

The 1998 Survey of Small Business Finances

Pretest I Report

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I. BACKGROUND

This is the first of two pretests executed for the 1998 Survey of Small Business Finances project (SSBF). The objective of this pretest is to inform the design of the screening and data collection questionnaire, to evaluate the quality of the Dunn and Bradstreet sample, to test the materials developed to encourage respondents to participate in the study and to assist interviewers in answering questions, and to test our processes and protocols for the main data collection effort.

II. PROJECT STAFF

The initial pretest for SSBF was staffed with managers, supervisors, and programmers. Catherine Haggerty was the Project Director and Karen Grigorian was the Associate Project Director; Ms. Haggerty and Ms. Grigorian shared responsibility for managing all aspects of the project. Jim Chesire supervised materials and systems development as well as data management and was assisted by Stephanie Bzdusek. James Rogers managed all aspects of computing for the project. Phil Panczuk was the questionnaire programmer and Greg Wilson programmed the Telephone Number Management System (TNMS). Rachel Harter was the project's sampling statistician. Lucian Chuchro was the project's Telephone Center Coordinator; Lucian was assisted by Rochelle Leslie. The names of the ten interviewers assigned to the initial pretest and the activities in which they engaged can be found in Table 1.

Interviewer Name	Screening Participation	Interviewing Participation
Karen Brooks	Yes	Yes
Lottie Foster	Yes	Yes
Ann Hoague	Yes	
William Hunt	Yes	Yes
Nina Kendall	Yes	
Mary Lamb	Yes	
Rosari Mathews	Yes	
Angela Turner	Yes	Yes
Anita Tyson	Yes	Yes
Monice Williams	Yes	

III. QUESTIONNAIRE DEVELOPMENT

Questionnaire development began in December 1998 and continued through this initial pretest.

Staff from the Federal Reserve Board and NORC worked together to simplify the instrument to ease the burden of administering this instrument via hardcopy; the pretest questionnaire did not reflect some of the complicated consistency and contingency checks that can be easily accommodated in CATI. Those sections that were simplified are:

- E When a respondent had more than three different institutions for a given service, interviewers were asked to collect detail information about each institution for that service, and were not expected to determine the two most important institutions and group the remaining institutions.
- F When a respondent had more than three different sources for a given loan type, interviewers were asked to collect detail information about each source for that loan type, and were not expected to determine the two most important sources and group the remaining sources.
- H Interviewers were not required to select institutions based on the complicated algorithm that will be in-place for the main study, instead, interviewers simply captured detail about the primary institution and then five additional institutions.
- MRL Interviewers were not required to determine if the most recent loan was a loan that the respondent already told us about, instead they simply asked several questions about the most recent loan that may have already been asked in a previous section.

A copy of the Pretest 1 version of the questionnaire can be found in Appendix A.

IV. PRETEST SAMPLE

NORC purchased a sample of 1,000 businesses for both pretests from Dun & Bradstreet. The specifications for the sample file follows:

1. Exclude subsidiaries, branches, and divisions.
2. Exclude the following SIC codes:

0000-0999	Agriculture, fishing, forestry
4311	US postal service
6000-6399	Depository and nondepository institutions, security and commodity brokers, insurance carriers
6700-6799	Holding and other investment offices
8600-8699	Membership organizations
9000-9721	Public administration
3. The listings should be selected in equal numbers from two size "buckets":
 - 1-19 employees, all sites (500 listings)
 - 20-499 employees, all sites (500 listings)
4. The selection should be random, and listings should be kept as a "deletion file" so that we can

avoid duplication with our main sample draw later this spring. The specification will be different for the main sample.

NORC received the pretest sample from Dun & Bradstreet on the afternoon of March 3, two days earlier than expected. The actual pretest sample had the following breakdown by employee size category:

Table 2. FIRM SIZE	
Number of Employees	Count
0	3
1 - 19	477
20 - 499	487
500+	33
Total	1,000

A breakdown of the number of Pretest 1 cases by state can be found in Appendix B.

Some of our pretest cases did not meet specifications: Businesses with SIC codes that should have been excluded were included in the sample and businesses with more than 500 employees were included in the sample and they should have been excluded. Dun& Bradstreet staff are looking into this problems so that we do not encounter this during the main screening effort.

