

MEMORANDUM

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From: Michael Brennan, Data Collection Methodology & Research Branch, Economic Statistical Methods Division
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Date: December 28, 2016

Re: Second Round of Cognitive Testing of the 2016 Annual Survey of Entrepreneurs

This memorandum summarizes the second round of research conducted by the Data Collection Methodology & Research Branch on the Business Screener, Family Ownership, Banking Relationship and Finance, Government Regulations, and Business Advice and Mentoring questions being considered for the 2016 ASE. In December, we conducted cognitive interviews with 18 companies in the San Diego, California and Washington, DC metropolitan areas. The distribution of companies by size (number of employees) and NAICS sector is summarized in the tables below. Data for number of employees were included in the recruiting files provided by EWD based on prior responses either to the 2012 SBO or the 2014 ASE, and may not reflect the most accurate data for the companies we interviewed.

Number of employees	Number of companies
1 to 4 employees	7
5 to 9 employees	3
10 to 19 employees	5
20 to 49 employees	2
50 to 99 employees	1
Total	18

Sectors	Number of companies
21: Mining, Quarrying and Oil and Gas Extraction	1
31-33: Manufacturing	1
42: Wholesale Trade	4
44-45: Retail Trade	5
53: Real Estate and Rental and Leasing	1
54: Professional, Scientific, and Technical Services	1
62: Healthcare and Social Assistance	2
72: Accommodation and Food Services	3
Total	18

We summarize the findings of the research and provide recommendations below. The interview protocol and test questionnaire used for the interviews are included as appendices to this memorandum.

Business Screener Questions

Finding #1 - Type of Ownership

Consistent with our findings in the first round of cognitive testing, some respondents expect to see response options that match the legal structure of their business. For example, several respondents noted they would look for “LLC”, “Corporation”, “S-Corp”, or “Private equity”. While most identified a best fit option from the choices provided, the remaining indicated they would use the “Other” option to write in their legal ownership structure.

Recommendation: We recommend dropping this question and using the questions found on the 2015 ASE.

Finding #2 – Number of Owners

A few respondents commented that the “Do not combine two or more owners to create one owner” instruction was unclear and uninformative.

While the majority of respondents were able to answer the question, we observed that the “Business is owned by a combination of the following: individuals, parent companies, estates, trusts, or entities” response option was confusing to those who read it. One respondent’s interpretation of the category was “like a joint venture”, while two other respondents felt a business typically wouldn’t have a combination of these types of owners. Unlike the round one testing, none of the respondents we tested this question with had an ownership structure where this response option would be the appropriate answer.

Recommendations:

- Remove or add clarity to the instruction bullet: “Do not combine two or more owners to create one owner”.
- We recommend removing “Business is owned by a combination of the following: individuals, parent companies, estates, trusts, or entities” response option.

Finding #3 – Business – 10% or More Ownership

Respondents did not have difficulty understanding this question. However, it did seem to influence some respondents’ interpretation of Question 4 – Percent Ownership. These respondents assumed only owners with greater than 10% ownership should be reported in Question 4.

Recommendation: No recommendation needed.

Findings #4 – Percent Ownership

As stated in Finding #3, some respondents would not report owners with less than 10% ownership. In one instance, one of the owners of a small company would not include his wife (3% ownership) in

Question 4, but included her in his interpretation of Question 10 - Family Ownership since combined they accounted for over 50% ownership of the company.

Consistent with our first round of testing, most businesses did not have any issues providing the owners' names for this survey. Examples of responses included "No, I think that's public knowledge", "Someone could just google or look that up on Facebook", and "I don't think most companies would have an issue with this". However, two respondents felt very strongly that this information was none of the Census Bureau's business as it is already reported to the IRS.

When filling out the form on paper, we observed some users instinctively wrote the name of the owners in the first column and the percentage owned in the second column.

Recommendations:

- If subject matter experts desire to have any percentage of ownership reported rather than percentages greater than 10% it should be noted in the instructions.
- Reversing the Name and Ownership Percentage column so respondents fill in the owners' names first may make the table more user friendly and easier to read.

Owner Specific Questions

Finding #5 – Owner 1 – Education

We observed respondents missing the phrase "prior to establishing, purchasing, or acquiring the business" in both Question 5, where it appears at the end of the question, and Question 6, where it appears at the end of the question. However, most respondents indicated it would not change the way they would report. A few respondents did note that this difference would add uncertainty to their answer.

