



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research  
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## Tennessee Business Leaders Increasingly Optimistic about Business Performance as Enthusiasm for the Overall Economy Moderates

The Tennessee Business Barometer increased to a new high of 606 from a previous high of 577 in January. This improved outlook resulted from two offsetting trends. Tennessee business leaders have become increasingly optimistic about the prospects for their individual businesses/firms. The Business/Firm Index rose significantly to 183 from 100 in January. However, this was somewhat counterbalanced by diminishing perceptions of the current and future economy. The Current Situation Index dipped slightly to 289 from 313, and the Future Expectations Index saw a similar decline to 162 from 185. Business leaders continue to have concerns regarding workforce and employment. Although there was a net increase in the percent who expect to increase employment in the next 12 months, a growing number express difficulties finding qualified employees to fill open positions.

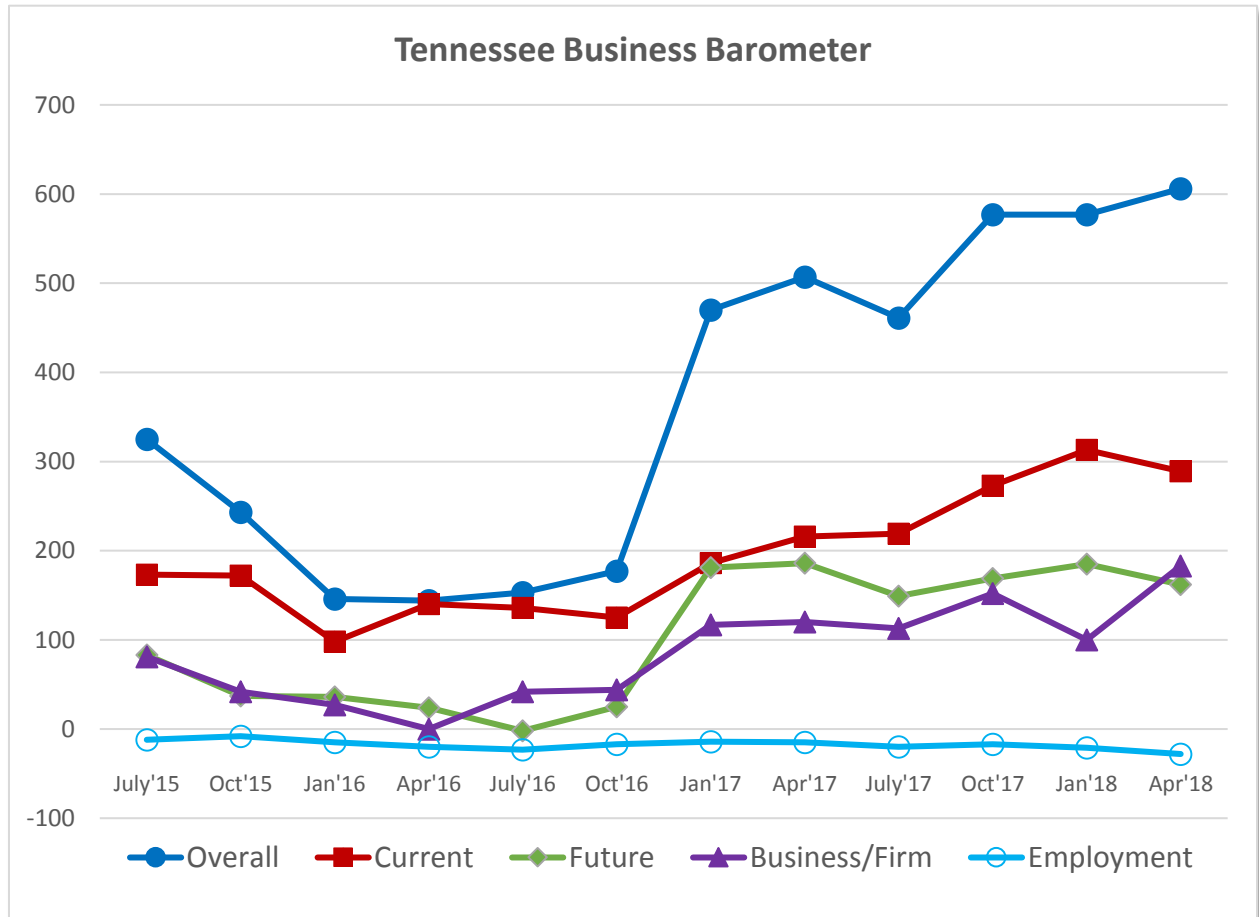
### Tennessee Business Barometer Index and Sub-Indices