V. DATA COLLECTION PREPARATION

MATERIALS

Advance Mailout Package.

In advance of the screening call, NORC mailed the following to each of the 500 Pretest 1 sample members:

- a letter from Alan Greenspan encouraging participation;
- a letter from the project director encouraging participation; and
- a brochure with answers to the most frequently asked questions about the survey

This U.S. postage, first class mailing was sent to each Pretest 1 respondent on Monday, March 1, 1999. Interviewers reported that about half of the respondents, at the time of the screening call, volunteered that they received the mailing. A copy of contents of this mailing can be found in Appendix C. Three of the 500 Advance Mailout Packages sent were returned as undeliverable as addresses (one of the two had been forwarded before being returned).

Interviewers thought that some of the respondents had not seen the letter, but that it was very helpful to be able to say that letters and a brochure had been sent explaining the study.

Worksheet Mailout Package.

In advance of interviewing, NORC mailed the following to each of the 235 businesses that screened-in

as eligible to participate in the study:

- a letter from Alan Greenspan encouraging participating;
- a letter from the project director encouraging participation;
- a brochure about NORC;
- a brochure about the Federal Reserve Board;
- two research articles that talked about findings from the 1993 SSBF;
- a copy of the speech Alan Greenspan made at the Federal Reserve System Research Conference on Business Access to Capital & Credit in Arlington, Virginia on March 9, 1999;
- a worksheet customized by firm type and labeled with a case identifier; and
- a reprint of an article that points out the differences in lending to small businesses owned by white business owners and those owned by minority business owners (this was sent to minority business owners only).

These materials were assembled in red or blue pocket folders and mailed overnight to respondents via Federal Express over a two day period; 138 packages were sent on Tuesday, March 16, 1999, and the remaining 93 were sent on Wednesday, March 17. A copy of the contents of this mailing can be found in Appendix C.

CATI DEVELOPMENT

The initial pretest was planned for hard-copy administration of both the screener and main questionnaire. However, the project was fortunate to have a CATI programmer available and the screening instrument and TNMS was developed in CATI for the initial pretest.

TRAINING

There were two interviewer trainings; one training was devoted to the screening and the other was devoted to interviewing.

Screener training.

Due to the unknown status and delivery date of the pretest sample file from Dunn and Bradstreet, the screener training was delayed a day; screener training took place on Tuesday and Wednesday, March 10 and 11. Ten interviewers completed the screener training over a 13 hour period costing a total of 120 interviewer hours. The screener training agenda can be found in Appendix D.

All interviewers were required to successfully complete the screener certification protocol after the training and before making any calls to respondents. The screener certification protocol can be found in Appendix E.

Interview training.

Interviewer training started on schedule, on the afternoon of March 15. Five of the 10 interviewers that screened respondents for their eligibility for the study were selected to attend the interviewer training. Interviewer training was extended one additional day, to allow more practice with the instrument. The interviewer training agenda can be found in Appendix F.

Each of the five interviewers were required to successfully complete the interviewer certification protocol after the training and before making any calls to interview respondents. The interview certification protocol can be found in Appendix G.

VI. DATA COLLECTION

SCREENING

Screening began on the afternoon of Wednesday, March 10, 1999. Ten interviewers made screening calls between March 10 and March 12. On the afternoon of Friday, March 12, we had only reached a final screening outcome with 284 of the 500 businesses in the screening sample. Therefore, NORC extended screening by an additional day. On Monday, five of the ten interviewers continued to call those businesses that we had been unable to complete. By close of business Monday, March 15, we had completed 335 screeners with 231 of them being eligible and willing to participate. A detailed breakdown of the outcomes of the 335 screened cases and an analysis of the 165 cases not finalized are included in Tables 3 and 4, respectively.