Several respondents were unfamiliar with the educational background of their owners. In this scenario they would either assume the answer or need to reach out to someone who knew the information.

One respondent, who was from Europe, would use "university" to refer to undergraduate level coursework. A "College", in their case, is a school a person attends to acquire a trade, technical, or vocational education.

Recommendations:

- Change the title of the question to "Owner 1 - Education Prior to Business" in hopes that respondents associate the question with the owners' pre-business education.
- Consider adding a "Don't know" option.

Finding #6 – Owner 1 – Field of Degree

As stated in Findings #5, respondents did not notice the phrase "prior to establishing, purchasing, or acquiring the business" when it was located at the beginning or end of the question. Also, respondents

who did not have information regarding the owners' education in Question 5 did not have an answer for Question 6.

In a few cases, respondents who did not answer bachelor's degree or higher in Question 5 missed the response option "No Bachelor's, Master's, Doctoral, or Professional degree" and selected a field related to their trade or college coursework.

Some respondents had issues with finding or selecting response options. Some examples include:

- One respondent who scanned the list for Finance did not notice it was combined in "Business and Finance".
- Another respondent, who's business owner was a software engineer, was not sure whether to check "Engineering and Related Technologies" or "Information Technology or Computer Science". She did not notice the "select all that apply" instruction and would only have chosen one.
- Multiple respondents were unsure what was meant by "Personal Services."

Recommendations:

- Change the title of the question to "Owner 1 – Field of Degree Prior to Business" in hopes that respondents associate the question with the owners' pre-business field of degree.
- Consider a "Don't know" option for respondents who are unfamiliar with the owner's degree.
- Change "Personal Services" to "Personal Care Services" if this more accurately describes the response.
- We recommend the sponsors look at the classification of educational programs used by other sources such as the National Survey of College Graduates and the Integrated Postsecondary Education System.

Spouse and Family Ownership and Operation Questions

Finding #7 – Ownership or Operation

Generally, the majority of respondents were able to answer this question correctly. We observed that respondents with multiple owners were confused to whom the question was referring. Some of these respondents felt the question implied there was a relationship between the owners they listed, while others interpreted the question as asking if the spouses or unmarried partners of the owners listed were involved in the business. These respondents requested more detail be included in the question.

Recommendations:

- We recommend this question be dropped and further testing be conducted to best identify how to integrate Question 8, 9, and 10 into the screener section. Confusion may be reduced if respondents answer this question before listing the owners of the business.

- Alternatively, it may be possible to incorporate these questions into the “Percent Ownership” table.

Finding #8 – Jointly Owned

The majority of respondents we tested would have skipped Question 8 and Question 9 because they answered “no” to Question 7. Respondents who read these questions had many interpretations of the phrase “jointly owned”. Some respondents felt the term referred to an equal ownership between spouses, while others described “jointly owned” as both parties having some degree of ownership whether it was equal or not. Still others thought “jointly” referenced a legal entitlement or stake in the business. Three respondents suggested using the phrase “domestic partners” rather than unmarried partners.

Recommendations:

- Add a definition/instruction for “jointly owned” if there is a specific survey definition that should be followed.
- We recommend further testing of the integration of Question 8, 9, and 10 to the “screener” portion of the questionnaire.

Finding #9 – Equal Operation

Respondents did not have any issue interpreting this question. However, when probed, they were unsure why Owner 1 and Owner 2 would be the only response options if more than two owners were listed. Respondents would prefer Owner 1 and Owner 2 be replaced with the names provided in Question 4, but would have assumed that is what the response options were referring.

Recommendations:

- If possible, autofill Owner names for the response options.
- As stated in Finding #8 this question should be moved to the beginning of the questionnaire as part of the “screener” section.

Finding # 10 – Family Ownership

The majority of respondents did not have any issues answering this question. One respondent originally would not have considered him and his wife’s ownership as “family ownership” since he thought this relationship would be covered by Question 8. Another respondent, whose family’s estate owned a large portion of the business, was unsure if estate ownership would qualify in the context of this question.

Several respondents indicated the phrase “close relatives” was vague and were unsure who else should be included. Examples of family members who respondents considered but wouldn’t necessarily include were aunts, uncles, cousins, and in-laws.