	April 2017	July 2017	October 2017	January 2018	April 2018 <sup>1</sup>
<b>Overall Business Barometer</b>	<b>507</b>	<b>461</b>	<b>577</b>	<b>577</b>	<b>606</b>
<b>Current Economic Situation Index</b>	<b>216</b>	<b>219</b>	<b>273</b>	<b>313</b>	<b>289</b>
<b>Future Economic Expectations Index</b>	<b>186</b>	<b>149</b>	<b>169</b>	<b>185</b>	<b>162</b>
<b>Business/Firm Performance Index</b>	<b>120</b>	<b>113</b>	<b>152</b>	<b>100</b>	<b>183</b>
<b>Employment Outlook Index</b>	<b>-15</b>	<b>-20</b>	<b>-17</b>	<b>-21</b>	<b>-28</b>

<sup>1</sup> The Tennessee Business Barometer Index scores are based on business leaders' responses to 17 questions measuring their perceptions of the current and future economic and regulatory conditions for the country as a whole, Tennessee, their industry, and their individual firm/business. Five questions make up the Current Economic Situation Index. Five questions make up the Future Economic Expectations Index. Five questions make up the Business/Firm Performance Index. Two questions make up the Employment Outlook Index. The Overall Business Barometer Index is based on all 17 questions combined. The complete questions are shown at the end of this report.

The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero would indicate the percentage of business leaders who hold negative views of the economy is equal to the percentage of business leaders who hold positive views of the economy. A net positive score would indicate that business leaders who hold positive views of the economy outnumber those who hold negative views of the economy.

The current online survey of 54 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between April 5 and April 13. The sample of respondents includes business owners (32%), vice presidents (6%), senior managers (19%), and managers/others (43%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for July 2018.



**Current Economy.** Perceptions of the current U.S. economy have definitely cooled. The percent who said business conditions in the U.S. are “good” fell to 58 from 83 in January. Still, however, only two percent said business conditions are “bad.”

Similarly, the percent who said business conditions in Tennessee are “good” dipped to 70 from 78. Again, however, the number who said business conditions in Tennessee are “bad” remained almost inconsequential, at two percent.

Conversely, the percent who said business conditions for their industry are “good” increased to 64 from 57. Further, the percent who said business conditions for their firm/business are “good” rose to 83 from 70. This suggests that even though perceptions of the macroeconomic

environment have cooled, recent improvements in the economy might have begun to work their way down to the microeconomic individual business/firm level.

**Future Economy.** Optimism regarding the future of the economy has also waned. The percent who said the U.S. economy will be “better 12 months from now” fell to 36 from 57. However, the percent who expect the economy to be “worse 12 months from now” remained small, rising only to six from four.

The percent who expect economic conditions for their business/firm to be “better 12 months from now” rose sharply to 58 from 37.

**Employment.** The Employment Outlook Index dipped even further into the negative range to -28 from -21. Even though the percent of firms expecting to increase employment in the next 12 months rose to 44 from 36, the percent who said qualified employees are “hard to find” gained to 66 from 50. Furthermore, no respondent said qualified employees are “easy to find.” This dichotomy of trends is concerning as firms who seek to hire new employees increasingly find it difficult to find qualified new employees to fill those positions.

