



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
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July 24, 2017

Tennessee Business Leaders' Optimism Wanes; Concerns over Staffing Continue; Soft Skills Dominate the Wish List for New Employees

The Tennessee Business Barometer Index reversed its upward trend amid reduced optimism among Tennessee business leaders. The overall index dipped to 461 from 507 in April. This drop was due mainly to reduced optimism regarding the future of the overall economy, business conditions for individual industries, and the outlook for business regulations. The Future Expectations Index declined to 149 from 186. Persistent concerns regarding staffing and the inability to find qualified employees continue to weigh on the minds of business leaders as the Employment Outlook Index sank to -20 from -15.

However, reasons for previous optimism among business leaders seem to have been justified, as perceptions of the current economy remain strong and continue to move in a positive direction. The Current Situation Index gained moderately to 219 from 216.

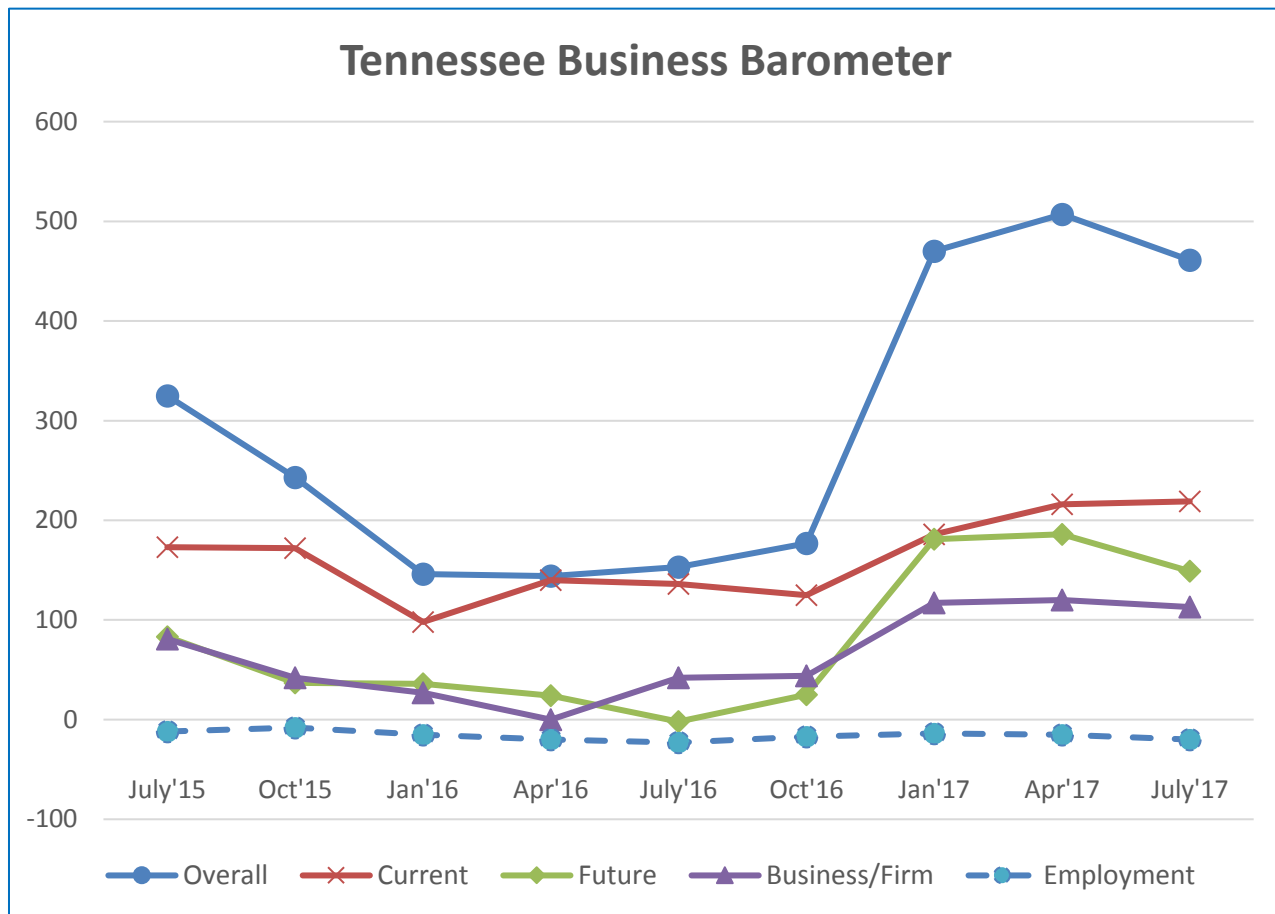
Tennessee Business Barometer Index and Sub-Indices