No issues were found regarding including unmarried partners in the family definition.

Recommendations:

- Clarify “close relatives” if there are limits to who should be included in “family ownership”.
- As stated in Finding #8 this question should be moved to the beginning of the questionnaire as part of the “screeener” section.

Banking Relationship and Finance Questions

Finding # 11 – Business Banking Relationships

Most respondents did not have difficulty understanding this question. However, the majority of respondents do not have information on all banking relationships the owners may possess. Using the information available to them, all of the respondents able to answer this question would select “Some of the banking relationships were the same”. None of the respondents we interviewed would answer “All of the banking relationships were the same”.

Some respondents, who lack knowledge of an owner’s personal details, may be able to answer for one personal banking relationship based on an owner’s payroll information. Most respondents would need to ask the owners.

Respondents with multiple owners typically guessed that “some were the same”, but would not be confident assuming they knew “all” banking relationships that may exist.

A few respondents were unsure how the response option “The owners did not have any business banking relationships” was possible. To these respondents any transactions conducted in the name of the business would be “business banking relationships”.

Recommendations:

- Add a “Don’t know” response option.
- A “yes/no” question may be more appropriate for this situation since respondents typically do not know all the owners’ personal banking relationships. A possible replacement question could be:

“In 2016, were any of this business’s banking relationships with the same financial institutions as any of the owners’ personal banking relationships? Banking relationships include business checking or savings accounts, credit cards, loans, etc.

- Yes
- No
- The owners had no business banking relationships
- Don’t know

Finding #12 - Business Banking Duration

Several respondents had difficulty understanding this question, and a majority had to reread the question aloud or to themselves multiple times. Multiple respondents identified a relationship between Question 11 and Question 12, but were unsure which banking relationships should be included in the context of Question 12. One respondent asked, “Is the question asking how long the banking relationships that are the same were in place, or how long any personal banking relationship were in place?”

Once respondents understood what the question was asking, they were unable to provide an answer because the information was unknown to them. Most respondents indicated they would have to ask an owner, and some doubted the owners would recall the answer if the business had been established a long time ago. Other respondents were unsure how to answer for current owners who were not part of the business when it was created. One respondent stated it would be possible for multiple business owners to require multiple boxes be selected.

Finally, some respondents commented that the response options “seem odd” or “too short”. One respondent noted “you’ll most likely get a lot of ‘more than 12 month responses’... seems like it should be broken out by years.”

Recommendations:

- We recommend this question be removed from the survey. This question is too complex for companies that have been in business many years, have multiple owners, or have changed ownership from the inception of the business. This information is not easily accessible to respondents and may not provide a quality data product.
- If the question is added to the survey, we recommend a “Don’t know” response option.

Finding #13 – Outstanding Loans

Overall, most respondents were able to answer this question without difficulty because the business did not have any outstanding loans.

One respondent would have initially responded “No” but then stated “oh, you have ‘Business did not obtain an outstanding loan’...I would pick that, I just thought I was answering no to needing a loan, not no to providing collateral. Seems like two questions.”

Another respondent felt the word “outstanding” conflicted with the word “obtained”. They said, “Are you asking only about loans ‘obtained’ in 2016 or any ‘outstanding’ loans we had through 2016?”

Some respondents could not provide an example of collateral, while others mentioned their house, business, or cars.

Recommendations:

- We recommend the question be reworded to: “In 2016, was this business required to provide collateral or loan guarantee for any outstanding loan?”
- If the number of questions added to the survey was not an issue, this question could be divided into questions. The first question would address if the business had any outstanding loans in 2016. The second would ask if any collateral was required for those who answered “yes”.

Finding #14 – Avoidance of Additional Financing

Multiple respondents felt like this question was “asking two different things”. One respondent suggested removing “and the owner(s) chose not to apply” from the question stem since it is one of the response options.

When probed about their interpretation of additional financing most respondents said they felt additional financing was “referring to loans”.

Recommendations:

- Drop “and the owner(s) chose not to apply” from the question stem and lowercase “DID” in the first response option. The question should be as follows:

At any time during 2016, did this business need additional financing?

Business needed additional financing and owner(s) **chose not to apply**

Business needed additional financing and owner (s) **did apply**

Business did **not** need additional financing

- Similar to Finding #13, question number permitting, this question could be made simpler by first asking if the business required additional financing, and then using a follow up question to ask whether the owner(s) chose to apply.

