

# [Characteristics of a small business](https://assignbuster.com/characteristics-of-a-small-business/)

[Business](https://assignbuster.com/essay-subjects/business/)

Small Business Small Business According to Small Business Administration (SBA, US), “ a small business is one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period” (SBA. gov, n. d.).
The characteristics of small businesses vary with country to country. The main characteristics that are necessary to constitute a small business include number of employees, the amount of revenue and the dominance of the business within the industry.
The first thing that is necessary for a small business is with respect to its ownership. A small business should be a sole proprietorship rather than a subsidiary or a branch. Within USA, the number of employees within a small business should range 500 to 1500 within a manufacturing firm; contrastingly within Europe, this range is limited to 50 employees to consider a business as small. Considering the revenue characteristic, the amount of revenue being generated annually should range from $5 million to $21 million (considering the business is within US and persists to retailing). If the nature of the business relates to a service industry, the annual receipts should range between $2. 5 million to $21. 5 million. General and Heavy construction businesses should generate annual revenue between $13. 5 million to $17 million in order to be attributed as a small business. With respect to the industry and the businesses’ dominance, a business should not be operating within such an industry where it is the only buyer or the lone seller. This would lead to the business being classified as a monopoly and hence the business may not be considered as a small business.
Besides that, the legal environment within a country usually restrains a company from operating as a monopoly. This is a certain legal restriction imposed by the government of a country to serve the greater good of the public in order to ensure that businesses do not charge a high price.
There is a strong belief within the US that small businesses help in generating the highest level of jobs. As small businesses are usually sole-proprietorship, its work life balance helps in reducing racial differences and it also helps in empowering the women of the country via increased self-employment.
Small businesses help in stimulating the country economy. This stimulation is made possible by the creation of employment, hence eradicating unemployment. According to the SBA, Average unincorporated self-employment, which had fallen from 10. 4 million in 2007 to 9. 4 million by January 2009 rose to 9. 6 million by December 2009. (The Small Business Economy, 2010)
Small businesses also help in increasing the Gross Domestic Product of a country. According to the SBA, the real GDP of the US, after declining in the beginning of the year, rose by 5. 6 percent in the fourth quarter of 2009. This was considered to be the strongest performance since the third quarter of 2003.
References
SBA. gov. (n. d.). What is SBAs definition of a small business concern?, U. S. Small Business Administration. Retrieved from:
http://www. sba. gov/content/what-sbas-definition-small-business-concern
The Small Business Economy. (2010). A Report to the President, United States Government Printing Office, Washington. Retrieved from:
http://www. sba. gov/sites/default/files/sb\_econ2010. pdf