront of this transformation. While their capabilities, as seen in models like ChatGPT and Bard, are impressive, trust remains paramount. Users need to believe in the tech. It's not just about smart algorithms; it's about being reliable and clear. It must be ensured AI is both powerful and trustworthy.

Tech industry giants and small businesses alike are making strides in AI. They're ingeniously tapping into these advancements, tailoring them to their unique requirements. For instance, many have adeptly integrated NLP into their customer service chatbots, enriching customer engagements and solving operational deficiencies. Another notable trend, predictive analytics, is invaluable for small-scale retailers in streamlining inventory management.

These achievements highlight the resilience and adaptability of new ventures amidst the whirlwind of tech evolution. Yet, it's not all smooth sailing. The financial burden of adopting cutting-edge AI solutions can be daunting for many. Moreover, the nuanced challenges, like algorithmic biases, require expertise that they might not have in-house, underscoring the importance of strategic partnerships in the AI realm.

The path to AI integration is, to say the least, challenging. Algorithmic bias looms large, with the potential of AI inadvertently reinforcing existing prejudices if not fine-tuned. The mysterious workings of AI models have also sparked debates about their transparency. Furthermore, the legal hurdles surrounding data privacy and intellectual property rights add several layers to the AI journey.

> **I think a lot of people need education about the way that AI works ... But I think once people understand it more, and once there's more ... I think it will have a net benefit to society."**
>
> –Suzanne Borders, CEO and Co-Founder of BadVR

> **What we do here at Shtudy is help tech talent from diverse communities get jobs at top tech companies. And a big challenge across the board, across the entire recruitment and staffing industry, is how to overcome biases throughout the hiring process."**
>
> –Geno Miller, Founder and CEO of Shtudy

Despite AI's potential, its reliability and accuracy are central to user trust. A prevailing theme from each focus group conversation was the need for human oversight, especially when handling sensitive data. The potential risks of data leaks or misinterpretations by AI systems emphasize the importance of robust safeguards.

> " Trust can be highly linked to things like opening or having documentation on the model weights ... In my opinion, that's a highly risky operation."

—Tomas Navratil, Head of Projects at LucidCircus

> " Anything that's AI-generated is noncopyrightable. Not all of it is defensible. You have no rights and no protection to your work. Anybody can take it and run with it. And you won't be able to get any protections or income defenses."

—Marc Fischer, CEO and Co-Founder of Dogtown Media

A recurring theme was the public's misconceptions about AI. The fear of artificial intelligence and its impact on jobs is often based on illusions and decades of Hollywood narratives (Terminator's "SkyNet" was referenced in every focus group, usually multiple times). Nearly 40 percent of Americans believe AI does more harm than good, and three in four believe it will reduce jobs. As exposure to AI increases, public trust seems to be declining. Clear communication and education about AI's capabilities and limitations are essential to address these misconceptions and build confidence.
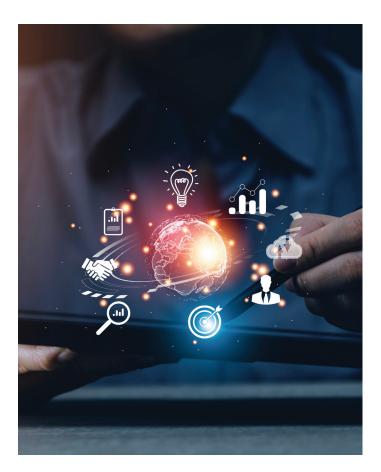
> " The biggest issue I see socially is trust ... How do you balance this deterministic approach to machine learning ... versus this generative, creative approach when we're giving a big license to machines to create stuff and make stuff up?"

—Dele Atanda, CEO and Founder of metaMe

Striking a balance is paramount. While AI's potential is endless, an awareness of its constraints is crucial. AI should enhance human potential and promote innovation while adhering to ethical and societal standards set by humans.

One thing remains clear as technology continues its rapid evolution: while AI offers transformative capabilities, its true potential can only be realized with consistent human oversight and intervention.