Finding #15 – Purchases on Account

Similar to our first round findings, a few respondents indicated they were unfamiliar with the phrase “purchases on account”.

None of the respondents we met with had heard of or used the term “trade credit”. Respondents used “invoice payment terms” to understand the context of the question.

Some respondents, who worked for businesses who provide a service, felt these concepts did not apply to their business since they do not regularly work with “suppliers”. In their case the only time they use payment terms were for allowing clients to pay in installments.

Recommendations:

- Remove the term “trade credits” from the question.
- The question wording could be changed to:
 - “In 2016, did this business make any purchases on account or by using invoice payment terms? Invoice payment terms allow businesses to purchase goods or services from suppliers now and pay at a later date.”
 - Examples such as Net30, Net monthly, and Net 60 could be used if they capture the context of the information the sponsor would like to collect.

Finding #16 – Negative Impact on Profitability

This question had no major issues. Regarding the addition of “Regulations”, most respondents indicated they associated the response option with the time spent meeting requirements for regulations.

Recommendation: Change “each of the following” to “any of the following” in the question wording.

Regulation Questions

Finding #17 - Types of Regulation

A few respondents did not notice the N/A option until half way through the question. These respondents usually mentioned they would change some response options from neutral to N/A. One respondent stated “if you had N/A in the first column, I’d probably just check that for most of these.”

When discussing regulations, several respondents mentioned regulations related to employee benefits such as 401K programs. In many cases respondents would mention employee compensation, but noted that they did not consider this the same as the “worker’s compensation” response option which they felt represented the costs associated with workplace accidents. Some would write “benefits” in the “Other” category while others would just answer for the options provided.

Other response options with issues included “employment records”, “border and trade/trade”, and “financial regulations”. In all of these cases some respondents could not associate these options with tangible regulations and were unsure to what they referred. In distinguishing between “border and trade” and “trade” some respondents referred to “border and trade” as “international” and “tariffs” while “trade” was associated with “commerce” and “domestic”.

Recommendations:

- Change “which impact” to “what impact”.
- Change “following government regulations” to “following types of government regulations”.
- Change “Neutral” to “No Impact”.
- Write out “Non-Applicable” rather than use “N/A”.
- Add a “Regulations” title over the types of regulations response options.
- Remove “regulations” from “Financial regulations”.
- Remove “Border and Trade”.

- Consider adding a category for employee benefit programs and clarify vague categories such as “Employment Records”.

Finding #18 – Regulations and Starting or Acquiring the Business

Many respondents were not at the business when it was started or acquired, and in many cases would need to reach out to the owners.

In some instances, respondents would answer the question based on their understanding of the industry or market in the present and assume it was the same when the business was started.

A few respondents found it difficult to think about “all regulations” in the context of this question.

One respondent noted, “well, they couldn’t have been that bad since we’re in business now”. This quote captures the possibility of a bias in the data collected from this question which is only asked to businesses who were successfully started or acquired.

Recommendation: None needed.

Finding #19 – Regulations and Growth of the Business

All of the respondents we met with understood this question.

One respondent noted that in the case of regulations both positively and negatively impacting growth they would need to somehow weight the impact of each to pick only one response option.

Respondents suggested including “increasing sales” or “hiring new employees” as examples of business expansion.

Recommendation: None needed.

Business Advice and Mentoring Questions

Finding #20 - Reasons for Seeking Business Advice

Despite the inclusion of the phrase “paid or unpaid advice” many respondents only thought about paid services or outsourced business functions such as legal advice, accounting, payroll, and banking.

One respondent stated “It’s hard to pick a primary reason and everything that applies... I feel like I should be limiting myself but I’m not sure to how many”.

Some respondents felt ‘Business finances’, ‘Investment and access to capital’, and ‘Taxes and accounting’ overlapped. One respondent said “I think you need to move ‘Taxes and Accounting’ to before ‘Business Finances’...everyone will think about checking it for their accountant”.

Recommendations:

- Remove “primary reason” and change the question wording to “During 2016, did this business seek any **paid or unpaid** business advice or mentoring for the following reasons? *Select all that apply.*”
- Move taxes and accounting to above business finances in the list.
- Add an “Other” option.
- Consider adding a “Legal” response option.
- Having separate questions for unpaid advice or mentoring and paid services or narrowing the questions focus to unpaid or paid services may help capture more meaningful data.