**Business/Firm Outlook.** In contrast to the outlook for the overall economy becoming more moderate, Tennessee business leaders have grown increasingly optimistic about the outlook for their individual businesses/firms. The Business/Firm Index rose dramatically to 183 from 100. Business leaders have become more optimistic about their individual firm’s growth, investments, sales, profitability, and inventories. Even though perceptions of the overall economy have moderated somewhat, growth and investments by individual firms can drive future growth in the overall economy.

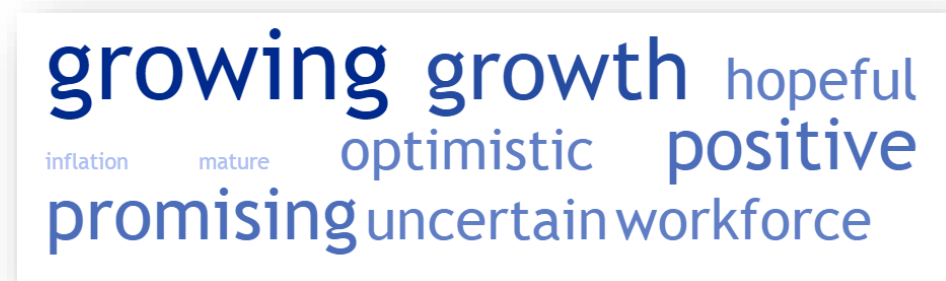
**Describing the U.S. Economy.** The word cloud below shows the 10 words most often given when asked, “**What one word comes to mind when you think about the future of the overall American economy?**” The size of each word reflects the relative frequency with which it was mentioned. There is an uncertain optimism with respect to the U.S. economy.



**Describing the Tennessee Economy.** The word cloud below shows the 10 words most often given when asked, “**What one word comes to mind when you think about the future of the economy in Tennessee?**” There is much less uncertainty when it comes to the Tennessee economy.

