

Exercise 1-2a – The definition of a small business

PART 1: Below are two examples of businesses, using the NAICS chart, answer the following questions:

Company A: Employment agency. What is the maximum size this agency could be according to the Small Business Administration? Refer to the NAICS chart.

Company B: Food service contractor. What is the maximum size the company could be, according to the Small Business Administration, and still be considered a "small business"?

PART 2: Below is additional detail about Company A and Company B. Is the size of the business more important to one of the companies? Please explain.

Company A: An employment placement agency.

- Revenues: \$7 million.
- Clients: Services primarily other small businesses.
- Client vendor / procurement policies: None. The clients enjoy working with the placement agency because it is a small business, but there are no formal rules in place.

Company B: A food service contractor.

- Revenues: \$10 million.
- Clients: K-12 schools and universities.
- Client vendor / procurement policies: Small business set-asides. Many of the institutions with which Company B works have contracts specifically for small businesses. The client uses the SBA definition of small business.

Examples of North American Industry Classification System

NAICS Code	Industry	Annual sales or number of employees (maximums allowed)
111110	Soybean Farming	\$750,000
212221	Gold Ore Mining	500 employees
423420	Office Equipment Merchant Wholesalers	100 employees
561740	Employment Placement Agencies	\$6,000,000
611110	Elementary and Secondary Schools	\$6,000,000
621111	Offices of Physicians (except Mental Health Specialists)	\$8,500,000
622110	General Medical and Surgical Hospitals	\$29,000,000
722310	Food Service Contractors	\$17,500,000

Source: Small Business Administration, Small Business Size Standards matched to North American Industry Classification System, Effective January 28, 2004.

HOMEWORK:

On your way home today...

- Pick three businesses you see (that you think might be small businesses).
- Write down the three businesses (below).
- Look up the businesses on the SBA size chart, write down the industry category and size limit (below). Use the following link: <http://www.sba.gov/size/index.html>

Business	NAICS Industry and Size from SBA site
1.	
2.	
3.	