Finding #21 – Providers of Business Advice

As seen in Round 1, some respondents selected “family”, “friends”, and “employees” without mentioning any unpaid advice or mentoring in Question 20.

Several respondents felt that “Professional consultants” was not a proper response option to include services or advice provided by lawyers, accountants, bankers, and IT. Some respondents would write these title in “Other”, while others may just use “Professional consultants” but felt these providers warranted their own category. As one respondent explained, “you go to a consultant for a specific need or a unique situation for your business not something common like doing your taxes.”

A few respondents were unsure they would know all of the advice or mentoring sought by the business. An Office Manager noted “This business? I know who I reach out to and I know who my boss may consult...but I won’t know who our owners’ are talking to or who the CFO is talking to.”

Respondents who worked for consulting companies or other service providers felt “Suppliers” did not apply to them.

Most respondents were familiar with the SBA but not as likely to know the SBDC, WBC, or MBDA.

Recommendation:

- Consider changing professional consultants to “Legal and Professional Advisors”.
- Alternatively, add examples of the groups the sponsor would like to be included in “Professional Consultants”.

Finding #22 – Outcome of Advice or Mentoring

All the respondents we met with would be able to answer this question. A few respondents indicated they may not know the outcome of the advice as it could be ongoing but could answer based on their expectations. One respondent was unsure how to answer if they received positive and negative advice, but said they could still likely answer the question.

Recommendation: None needed.

Finding # 23 – Exit Strategy

Similar to our round one findings, some respondents were unsure how to answer when multiple owners need to be considered. One respondent assumed the question implied all of the owners would be exiting at the same time and would have marked “Sell or merge business with another firm”, but when probed on the matter she indicated she would expect a transfer between owners if only one owner was leaving.

In most cases respondents would mark the scenario they felt was most likely to occur, not a scenario that has been currently strategized by the owners.

Recommendation: Change the final response option to “Business does not currently have an exit strategy for any owner”.

Appendix A - 2016 ASE Test Questionnaire

2016 Annual Survey of Entrepreneurs

Please answer the following questions for the business named in the mailing address. Answer even if the business has been sold, reorganized, or ceased operation.

You may use estimates if this survey requests information that is not available in your business records.

1. Type of Ownership

Which best describes the ownership of this business? *Select all that apply.*

- Single owner, self-employed, or independent contractor
- Business owned by multiple people
- Another business or organization (e.g., parent business)
- Estate or trust
- Non-profit organization
- Members from a cooperative or club
- Government or tribal entity
- Other (specify) - _____

2. Number of Owners

In 2016, how many people owned this business?

- *Do not combine two or more owners to create one owner.*
- *Count spouses and partners as separate owners.*
- 1 person
- 2 people
- 3 people
- 4 people
- 5-10 people
- 11 or more people
- Business is owned by a parent company, estate, trust, or entity
- Business is owned by a combination of the following: individuals, parent companies, estates, trusts, or entities
- Don't know

3. Business – 10% or More Ownership

In 2016, did at least one **person** own 10% or more of this business? (Do not count parent companies, estates, trust or other entities).

- Yes
- No – Select “No” **ONLY** if no person owned 10% or more of this business

4. Percent Ownership

For the person(s) owning the largest percentage(s) in the business in 2016, please list the percentage owned by each person and his or her name.

- **Do not report** percentages owned by parent companies, estates, trusts, or other entities
- If more than 4 people owned this business equally, select any 4 people
- Round percentages to whole numbers. For example, report 1/3 ownership as 33%

	Percentage Owned (Estimates are acceptable)	Name
Owner 1:		
Owner 2:		
Owner 3:		
Owner 4:		

5. Owner 1 –Education

What was the highest degree or level of school *Owner 1* completed **prior to** establishing, purchasing, or acquiring this business? *Select one box only.*

- Less than high school graduate
- High school graduate – Diploma or GED
- Technical, trade, or vocational school
- Some college, but no degree
- Associate Degree
- Bachelor’s Degree
- Master’s, Doctorate, or Professional Degree

6. Owner 1 – Field of Degree

Prior to establishing, purchasing, or acquiring this business, what was the field of the highest degree completed for *Owner 1*? *Select all that apply.*

- No Bachelor’s, Master’s, Doctorate, or Professional Degree
- Agriculture, Environmental and Related
- Architecture and Building
- Business or Finance
- Education
- Engineering and Related Technologies
- Food, Hospitality, or Personal Services
- Health, Medicine, or Pharmacy
- Humanities or Arts
- Information Technology or Computer Science
- Law or Legal Studies
- Mathematics, Economics, or Statistics
- Natural and Physical Sciences
- Social Sciences
- Other (Specify) _____

7. Ownership or Operation

In 2016, was this business owned or operated by **spouses or unmarried partners**?