Table 3. SCREENING OUTCOME STATUS RESULTS

Outcome Status Description	Number of Cases	Percentage of Finalized Cases	Percentage of Total Cases
Owner Screened, Ineligible	22	6.57%	4.40%
Proxy Screened, Ineligible	78	23.28%	15.60%
Owner Screened, DK Response	2	0.60%	0.40%
Owner Screened, RF Response	2	0.60%	0.40%
Partnership Not Filing 1065	0	0.00%	0.00%
INELIGIBLE TOTALS	104	31.04%	20.80%
Proxy Screened, DK Response	15	4.48%	3.00%
Proxy Screened, RF Response	1	0.30%	0.20%
POSSIBLY ELIGIBLE TOTALS	16	4.78%	3.20%
Owner Screened, Eligible	106	31.64%	21.20%
Proxy Screened, Eligible	109	32.54%	21.80%
ELIGIBLE TOTALS	215	64.18%	43.00%
UNSCREENED TOTALS	165	NA	33.00%

Table 4. SCREENING OUTCOME STATUS RESULTS FOR UNSCREENED CASES

Outcome Status Description	Number of Cases	Percentage of Unscreened Cases	Percentage of Total Cases
R not available/no possible proxy	18	10.91%	3.60%
R and possible proxy are unavailable	10	6.06%	2.00%
Phone never answered and/or always busy	10	6.06%	2.00%

Table 4. SCREENING OUTCOME STATUS RESULTS FOR UNSCREENED CASES

Outcome Status Description	Number of Cases	Percentage of Unscreened Cases	Percentage of Total Cases
Gatekeeper will not allow access to R	2	1.21%	0.40%
Company no longer exists	2	1.21%	0.40%
Office temporarily closed	1	0.61%	0.20%
Answering service only	1	0.61%	0.20%
R too busy/no possible proxy	1	0.61%	0.20%
R does not have time now	1	0.61%	0.20%
“Paper” corporation	1	0.61%	0.20%
Requested SAQ	1	0.61%	0.20%
Requested faxed information	1	0.61%	0.20%
NON-REFUSAL CASE TOTALS	49	29.70%	9.80%
Callbacks after Field Period	34	20.61%	6.80%
R too ill/no possible proxy/callback later	1	0.61%	0.20%
PENDING APPOINTMENT CASE TOTALS	35	21.21%	7.00%
No time/not interested	22	13.33%	4.40%
R refused/no reason given	12	7.27%	2.40%
R does not do surveys by phone	9	5.45%	1.80%
R unavailable/proxy refused	6	3.64%	1.20%
Gatekeeper would not put call through	5	3.03%	1.00%
R would not take call from gatekeeper	1	0.61%	0.20%
Hung up during introduction	1	0.61%	0.20%
Company does not use financing	1	0.61%	0.20%
Company no longer exists	1	0.61%	0.20%
Claims this is not the main office	1	0.61%	0.20%
Company does not give out business info	1	0.61%	0.20%
Anti Government and FRB	1	0.61%	0.20%
Language problem/no English spoken by R	1	0.61%	0.20%
Other refusal	1	0.61%	0.20%

Table 4. SCREENING OUTCOME STATUS RESULTS FOR UNSCREENED CASES

Outcome Status Description	Number of Cases	Percentage of Unscreened Cases	Percentage of Total Cases
TEMPORARY REFUSAL CASE TOTALS	63	38.18%	12.60%
R requested letter with \$75	1	0.61%	0.20%
No time until after April 15th	1	0.61%	0.20%
No time	1	0.61%	0.20%
Gatekeeper would not connect R	1	0.61%	0.20%
FINALIZED REFUSAL CASE TOTALS	4	2.42%	0.80%
Phone disconnected	10	6.06%	2.00%
Non-working phone numbers	2	1.21%	0.40%
Cellular phone	1	0.61%	0.20%
Max calls	1	0.61%	0.20%
OTHER FINALIZED CASE TOTALS	14	8.48%	2.80%
UNSCREENED TOTALS	165	100.00%	33.00%

Table 5. FIRM SIZE OF ELIGIBLE AND POSSIBLY ELIGIBLE CASES		
Sum Total Number of Owners and Workers	Number of Cases*	Percentage of Cases
DK Response, No Range Given	4	1.73%
RF Response, No Range Given	2	0.87%
1 to 4 Workers	30	12.99%
5 to 9 Workers	48	20.78%
10 to 19 Workers	55	23.81%
20 to 49 Workers	42	18.18%
50 to 99 Workers	29	12.55%
100 to 500	21	9.09%
TOTAL	231	100.00%

* 20 of the 231 cases reported an estimated number of workers.

