



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
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Tennessee Business Leaders' Optimism Rebounds; Professional Mentoring for College Students Viewed Very Positively

The Tennessee Business Barometer regained its upward momentum, reflecting improving optimism among Tennessee business leaders. The overall index rose to 577 from 461 in July. This gain was due to more positive perceptions of the current economy, increasing optimism about the future economy, and improving expectations regarding business/firm performance.

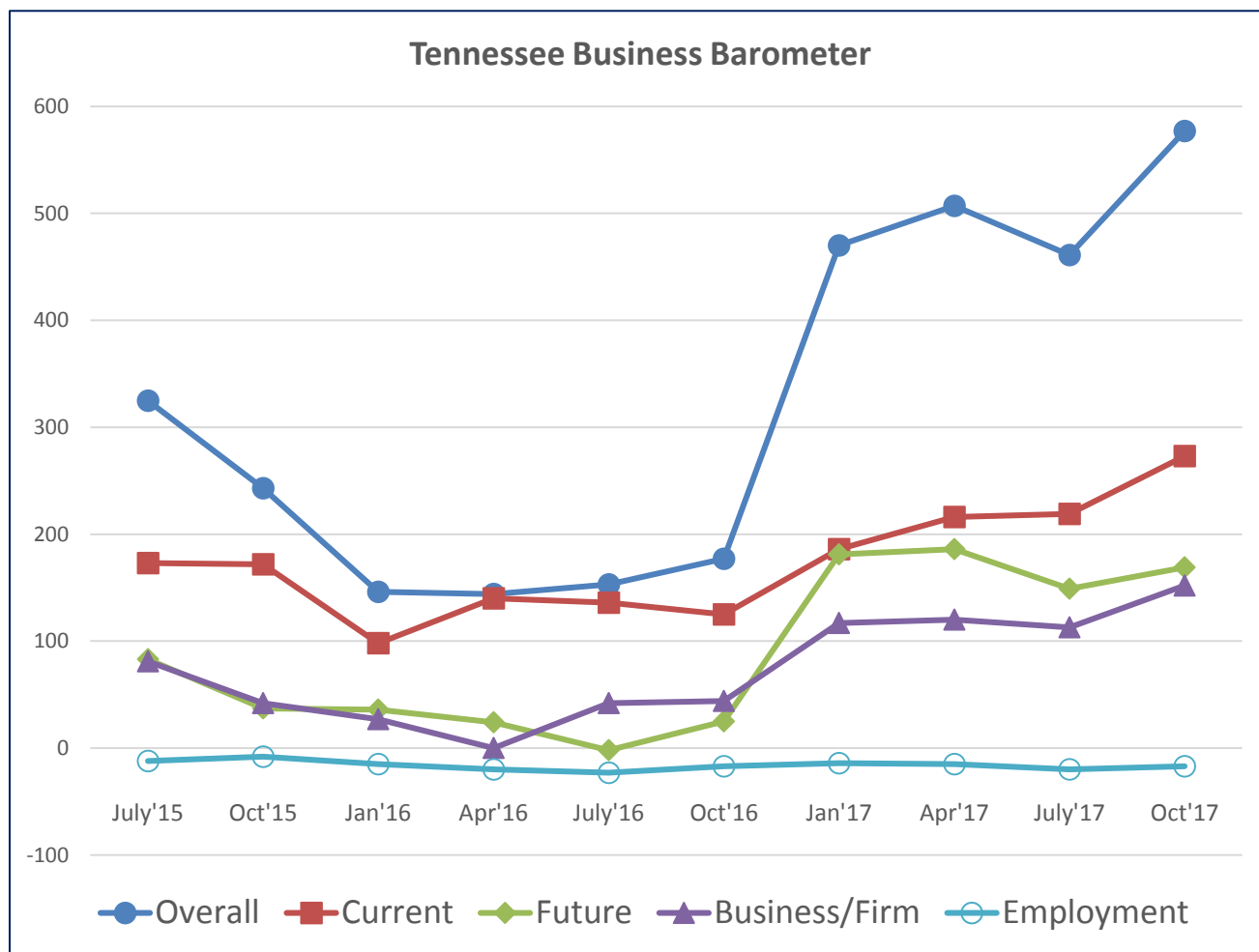
The current online survey of 81 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between October 5 and October 13. The sample of respondents includes business owners (21%), vice presidents (14%), senior managers (33%), and managers/others (33%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for January 2018.

Tennessee Business Barometer Index and Sub-Indices

	Oct 2016	January 2017	April 2017	July 2017	October 2017 ¹
Overall Business Barometer	177	470	507	461	577
Current Economic Situation Index	125	186	216	219	273
Future Economic Expectations Index	25	181	186	149	169
Business/Firm Performance Index	44	117	120	113	152
Employment Outlook Index	-17	-14	-15	-20	-17

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.