- Yes
- No – Skip to Question 10

8. Joint Ownership

In 2016, was this business **jointly owned** by spouses or unmarried partners?

- Yes
- No

9. Equal Operation

In 2016, was this business **equally operated** by spouses or unmarried partners?

- Yes
- No, primarily operated by Owner 1
- No, primarily operated by Owner 2

10. Family Ownership

In 2016, did **two or more members of one family own more than 50%** of this business? (*Family refers to spouses, unmarried partners, parents/guardians, children, siblings or close relatives*)

- Yes
- No

11. Business Banking Relationships

In 2016, were this business's banking relationships with the same financial institutions as any of the owners' personal banking relationships? Banking relationships include business checking or savings accounts, credit cards, loans, etc. *Select one box only.*

- All of the banking relationships were the same
- Some of the banking relationships were the same
- None of the banking relationships were the same – Skip to Outstanding Loans
- The owners had no business banking relationships – Skip to Outstanding Loans

12. Banking Relationship Duration

How long were the owners' personal banking relationships in place before financial transactions were first conducted by this business? *Select one box only.*

- 0 - 1 month
- 2 - 5 months
- 6 - 12 months
- More than 12 months

13. Outstanding Loans

In 2016, was this business required to provide collateral or loan guarantee for any outstanding loan the business obtained? *Select one box only.*

- Business did not obtain an outstanding loan
- Yes
- No
- Don't Know

14. Avoidance of Additional Financing

At any time during 2016, did this business need additional financing and the owner(s) chose not to apply?

- Business needed additional financing and owner(s) **chose not to apply**
- Business needed additional financing and owner (s) **DID apply**
- Business **did not need** additional financing

15. Purchases on Account

In 2016, did this business make any purchases on account or using trade credits? Trade credits are invoice payment terms a business establishes with their suppliers allowing them to purchase goods or services now and at a later date.

- Yes
- No

16. Negative Impact on Profitability

For 2016, did each of the following negatively impact the profitability of this business? *Select one in each row.*

	Yes	No
Access to financial capital	<input type="checkbox"/>	<input type="checkbox"/>
Cost of financial capital	<input type="checkbox"/>	<input type="checkbox"/>
Finding qualified labor	<input type="checkbox"/>	<input type="checkbox"/>
Taxes	<input type="checkbox"/>	<input type="checkbox"/>
Government regulations (for example, federal, state and/or local)	<input type="checkbox"/>	<input type="checkbox"/>
Slow business or lost sales	<input type="checkbox"/>	<input type="checkbox"/>
Customers or clients not making payments or paying late	<input type="checkbox"/>	<input type="checkbox"/>
The unpredictability of business conditions	<input type="checkbox"/>	<input type="checkbox"/>
Changes or updates in technology	<input type="checkbox"/>	<input type="checkbox"/>
Other (Specify)	<input type="checkbox"/>	<input type="checkbox"/>

17. Types of Regulations

For 2016, which impact did each of the following government regulations have on this business's profitability? *Select one in each row.*

	Very Negative	Somewhat Negative	Neutral	Somewhat Positive	Very Positive	N/A
Employee hiring	<input type="checkbox"/>					
Workers' compensation	<input type="checkbox"/>					
Occupational health and safety	<input type="checkbox"/>					
Health insurance	<input type="checkbox"/>					
Employment records	<input type="checkbox"/>					
Building and renovation permits	<input type="checkbox"/>					
Business registration	<input type="checkbox"/>					
Business and professional licensing	<input type="checkbox"/>					
Health permits and inspections	<input type="checkbox"/>					
Border and trade	<input type="checkbox"/>					
Immigration and citizenship	<input type="checkbox"/>					
Environmental	<input type="checkbox"/>					
Trade	<input type="checkbox"/>					
Financial regulations	<input type="checkbox"/>					
Other (Specify) _____	<input type="checkbox"/>					

18. Regulations and Starting or Acquiring the Business

What impact did regulations have on the ability to initially start or acquire this business?

