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Small Business Administration Redefines 'Small' Business

By Nathan Denny on Feb 22, 2012

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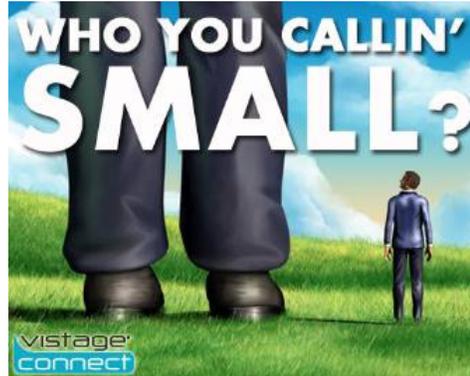
In what may have been a "WTF" moment for some business leaders and executives, this week the U.S. Small Business Administration (SBA) changed the definition of small business.

What for? Well, the SBA is a government-funded agency that exists to support small businesses. Typically, that involves negotiating contracts between federal agencies and the nation's smaller-sized employers.

Since the SBA is legally obligated to help only companies it can define as small businesses, any changes to that definition means, by default, changes to what companies can be assisted, and perhaps what kind of assistance they can get.

But are the changes for the good, or the bad? Apparently, it's too soon to tell. According to MSBNC:

The SBA released 37 updated revenue-based size definitions of small businesses in 34 professional, scientific and technical services sectors, after starting work on the definitions in 2007. The new size standards take effect March 12.



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The SBA says these new standards "will make as many as 8,350 more firms eligible for contracts and financial assistance," CNBC's report continues.

The change "allows small businesses to retain their small-business status and contracting officers to have a larger selection of small businesses to choose from for contracting opportunities," said an SBA spokesperson.

Factors considered in this re-assessment included "inflation and current economic conditions, as well as federal contracting trends, average firm size and degree of competition within the individual industries."

The National Small Business Association (NSBA) is skeptical, however, citing "a couple areas of concern," according to a spokesperson.

"Some industries, such as architecture and engineering, are grouped together, and the combination can cause some issues. Another concern is there may be enhanced competition from businesses on the larger end of the scale that are now classified as a small business. For the majority of businesses that have about nine to 11 employees, it's hard to compete against a company that has 500 employees."

How small businesses are defined is, coincidentally, also the topic of an upcoming House Small Business Committee meeting. "The Protect American Small Businesses Act, introduced by Reps. Joe Walsh (R-Ill.) and Gerry Connolly (D-Va.), would require that the size standard be assigned by each group's North American Industry Classification System (NAICS) code."

"My bill ensures that small businesses do not have to compete with global corporations to create jobs in our local communities," said Walsh. "Size standards assure the viability of America's biggest job creators — small businesses."

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