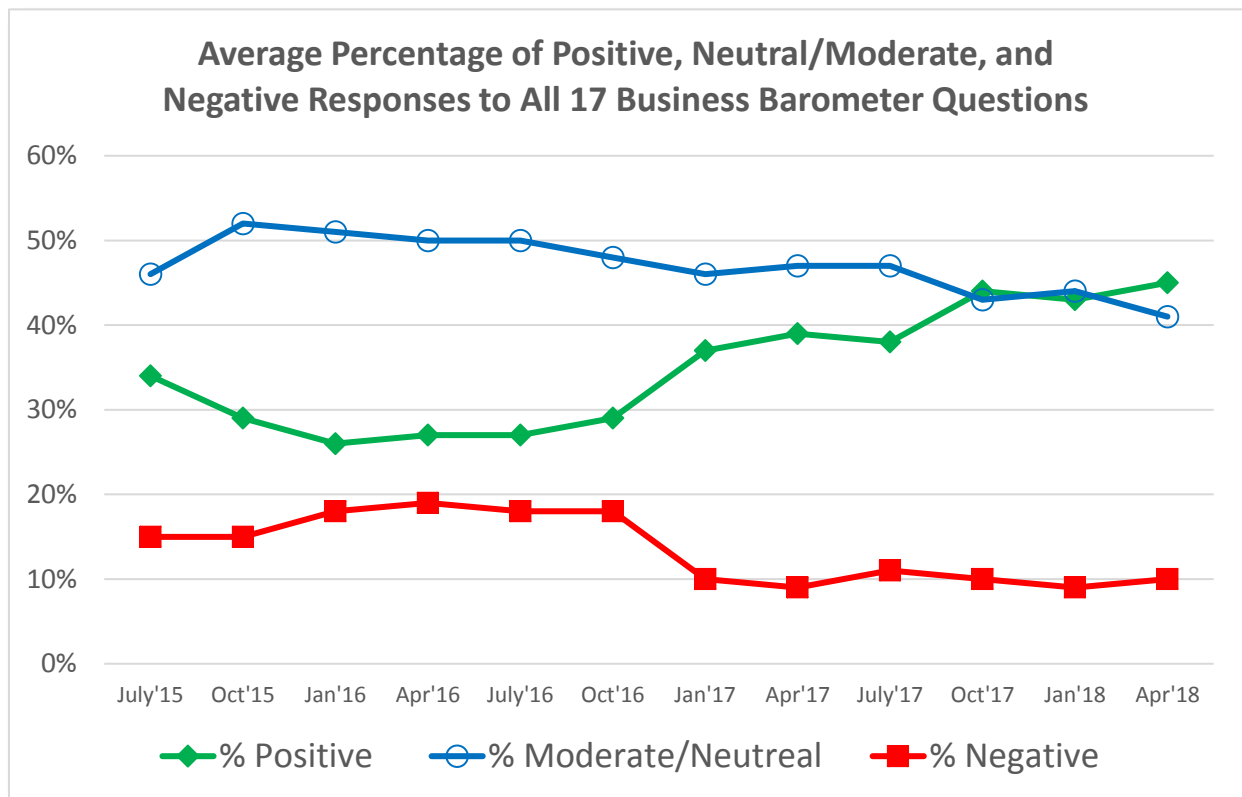


**Business and Firm Performance.** The word cloud below shows the 10 words most often given when asked, “**What one word comes to mind when you think about the future of your firm/business?**” These words reflect optimism tempered by challenges related to workforce and finding qualified employees.



## Average Attitude

The general attitude of Tennessee business leaders has remained positive and steady. The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 17 questions that make up the Tennessee Business Barometer Index. This shows that most responses are either positive or moderate/neutral. Very few responses are negative. This means that when responding to our questions, the vast majority of business leaders think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.”



## Business Challenges

Respondents were asked to identify the areas in which their firm/business is currently facing challenges. The chart below shows the percent of respondents who selected each issue. Difficulties finding qualified employees, rising health care costs, and political uncertainty continue to be the most often cited concerns for Tennessee business leaders.



Tennessee Business Barometer		July 2017 (%)	Oct 2017 (%)	Jan 2018 (%)	April 2018 (%)	Net Change from January*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	52	66	83	<b>58</b>	<b>-25</b>
	In between	44	33	15	<b>40</b>	
	Bad	4	1	2	<b>2</b>	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	40	38	57	<b>36</b>	<b>-23</b>