- Positive impact
- Negative impact
- No impact
- Don't know

19. Regulations and Growth of the Business

During 2016, what impact did regulations have on expanding this business's operations, such as by increasing production, adding locations, or attaining new customers?

- Positive impact
- Negative impact
- No impact
- Business did not plan to expand operations
- Don't know

20. Reasons for Seeking Business Advice

During 2016, what was this business's primary reason for seeking paid or unpaid business advice or mentoring from others? *Select all that apply.*

- Business finances
- Employee relations (for example, hiring, workforce retention, employee performance/growth, employee separation)
- Management and day-to-day operations
- Product development and innovation
- Investment and access to capital
- Succession planning and exit strategy
- Increasing sales
- Reducing costs
- Taxes and accounting
- Regulatory compliance
- Technology/ Information Technology
- Key performance indicators and business targets
- Copyrights, trademarks, and patents
- Did not seek advice/mentoring – Skip to Exit Strategy

21. Providers of Business Advice

During 2016, from whom did this business seek the advice or mentoring selected in the 'Reasons for Seeking Business Advice' question? *Select all that apply.*

- Family (Family refers to spouses or unmarried partners, parents/guardians, children, siblings, or close relatives.)
- Friends
- Professional colleagues
- Employees
- Professional consultants
- Customers
- Suppliers
- Government-supported technical assistance program (for example, Small Business Administration (SBA) Small Business Development Center, Women's Business Center, or Minority Business Development Agency (MBDA) Business Center)
- Other (Specify)

22. Outcome of Advice or Mentoring

During 2016, did the advice or mentoring selected in the 'Reasons for Seeking Business Advice' question lead to positive business outcomes or changes in business operation that are anticipated to be positive?

- Yes
- No

23. Exit Strategy

Which of the following best describes this business's current exit strategy for any of the owners? An exit strategy is a plan the business owners create to describe how they intend to exit the business and capture their investment. *Select all that apply.*

- Walk away from the business
- Liquidate or sell off assets and repay the business's liabilities
- Sell the business to employees or managers (for example, offer an Employee Stock Ownership Program (ESOP), management buy-out, or employee buy-out)
- Sell or merge the business with another firm
- Sell the business to another individual that is not an owner of the same business
- Sell or transfer ownership to another owner of the same business
- Sell or transfer ownership of the business to a family member(s) that is not an owner of the same business
- Prepare an Initial Public Offering (IPO)
- Other (Specify)
- Business does not currently have an exit strategy

Appendix B – 2016 ASE Round 2 Protocol

2016 Annual Survey of Entrepreneurs – Cognitive Interview Protocol

Research Questions to Address:

- Are respondents able to answer the questions as intended?
- Are there any items that cause the respondents problems? What can be done to fix those problems?
- Are there any order/context effects?

Materials:

- Copies of questionnaire testing draft
- Recorder, batteries
- Consent form

Procedure:

- Go through the Introduction and Before the Questionnaire questions.
- Then provide R with the draft questionnaire and ask R to fill it out. Once R completes each question, ask the general probes and any item-specific follow-up probes.
- Note how R navigates the questionnaire and if they appear to be having any difficulty with the questions. If R appears to have any problems (utterances like “Hmm”, confused looks, etc.), probe on this.
- Go through probes about Wrap-up Questions

Introduction:

- Explain purpose of meeting: to understand the process of answering questions, and to evaluate how new questions work or don't work.
- Some questions will seem odd and/or obvious, but I don't want to assume I know what you are thinking.
- Explain that we are *not* testing the respondent – we only want to evaluate the questionnaire
- Structure of meeting: Understand your business and your role in it, then review the questionnaire and ask you questions as you complete it.
- Permission to record discussion? Solely for note-taking purposes. Have R sign consent form.

Before the Questionnaire:

- What types of goods or services does this business provide?
- What is your role in the company? What kind of responsibilities do you have?
- Have you completed other surveys from the Census Bureau or other agencies? If so, which ones?

- What was your role in the process for responding to this questionnaire? (*Gather data? Enter data? Consult with data providers? Etc.*)

Questionnaire test

Now let's take a look at the draft questions. I would like you to go through and answer the questions as if you were filling out an actual form. If you don't have answers to any particular questions, you can just make a best guess. I will ask you some questions as we go through them.