The breakdown of the eligible cases by business type and white/minority for which we completed a screener is as follows:

Table 6			
Business Type	White	Minority	Percent Minority
C-Corporation	108	7	6.5%
Partnership	9	2	22.2%
S-Corporation	53	7	13.2%
Sole Proprietor	18	2	11.1%
Unknown	25	0	0.0%
Total	213	18	8.5%

Level of effort:

Interviewers spent 215 hours screening 500 businesses but reaching a final outcome with only 335 businesses. This equals 25.8 minutes per attempted screener and 38.4 minutes per completed screener as compared to a budgeted 20 minutes per screener for the main survey.

Screener debriefing:

On the morning of March 15, five of the ten interviewers that screened businesses participated in a debriefing to share their experience with the screener and to make suggestions for improvements to the screener questionnaire. The debriefing was also attended by two staff members of the FRB. The debriefing lasted three hours; the minutes from the debriefing can be found in Appendix H.

INTERVIEWING

Data collection began on the morning of Thursday, March 18 and ended on the afternoon of April 1, 1999. Interviewers called respondents between the hours of 9am and 6pm local time, unless a respondent requested a callback at a time outside our 9 to 5 calling window. No calls were planned or required on a Saturday or Sunday.

Telephone interviewers completed 52 interviews; two of the interviews had many missing values, particularly in sections P, R, and S, those sections with dollar amounts.

Monitoring

FRB staff monitored telephone interviews in progress, from their offices in Washington, D.C. The FRB staff provided timely feedback after monitoring the interviews. Project staff also monitored the telephone interviews and feedback from both the FRB and NORC project staff was shared with the interviewers every day.

Questionnaire Review

As the interviewers completed questionnaires, supervisory and project staff reviewed the questionnaires for completeness and quality of the data. NORC sent the FRB staff the first 13 completed interviews to review in Washington. Seven were shipped on Monday for Tuesday delivery and five were sent on Tuesday for Wednesday delivery. The FRB noted errors the interviewers made in administering the questionnaire due to missed skips and misunderstanding the content of the question. The FRB also noted flaws in the questions themselves.

Worksheets

NORC received a total of 18 worksheets and one income tax statement. Two of the worksheets were sent in prior to the interview; the data from one of the two worksheets was transferred into a hardcopy questionnaire so that the respondent did not have to provide that data again. About seven of the 18 worksheets were sent to the FRB for review. Most of the data seemed internally consistent, that is, the balance sheet data balanced. The worksheets can be found in Appendix I.

Comparison of screening data to interviewing data

Firm type. Twenty-four of the 50 cases completed were screened by a proxy. Of these 24, 6 reported the wrong firm type and 3 reported that they did not know the correct firm type (firm type incorrect from proxy 37.5%). A review of the 26 cases that were screened by an owner shows that 2 reported different firm types in screening and in the main.

Race. In screening, 3 proxies did not know ethnicity or race; per the owner, these firms are all non-Hispanic, white owned businesses. All proxy screened cases that reported data match the main cases on ethnicity. Out of all the proxy screened cases that reported data, only one proxy screened case does not match the main case on race; the proxy said multi-race and the owner reported white.

Level of effort

Interviewers spent 302 hours interviewing 50 businesses. This equals 6.04 hours per completed case; the pretest budget is 5 hours per completed case and 3 hours per completed case for the main survey.

Response Rates

One of the intents of Pretest 1 was to generate enough eligible cases for the interviewers to work such that a goal of 50 completes could be accomplished in less than two weeks. Therefore, we did not attempt to mirror a completion rate goal during the pretest. It is important, however, to note the response rate for Pretest 1; in nine days, interviewers completed 50 cases for an overall completion rate of 21.6%. Table 7 reflects the number of completed cases by firm type.