Current Economy. Tennessee Business leaders increasingly believe economic conditions are improving. The Current Situation Index gained to 273 from 219 in July. A strong majority (66%) 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 83 from 73. In addition, perceptions of economic conditions for individual firms improved. The percent who said economic conditions for their firm/business are “good” rose to 70 from 51. However, perceptions of regulatory conditions declined. While the percent who said regulatory conditions for their industry are “good” dipped slightly to 20 from 21, the percent who said they are “bad” increased to 19 from 13. In sum, even though Tennessee business leaders might have growing concerns about the regulatory environment, their view is the overall economy is improving.

Future Economy. Tennessee business leaders have also become more optimistic regarding the future of the economy. The Future Expectations Index rose to 169 from 149. This was due in large part to greater expectations for the Tennessee economy. The percent who said economic conditions in Tennessee will be “better 12 months from now” gained to 48 from 43, while the percent who said conditions will be “worse 12 months from now” dropped to zero.

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 hopeful tone to the words business leaders use to describe the overall American economy (improving, growth, optimistic, bright), tempered with some uncertainty.



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 more uniformly positive tone to the words business leaders use to describe the Tennessee economy compared to the national economy (optimistic, growing, improving, robust, stable).



Business and Firm Performance. The Business/Firm Performance Index also improved, rising to 152 from 113. Although there was no net change in expectations for firm growth, there were improved expectations for future investment, sales, profitability, and inventories.

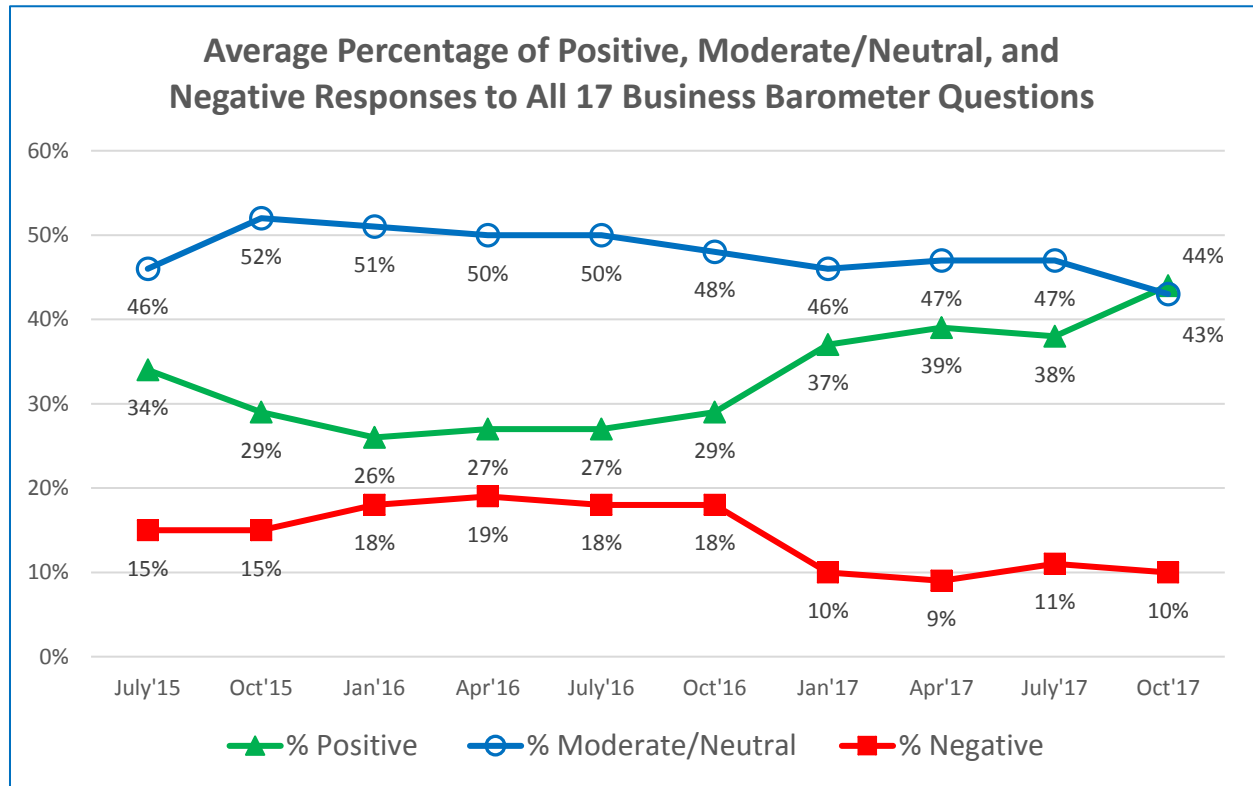
The word cloud below shows the 15 words most often given when respondents were asked, ***“What one word comes to mind when you think about the future of your firm/business?”*** The words reflect that although business leaders perceive challenges ahead, they are optimistic about the future for their firms.