## AI is Here to Stay

AI, contrary to popular belief, isn't a novel phenomenon. Its roots in technology and software products stretch back further than most recognize. The consensus among industry experts is unequivocal: AI isn't a passing phase but a foundational technology that has been, and will remain, pivotal across various sectors.

Members highlighted the longstanding integration of AI in the realm of coding, pointing out its role in ensuring code quality.

> **Artificial intelligence has been used in coding for the longest time. We use AI to review our code, ensuring we avoid common human errors before releasing it to even our test environments."**
>
> *—Parag Shah, Founder of Vēmos*

Yet, integrating AI into business operations isn't always smooth. Small business leaders understand the pitfalls stemming from a superficial understanding of AI and the subsequent need for proper training.

> **The initial wave will see many who believe they're adept at using AI when they're not. They'll eventually seek proper training to truly harness the technology."**
>
> *—Julie Yack, COO of 365.Training*

The evolution of the app economy, particularly with AI's influence, was a frequent topic of interest, with one member highlighting the dynamics of trust within both the app ecosystem and the burgeoning plugin economy.

> **The parallels between the app marketplace and AI plugins are evident. However, while the former established a trusted platform with privacy at its core, AI plugins today seem more like connectors bridging different systems."**
>
> *—Scott Weiner, CTO of NeuEon, Inc.*

The innovative applications of AI, especially by small businesses, often transcend the conventional and predictable. These applications solve immediate challenges and pave the way for future advancements in the app economy.

> **We see companies in our portfolio pushing AI's boundaries, venturing beyond just chatbots. One health tech firm, for instance, leverages AI to match medical students with their ideal residency."**
>
> *—Stephen Forte, Co-Founder and Managing Partner at Fresco Capital*

# The Future of Responsible AI in the App Economy and the Pivotal Position of Small Businesses

Integrating AI into the app economy is an ongoing journey of promise and pitfalls. As businesses delve deeper into AI's capabilities, they confront issues of trust, reliability, and the broader complexities arising from AI's vast and diverse landscape. The rapid evolution of AI technologies introduces uncertainties about their long-term implications, necessitating a robust framework for their responsible integration.

The evolution of AI and its fast-paced progress allow developers to revolutionize their technologies and processes continually.

**"**

**We've been using it forever, the type of AI that's popular today ...We have a bunch of companies in the portfolio that are using AI, and it's not in the areas you'd expect them to."**

-Stephen Forte, Co-Founder and Managing Partner of Fresco Capital

Despite familiarity with the technology, members have begun underscoring the technical intricacies and emphasizing the importance of ensuring compatibility across platforms open data export, as well as reinforcing cybersecurity and compliance measures.

Tomas Navratil of member company LucidCircus underscores the critical nature of these technical elements.

**"**

**Ensuring things like compatibility and data transfer security compliance is crucial. We need a similar framework for AI compliance that is clear and reflects our commitment to standards life those seen in GDPR [EU's General Data Protection Regulation], emphasizing human oversight and legal structure."**

-Tomas Navratil, Project Manager and Digital Strategist at LucidCircus

Beyond these technical challenges, there's a pressing need for a comprehensive understanding of AI, especially at the legislative level.

**"**

**The biggest barrier is the lack of understanding on the Hill. There's no clear definition of AI, and that's a significant challenge."**

- Parag Shah, Founder of Vēmos

While tech giants pioneer large-scale solutions in this vast AI landscape, independent ventures are uniquely positioned to address key challenges, such as building trust and ensuring human involvement in AI processes. Their experiences offer invaluable insights into harnessing AI's capabilities responsibly.

Independent enterprises play a crucial role in the app economy, emphasizing the importance of human oversight, transparency, and education in the broader AI narrative. Their contributions highlight the need for a tailored approach, ensuring that while AI may increasingly handle tasks like data analysis, humans remain at the forefront, leveraging the freed-up time to innovate, dream, and discover novel applications for technology.



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