	July 2016	Oct 2016	January 2017	April 2017	July 2017 ¹
Overall Business Barometer	153	177	470	507	461
Current Economic Situation Index	136	125	186	216	219
Future Economic Expectations Index	-2	25	181	186	149
Business/Firm Performance Index	42	44	117	120	113
Employment Outlook Index	-23	-17	-14	-15	-20

¹ 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 107 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between July 10 and July 19. The sample of respondents includes business owners (28%), vice presidents (12%), senior managers (28%), and managers/others (31%) at firms of various sizes. The next Tennessee Business Barometer survey is planned for October 2017.



Current Economy. Tennessee Business leaders increasingly believe economic conditions are improving. The majority (52%) said economic conditions in the U.S. are “good.” Perceptions of the Tennessee economy are even more positive, as the percent who said economic conditions in Tennessee are “good” climbed to 73 from 62 in April. However, perceptions of economic conditions for individual firms dropped. The percent who said economic conditions for their firm/business are “good” declined to 51 from 60. Further, the percent who said regulatory conditions for their industry are “good” dipped slightly to 21 from 23. In sum, even though Tennessee business leaders might have growing concerns about their individual industries, their view is that the overall economy is improving.

Future Economy. Tennessee business leaders have become less optimistic regarding the future of the economy. The percent who said economic conditions in the U.S. will be “better 12 months from now” dropped to 40 from 50. Similarly, the percent who said economic conditions in Tennessee will be “better 12 months from now slipped to 43 from 47. There is also diminishing optimism regarding economic conditions for individual industries as well as for regulatory conditions. However, such decreases in optimism are not so much due to fears that conditions will become worse as they are due to increasing beliefs that conditions will stay the same as opposed to getting better.

Describing the U.S. Economy. The word cloud below shows the 15 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 a measured tone to the words business leaders use to describe the overall American economy. The mix of positive words (e.g., growth, optimistic, hopeful) with potentially negative words (e.g., uncertain, concerned, fragile) reflects the mix of positive views regarding the current economy along with concerns for the future of the economy.



Describing the Tennessee Economy. The word cloud below shows the 15 words most often given when respondents were asked “**What one word comes to mind when you think about the future of the economy in Tennessee?**” There is a much more positive tone to the words business leaders use to describe the Tennessee economy compared to the national economy.

A word cloud of 15 words in various shades of blue. The largest word is 'growth'. Other prominent words include 'optimistic', 'stable', 'positive', 'promising', 'solid', 'strong', 'vibrant', 'progressive', 'hopeful', 'potential', 'cautious', and 'growing'.

Business and Firm Performance. The Business/Firm Performance Index also declined slightly to 113 from 120. Although there were small net increases in perceptions regarding individual firm growth and profitability, there were net decreases regarding perceptions of future investment and sales. Increased expectations for growth and profitability can reflect growing consumer demand in the short term. However, future growth can be slowed by decreases in business investments.

The word cloud below shows the 15 words most often given when respondents were asked ***“What one word comes to mind when you think about the future of your firm/business?”*** The words reflect that business leaders perceive challenges ahead but are still optimistic about the future for their firms.