Table 7: Pretest 1 Response Rates			
Business Type	Screened as Eligible Frequency	Completed Main Interview Frequency	Response Rate
C-Corporation	115	24	20.87%
Partnership	11	0	0.0%
S-Corporation	60	20	33.33%
Sole Proprietor	20	6	30.0%
Unknown	25	0	0.0%
Total	231	50	21.65%

Returned Mail as Undeliverable

SMARTMAILER, the automated address printing application used by NORC’s Mailout Center, found 455, or 91%, of the 500 PT1 sample cases to be deliverable. This is a very high percentage compared to other samples mailed from NORC. The SMARTMAILER application checks the sample data against current U.S. Postal databases of acceptable address information and identifies those cases that for various reasons may be undeliverable. NORC still mailed all 500 advance letter packages with the hopes of receiving address forwarding information. Eight of the 500 advance letter packages were returned with forwarding address information; 11 were rendered undeliverable, returned without a forwarding address (24.44% of those deemed undeliverable by SMARTMAILER), and no locating attempts were made on these cases. One Worksheet package was returned with a forwarding address and was successfully received by the respondent upon the second mailing.

Main Debriefing

From 9am until 5pm on Wednesday, March 31, the FRB and NORC project staff, including all 5 interviewers, participated in the Main debriefing. After general comment and discussion about the interviewing experience and process, the bulk of the day was spent in a question by question review of the hardcopy questionnaire. Minutes from this debriefing can be found in Appendix J.

VII. DATA REVIEW AND DELIVERY

Both the screener and questionnaire data were prepared for delivery to the FRB.

Screener Data Delivery and Preparation:

The screener data files were delivered to the FRB for review on April 6th via E-mail in an attached password protected zip file with accompanying documentation. All procedures that NORC followed for this delivery mirror those which will be used in delivering the data files from the PT2 datasets as well as the final and any interim deliveries subsequent to the Main study. Future deliveries will be posted on the NORC/FRB deliverable website.

The following file types were delivered:

- 1) documentation - use file
- 2) a flat ASCII file containing the screener data
- 3) an ASCII file containing the screener data SAS program
- 4) an ASCII file containing the screener data frequencies and both an alphabetic and sequential list of the screener data variables
- 5) a SAS 6.12 system file containing the screener data
- 6) a file containing the user-defined formats for the screener data SAS system file

Global reserve code values were used: -2 = DON'T KNOW; -1 = REFUSED.

Survey management staff reviewed and edited a Paradox table, referred to as a Data Dictionary, which contained all information pertinent to delivering the instrument's data for SAS output, e.g., variable names, delivery sequence, labels, SASformats and other specifications. Once all delivery specifications were finalized and QC'd in the Data Dictionary, SAS programming staff prepared the final deliverable files.

Questionnaire data:

All data from 50 questionnaires were entered electronically in one of two ways. Uncoded alpha items were entered into a Quattro Pro spreadsheet while all coded or numeric uncoded data was entered into two paradox databases given a limitation of 255 fields per database. This provided an organized and versatile dataset which allowed for a case-by-item lookup system during review that could not have been accomplished otherwise by a simple tally of the data.

The numeric data were then exported from Paradox into two separate delimited ASCII data files. Simple SAS frequencies were then run on the two data files and merged into one output.

These frequencies, along with the uncoded alpha data were electronically "pasted" into a current copy of the PT1 Questionnaire creating a codebook; See Appendix A.

The following conventions were used in the data appearing in the codebook:

- 1) All variables were treated as character so as to capture any miscellaneous qualifiers such as an R volunteered range, e.g., 1000/3000.
- 2) DON'T KNOW and REFUSED responses appear as DK and RF in the frequencies.
- 3) A "M" was used to indicate a multiple response where only one response was allowed.
- 4) A "C" was used to indicate that a pertinent interviewer comment was associated with a particular variable where no numeric response code was selected.
- 5) If a range was reported, a "/" was used to indicate this.
- 6) If a qualifying degree such as "less than" or "greater than" was reported, respectively a "<" or a ">" was substituted.
- 7) Where uncoded alpha responses are looped items, such as H2, all loop level responses for that item appear at the first loop level and are divided by "/" marks.
- 8) Numeric frequencies for looped items appear with all loop levels adjoined. For instance frequencies for H7_1 will be followed by frequencies for H7_2, then H7_3 and so on before moving to H8_1 .
- 9) Individual response categories for variables with multiple response options are treated as separate variables of Yes/No type, making the frequencies value 1 for "Yes," if selected, and 2 for "No", if not selected.