	About same	50	54	39	<b>58</b>	
	Worse	8	5	4	<b>6</b>	
Economic conditions in Tennessee are: <sup>C</sup>	Good	73	83	78	<b>70</b>	<b>-10</b>
	In between	25	18	22	<b>28</b>	
	Bad	2	0	0	<b>2</b>	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	43	48	43	<b>47</b>	<b>2</b>
	About same	51	51	52	<b>47</b>	
	Worse	6	0	4	<b>6</b>	
Economic conditions in your industry are: <sup>C</sup>	Good	52	57	57	<b>64</b>	<b>5</b>
	In between	40	41	41	<b>32</b>	
	Bad	6	0	2	<b>4</b>	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	32	34	48	<b>42</b>	<b>-7</b>
	About same	56	59	46	<b>49</b>	
	Worse	7	4	7	<b>8</b>	
Regulatory conditions in your industry are: <sup>C</sup>	Good	21	20	35	<b>28</b>	<b>-5</b>
	In between	59	56	61	<b>57</b>	
	Bad	13	19	2	<b>0</b>	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	19	19	24	<b>9</b>	<b>-19</b>
	About same	69	68	72	<b>70</b>	
	Worse	5	6	2	<b>6</b>	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	51	70	70	<b>83</b>	<b>11</b>
	In between	43	28	26	<b>12</b>	
	Bad	5	3	4	<b>6</b>	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	47	51	37	<b>58</b>	<b>24</b>
	About same	44	43	57	<b>38</b>	
	Worse	6	6	7	<b>4</b>	
Compared to last year will your firm grow: <sup>B/F</sup>	More	38	41	39	<b>51</b>	<b>21</b>
	About same	46	41	39	<b>34</b>	
	Less	12	15	20	<b>11</b>	
Compared to last year will your firm invest: <sup>B/F</sup>	More	28	38	33	<b>43</b>	<b>12</b>
	About same	50	51	50	<b>42</b>	
	Less	19	10	11	<b>9</b>	

Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	54	65	52	<b>63</b>	<b>14</b>
	Stay the same	35	19	30	<b>25</b>	
	Decrease	8	11	11	<b>8</b>	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	46	57	33	<b>55</b>	<b>20</b>
	Stay the same	40	23	52	<b>30</b>	
	Decrease	12	15	9	<b>11</b>	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	10	11	11	<b>19</b>	<b>16</b>
	Stay the same	50	52	46	<b>43</b>	
	Decrease	12	9	17	<b>9</b>	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	36	42	36	<b>44</b>	<b>11</b>
	Stay the same	56	47	53	<b>50</b>	
	Decrease	6	10	9	<b>6</b>	
Qualified employees are: <sup>E</sup>	Easy to find	3	4	2	<b>0</b>	<b>-18</b>
	Found with effort	41	41	46	<b>34</b>	
	Hard to find	53	53	50	<b>66</b>	

<sup>C</sup> Included in the Current Economic Situation Index

<sup>F</sup> Included in the Future Economic Expectations Index

<sup>B/F</sup> Included in the Business/Firm Performance Index

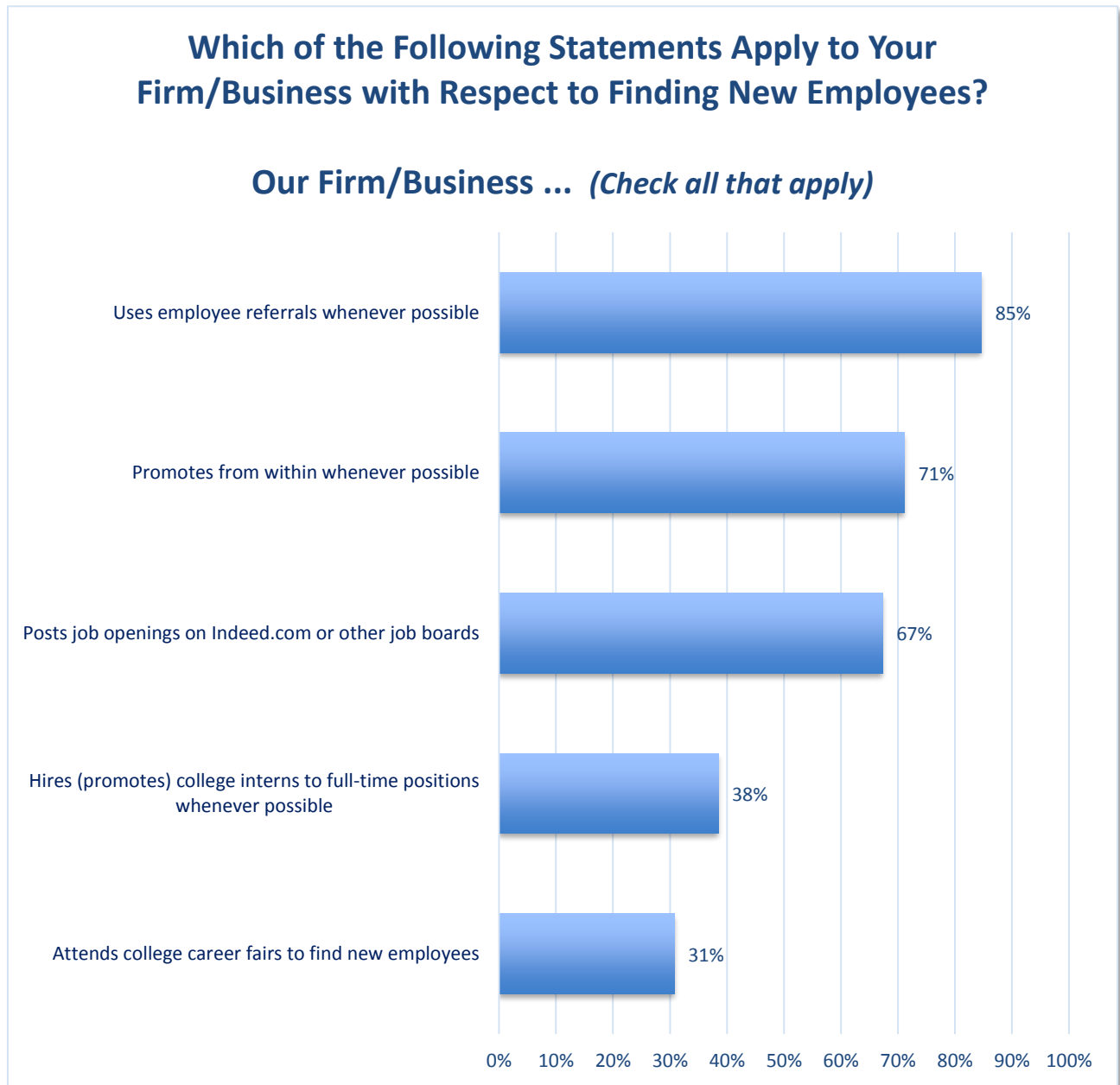
<sup>E</sup> Included in the Employment Outlook Index