A word cloud of 15 words in various shades of blue. The largest word is 'challenging'. Other prominent words include 'growth', 'optimistic', 'positive', 'solid', 'stable', 'uncertain', 'uncertainty', 'change', 'competitive', 'excited', 'cautious', 'growing', and 'promising'.

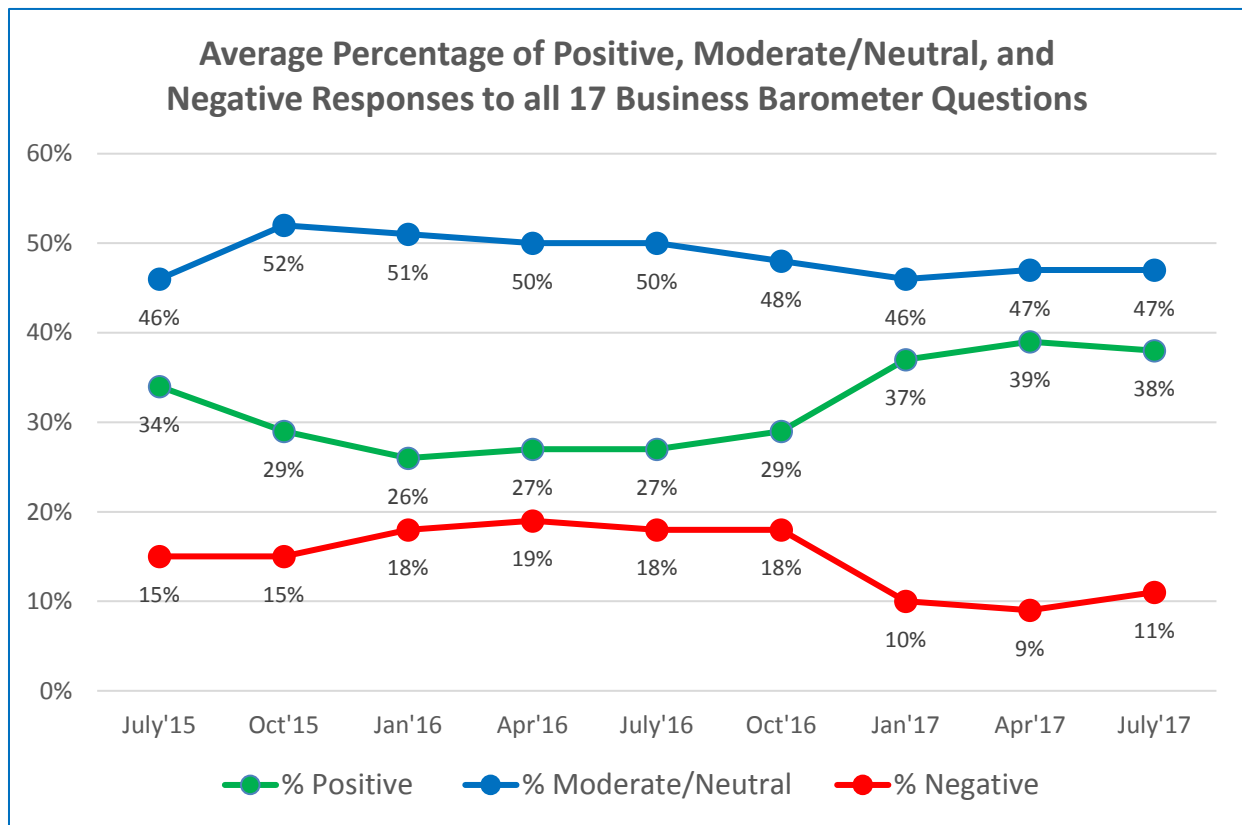
Employment. The Employment Outlook Index remained in the negative range, decreasing further to -20 from -15. The fact that this index is still in the negative range means respondents with negative responses continue to outnumber those with positive responses.