These questions are intended for [name of business as listed in recruiting file].

General Probes:

- What does this question mean to you?
- How did you go about answering this question?
- Would you be able to answer this question yourself? (*If no*) Who would be the appropriate person to answer it?
- (*If R appears to have problem/confusion*) What are you thinking about?
- *Reflect R's specific answer:* You said _____. Can you tell me more about that?
- *If R notices skip instructions:* The electronic system would skip automatically, but we will go over every question to make sure they are all clear.

Q1 – Type of Ownership

- How would you respond to this question for this business?
- Are these response options clear or unclear?
- Can you think of any types of ownership that may be missing?

Q2 – Number of Owners

- *Note respondents selection.*
- Who do you consider to be an owner?

Q3 – Business – 10% or More Ownership

- How did you decide which option to select?
- Would you need to consult any records to answer this question?

Q4 – Percent Ownership

- *For each percentage:* How did you arrive at this figure?
- *If more than one owner:* How did you select the order of Owners you provided?
- How do you feel about providing the Owners' names?

Q5 – Owner 1 - Education

- How would you answer this question?
- Did you notice the words “Prior to”?
 - *If no:* Would this change the way you answer the question?

Q6 – Owner 1 – Field of Degree

- Are these response categories clear?
- Are there any important categories that are missing in your opinion?
- *Note how the respondent would respond if they answered < bachelor’s degree in Q5*

Q7 – Ownership or Operation

- Is it clear or unclear who to include when answering this question?

Q8 – Joint Ownership

- What does the phrase “jointly owned” mean to you?

Q9 – Equal Operation

- What does the phrase “equally operated” mean to you?
- How would you know if one person was the primary operator?
- Would you expect “Owner 1” and “Owner 2” to contain the names of the Owners you provided in Question 4?

Q10 - Family Ownership

- Who did you include when you answered this question?
- Does the definition for family provided match your personal definition of family?

Q11 – Business Banking Relationships

- What types of banking relationships did you include in your answer?
- In your own words, how would you describe each response option?

Q12 – Banking Relationship Duration

- In your own words, what is this question asking you?
- Would you have this information?
- What financial transaction did you consider?

Q13 – Outstanding Loans

- Is this information you would have access to in your records?

Q14 – Avoidance of Additional Financing

- What types of additional financing comes to mind?
- What does the phrase “did not apply” in the context of this question?
- Are the response options clear or unclear?

Q15 – Purchases on Account

- Is the phrase “purchases on account” clear or unclear?
- Is the definition of “trade credits” clear or unclear?
- Does your business use the term “trade credits”?

Q16 – Negative Impact on Profitability

- What types of taxes did you consider?
- Can you think of any other negative impacts to profitability your business has experienced? How do they fit into these categories?

Q17 – Types of Regulation

- How did you determine which column to place your answer for each row?
- Are any rows confusing to you?
- Can you give an example of a financial regulation?

Q18 – Regulations and Starting or Acquiring the Business

- What types of regulations did you consider when answering this question?
- Would you have this information?

Q19 – Regulations and Growth of the Business

- What does this question mean to you?
- What types of regulations came to mind when answering this question?

Q20 – Reasons for Seeking Business Advice

- How would you determine your business’s primary reason(s) for seeking advice?
- In your own words, what does succession planning and exit strategy mean to you?
- In your opinion, what is the different between “business finances” and “taxes and accounting”?
- Can you think of any other categories that may be missing from this list?
- How would you answer this question if your business sought advice for something not listed in these options?

Q21 – Providers of Business Advice

- How would you answer this question?
- Does your business have a formal advice or mentor seeking process?
- Is there anyone else your business seeks advice from?

Q22 – Outcome of Advice or Mentoring

- How would you answer this question?

Q23 – Exit Strategy

- Did you have any issues with the response options listed?

- How would you answer if your business had an exit strategy that was not listed?
- Can you think of any other types of exit strategies not included in this list?
- Would your business be comfortable or uncomfortable sharing this information with the Census Bureau?

Wrap-up Questions

- About how long did it take you to complete the survey before?
- How long do you think it would take you to complete these questions?
- Any other feedback you would like to give us on these questions or your experiences with the survey?

Thanks for your time!