\* The Net Change score for each question is calculated based on the change in percent of both positive and negative responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent more positive responses and four percent more negative responses, the net change score is +6. Alternatively, if there are 10 percent more positive responses and four percent fewer negative responses, then the net change score is +14.



## Finding and Retaining Employees

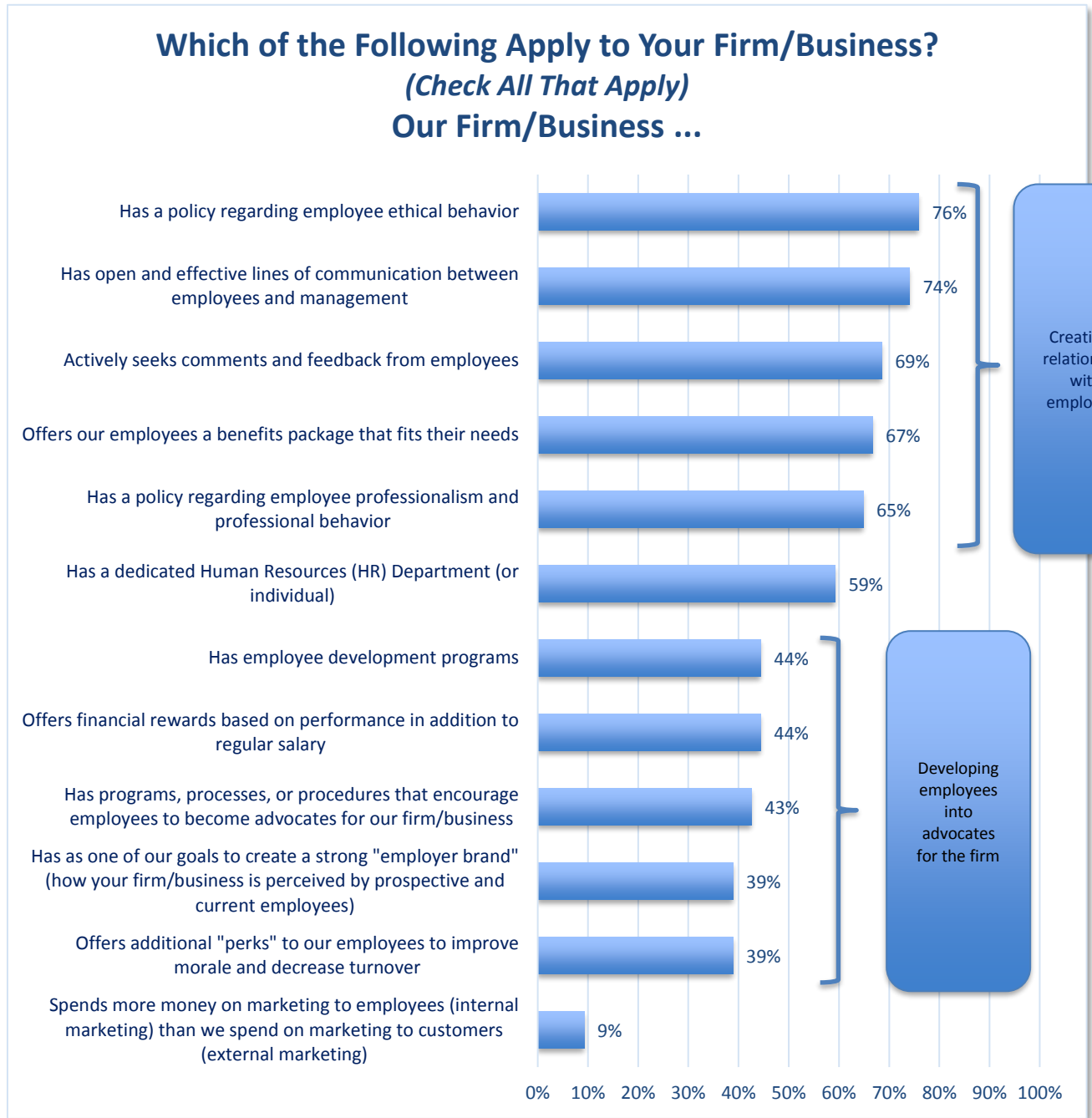
***Finding Employees.*** The majority of Tennessee business leaders who participated in our survey report difficulty when it comes to finding and retaining employees. The chart below indicates most firms actively take steps to help find qualified employees. Firms are more likely to use employee referrals, online job boards, and promoting from within to fill positions than they are to rely on college internship programs or attending university career fairs.



***Finding and Recruiting Employees.*** However, being able to find qualified employees remains difficult. This seems to result from a problem with supply (“*There are not enough qualified employees out there in the job market*”) rather than simply a problem with locating qualified employees (“*There are qualified employees out there in the job market; we just have difficulty finding them*”). It is interesting that almost one in four (24 percent) report difficulties with employees shopping around for another job while still employed by their firm/business. Furthermore, Tennessee firms have less of a problem retaining qualified employees than they do finding them.



**Retaining Employees.** To help retain employees, the majority of firms actively take steps to create and foster positive relationships with their employees. This includes developing policies for employee behavior, establishing lines of communication with employees, and offering attractive benefits packages. However, less than half reported having employee development programs that encourage employees to become advocates for the firm/business. In addition, less than 40 percent offer additional “perks” to improve employee morale and decrease turnover.



If respondents reported offering additional perks (benefits, rewards) to employees to improve morale and decrease turnover, they were asked to describe those perks. Below is a list of some of the additional perks mentioned:

- Flexibility
- Incentive programs
- Food, paid lunch
- Profit sharing
- Paid vacation, holidays, sick days, disability, life insurance
- Grills/cookouts, hot weather ice and Gatorade
- Good attendance rewards
- Telecommute, paid maternity/paternity leave
- Discounts on community activities
- Paid wellness program
- Flexibility
- Longevity pay
- Work from home, flex schedule where possible
- Vacation

## About the Tennessee Business Barometer Survey

The Tennessee Business Barometer survey is a collaborative effort between Jones College of Business at Middle Tennessee State University and the Tennessee Chamber of Commerce and Industry. The survey measures the mood and outlook of business leaders statewide through online surveys. This report is also available on the MTSU Office of Consumer Research website ([www.mtsu.edu/consumer](http://www.mtsu.edu/consumer)).