This sub-index is clearly the result of two disturbing trends. On one hand, although the percent of firms expecting to “increase employment in the next 12 months” remained

unchanged, the percent expecting to “decrease employment in the next 12 months” increased moderately to 6 from 1. This is coupled with continuing frustration from being unable to find qualified employees. Only three percent said qualified employees are “easy to find,” while the majority (53%) said qualified employees are “hard to find.” Viewing hiring as a form of investment could explain the net decreased outlook regarding individual firm investment.

Average Attitude

Even though the Tennessee Business Barometer Index declined, and optimism regarding the future of the economy has lessened, the general attitude of Tennessee business leaders is still very positive. 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.” In sum, even though optimism might not be as high as in the past, Tennessee business leaders continue to have a very positive view of the business and economic environment in which they operate.



Business Challenges

Respondents were also 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. It is clear that concerns about rising health care costs and difficulties finding qualified employees continue to be foremost on the minds of most Tennessee business leaders.



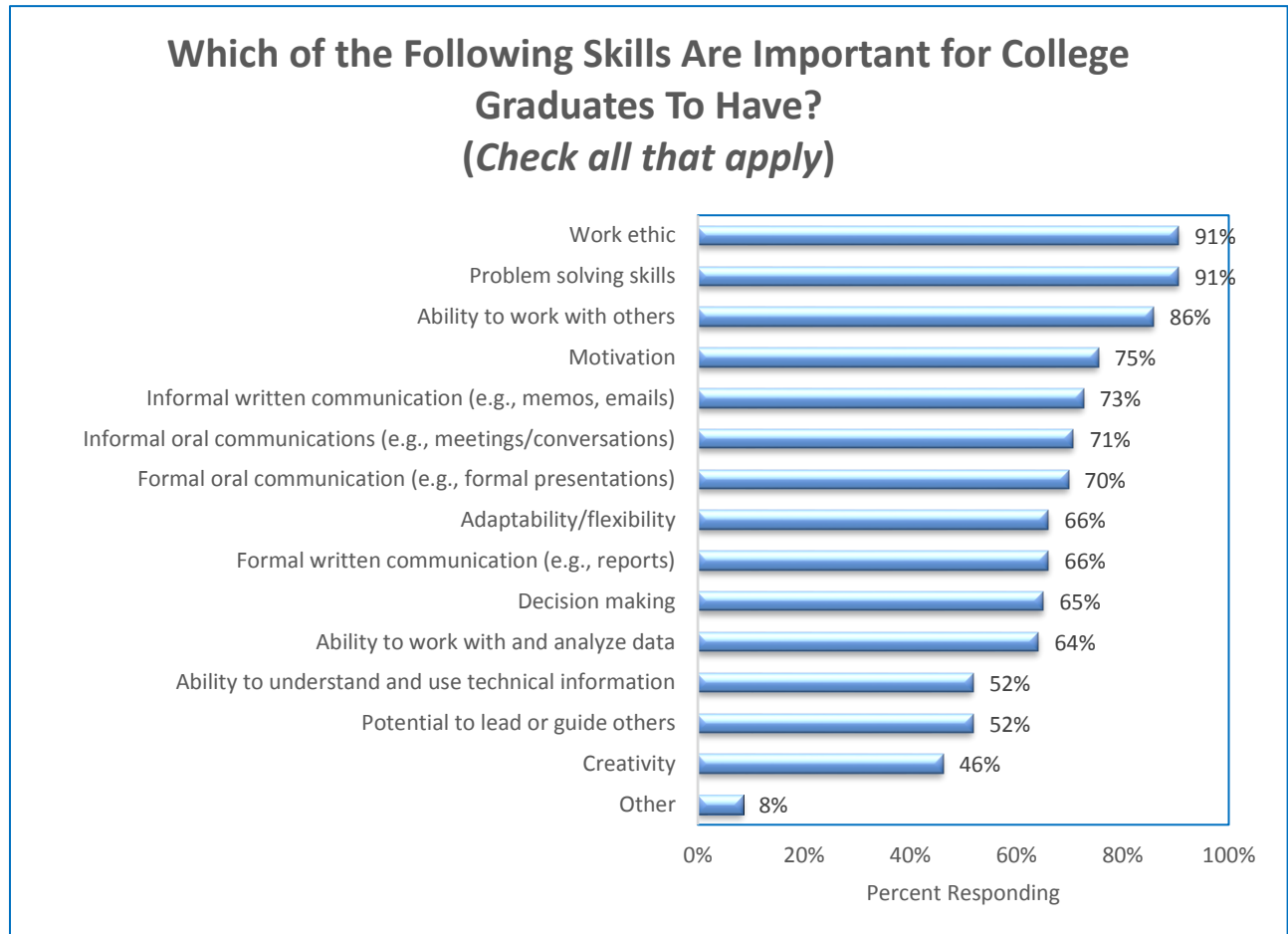
Business Challenges—Summated Rankings

The table below shows the summated rankings for these business challenges. The rankings are compiled in the same way sports teams are ranked. Given that each respondent was asked to rank his or her top five challenges, the issue ranked first was assigned a score of 5, the second-ranked issue was assigned a score of 4, and so on. The summated rank reflects the ordinal ranking of all issues. Clearly, personnel-related issues (staffing and rising health care costs) continue to be of most importance to Tennessee business leaders.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from April
1	Staffing (finding, hiring, and training personnel)	265	26	0
2	Rising health care costs	242	20	0
3	Political uncertainty	148	14	0