The results reported here are based on an online survey of 54 business leaders throughout the state of Tennessee. The survey was conducted between April 5 and April 13. With a sample of 54 people, we can say with 95% confidence that the amount of survey error due to taking a random sample instead of surveying all members of the population is  $\pm 13\%$ . Other factors such as problems with question wording and interpretation can introduce additional bias or error into the results.

The Tennessee Business Barometer Index is based on all 17 survey questions outlined below. The score is computed by adding the percentage of positive responses to each question and subtracting the percentage of negative responses. The Current Economic Situation Index is based on questions 1, 3, 5, 7, and 9. The Future Economic Expectations Index is based on questions 2, 4, 6, 8, and 10. The Business/Firm Performance Index is based on questions 11, 12, 13, 14, and 15. The Employment Outlook Index is based on questions 16 and 17.

For more information about the Tennessee Business Barometer, contact Dr. Timothy Graeff, director of the Office of Consumer Research, at 615-898-5124 or [tim.graeff@mtsu.edu](mailto:tim.graeff@mtsu.edu).

For more information about the Tennessee Chamber of Commerce and Industry, visit [www.tnchamber.org](http://www.tnchamber.org) or call 615-256-5141.

## The Tennessee Business Barometer

**[C]** = included in the Current Economic Situation Index

**[F]** = included in the Future Economic Expectations Index

**[B/F]** = included in the Business (Firm) Performance Index

**[E]** = included in the Employment Outlook Index

1. **[C]** The current overall economic conditions in the COUNTRY AS A WHOLE are good, somewhere in between, or bad?
2. **[F]** In the next 12 months, do you expect the overall economic conditions in the COUNTRY AS A WHOLE to be better, stay about the same as they are today, or be worse?
3. **[C]** The current economic conditions in TENNESSEE are good, somewhere in between, or bad?
4. **[F]** In the next 12 months, do you expect the economic conditions in TENNESSEE to be better, stay about the same as they are today, or be worse?
5. **[C]** The current economic conditions for your INDUSTRY are good, somewhere in between, or bad?
6. **[F]** In the next 12 months, do you expect the economic conditions for your INDUSTRY to be better, stay about the same as they are today, or be worse?
7. **[C]** The current regulatory conditions for your industry are good, somewhere in between, or bad?
8. **[F]** In the next 12 months, do you expect the regulatory conditions for your industry to be better, stay about the same as they are today, or be worse?
9. **[C]** The current economic conditions for your FIRM/BUSINESS are good, somewhere in between, or bad?
10. **[F]** In the next 12 months, do you expect the economic conditions for your FIRM/BUSINESS to be better, stay about the same as they are today, or be worse?
11. **[B/F]** With respect to growth, compared to last year do you expect that your FIRM/BUSINESS will grow more than it did last year, grow about the same as it did last year, or grow less than it did last year?
12. **[B/F]** With respect to investing in your business, do you expect that compared to last year your FIRM/BUSINESS will invest more, about the same as last year, or less?
13. **[B/F]** With respect to sales revenues, compared to last year do you expect that your FIRM'S/BUSINESS'S sales revenues will increase, stay about the same as last year, or decrease?

14. **[B/F]** With respect to profitability, compared to last year do you expect that your FIRM'S/BUSINESS'S profitability will increase, stay about the same as last year, or decrease?
15. **[B/F]** With respect to inventories, in the next 12 months, do you expect that your FIRM/BUSINESS will increase inventories, keep inventories the same, or decrease inventories?
16. **[E]** With respect to employment, in the next 12 months, do you expect that your FIRM/BUSINESS will increase employment, keep employment at about the same level as it is today, or decrease employment?
17. **[E]** With respect to your FIRM/BUSINESS being able to find qualified employees in the local labor force, qualified employees are easy to find, can be found with effort, or are hard to find?