4	Finding customers/lead generation	105	6	+3
5	Economic uncertainty	102	5	-1
6	Managing costs	88	5	+2
7	Profitability	79	5	-1
8	Increasing business/governmental regulation	74	6	-3
9	Rising energy costs	51	5	+2
10	Customer retention/loyalty	45	2	0
11	Keeping pace with competition	39	1	+2
12	Increasing taxes	34	1	-3
13	Internal operations/efficiency	33	1	+6
14	Labor/labor unions	26	1	0
15	Rapidly changing technology	24	0	-3
16	Supply chain management	21	1	+8
17	Obtaining resources	20	0	-2
18	Sustainability	20	1	+7
19	Globalization	18	1	-3
20	Innovation	17	0	0
21	Marketing/promotion/advertising	17	0	-4
22	Cash, liquidity, receivables	12	2	-1
23	Diversity	12	1	0
24	Information overload	10	0	+3
25	Business analytics/measuring performance	8	0	+3
26	Financing growth	7	0	-8
27	Obtaining credit	3	0	-1
28	Paying loans	3	0	+2
29	Social media	2	0	-7
30	Big data	1	0	-1

College Graduate Skills

Recognizing that staffing and the ability to find qualified employees can have significant effects on a firm's ability to grow, respondents were also asked to identify the skills most important for college graduates to have in order to be successful in their careers. The chart below shows the percent of respondents who selected each skill.



“Other” comments included:

- Respect for workplace behavior and diversity among the generations
- Having the right attitude and some level of humility
- Willingness to take direction
- Values
- Ownership, determination, continuous education
- Ambition
- Positive attitude conducive to good culture
- Ability to research and use/apply the results of the research
- Ability to see and appreciate what others have to offer, regardless of their position in the organization; respect those who are on a “lower” level.

College Graduate Skills—Summated Rankings

The table below shows the summated rankings for these skills. Given that each respondent was asked to rank his or her top three skills, the skill ranked first was assigned a score of 3, the second-ranked skill was assigned a score of 2, and the third-ranked skill was assigned a score of 1. The summated rank reflects the ordinal ranking of all skills.

Clearly, a strong work ethic is of utmost importance to Tennessee business leaders when it comes to evaluating college graduates. Similarly, other so-called “soft skills” (e.g., working with others) are also highly important, along with problem solving, motivation, and adaptability. It is noteworthy that oral communication skills are seen as more important than written communication skills. Further, informal oral communication skills (e.g., meetings and conversations with coworkers or customers) are more important than formal oral communications (presentations) or written communications.

Rank	Skill	Total Summated Rank	Times Ranked First
1	Work ethic	174	42
2	Ability to work with others	116	22
3	Problem solving skills	100	13
4	Motivation	45	4
5	Adaptability/flexibility	36	2
6	Informal oral communications (e.g., meetings and conversations with coworkers or customers)	30	6
7	Ability to work with and analyze data	24	4
8	Formal oral communication (e.g., formal presentations)	21	4
9	Ability to understand and use technical information	20	3
10	Formal written communication (e.g., reports)	17	1
11	Informal written communication (e.g., memos, emails)	14	2
12	Decision making	14	1
13	Potential to lead or guide others	12	1
14	Creativity	6	0

Tennessee Business Barometer		Oct 2016 (%)	Jan. 2017 (%)	April 2017 (%)	July 2017 (%)	Net Change from April*
Overall economic conditions in the U.S. are: ^C	Good	27	29	46	52	+4
	In between	59	70	52	44	
	Bad	14	2	2	4	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	13	53	50	40	-12
	About same	49	26	41	50	
	Worse	23	15	6	8	
Economic conditions in Tennessee are: ^C	Good	62	65	62	73	+9
	In between	34	30	38	25	
	Bad	4	3	0	2	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	27	44	47	43	-6
	About same	64	52	48	51	
	Worse	4	5	4	6	
Economic conditions in your industry are: ^C	Good	49	48	53	52	-2
	In between	38	44	42	40	
	Bad	12	3	5	6	
Twelve months from now economic conditions in your industry will be: ^F	Better	21	39	39	32	-9
	About same	67	50	55	56	
	Worse	6	6	5	7	
Regulatory conditions in your industry are: ^C	Good	15	23	23	21	+3
	In between	43	52	53	59	
	Bad	42	18	18	13	
Twelve months from now regulatory conditions will be: ^F	Better	4	32	29	19	-9
	About same	58	53	59	69	
	Worse	33	8	6	5	
Economic Conditions for your firm/business are: ^C	Good	52	47	60	51	-11
	In between	40	50	36	43	
	Bad	8	0	3	5	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	30	52	47	47	-1
	About same	60	42	46	44	
	Worse	4	5	5	6	
Compared to last year will your firm grow: ^{B/F}	More	29	32	34	38	+5
	About same	45	47	51	46	
	Less	23	14	13	12	
Compared to last year will your firm invest: ^{B/F}	More	32	35	33	28	-12
	About same	44	48	46	50	
	Less	21	6	12	19	

Compared to last year will your firm's sales: ^{B/F}	Increase	47	51	53	54	-3
	Stay the same	33	28	39	35	
	Decrease	15	6	4	8	
Compared to last year will your firm's profitability: ^{B/F}	Increase	32	39	39	46	+3
	Stay the same	35	38	49	40	
	Decrease	26	12	8	12	
Compared to last year will your firm's inventories: ^{B/F}	Increase	7	6	12	10	0
	Stay the same	47	50	49	50	
	Decrease	18	8	14	12	
In the next 12 months will employment at your firm/business: ^E	Increase	38	35	36	36	-5
	Stay the same	53	56	60	56	
	Decrease	8	8	1	6	
Qualified employees are: ^E	Easy to find	5	6	3	3	0
	Found with effort	42	44	40	41	
	Hard to find	52	47	53	53	

^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

* 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.

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).

The results reported here are based on an online survey of 107 business leaders throughout the state of Tennessee. The survey was conducted between July 10 and July 19. With a sample of 107 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 $\pm 9.4\%$. 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.

For more information about the Tennessee Chamber of Commerce and Industry, visit 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?