Employment. The Employment Outlook Index improved only slightly and remained in the negative range. The fact that this index is still in the negative range means respondents with negative responses continue to outnumber those with positive responses. This is due in large part to continuing frustration from an inability to find qualified employees. Only four percent said qualified employees are “easy to find,” while the majority (53%) said qualified employees are “hard to find.”

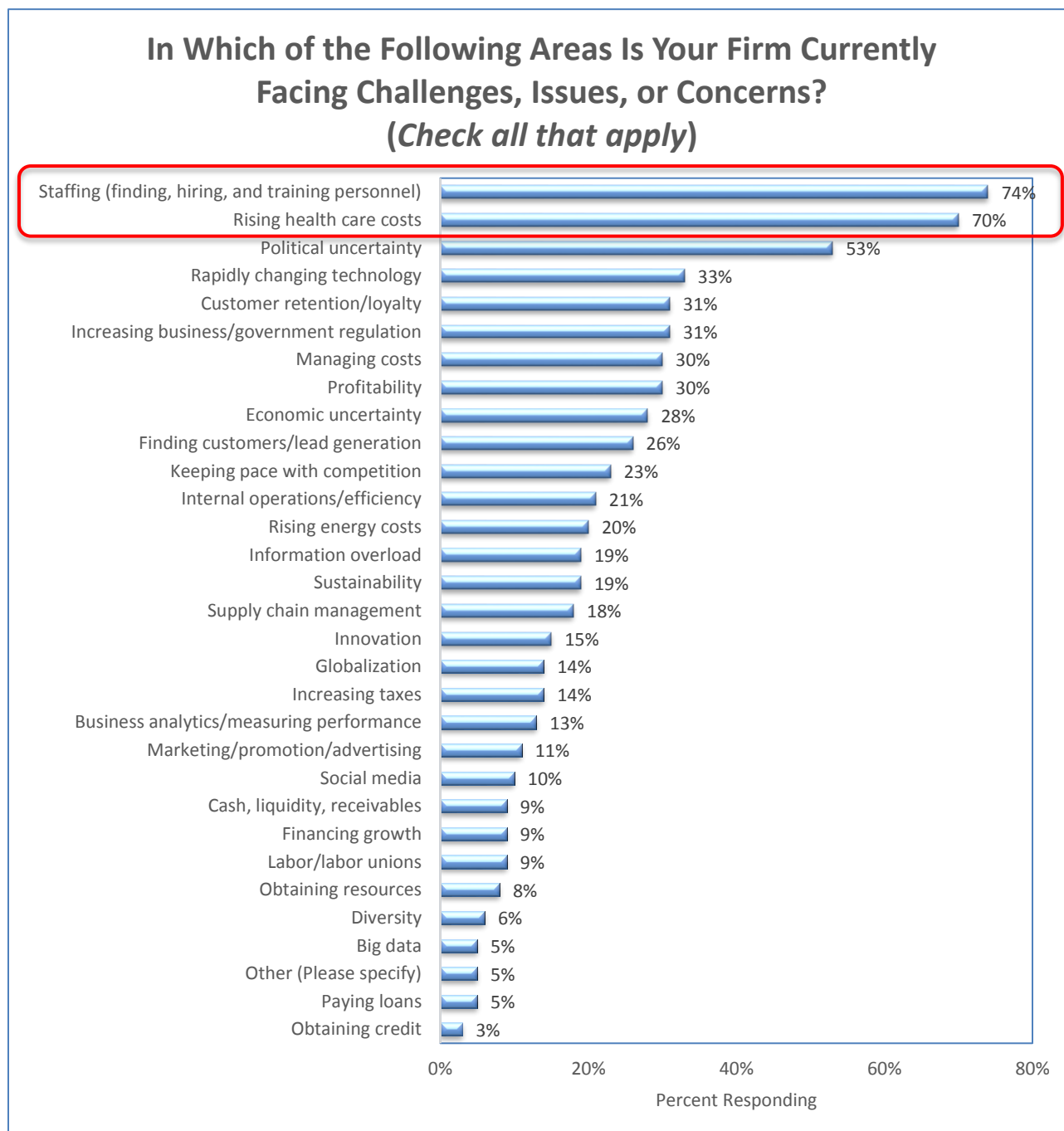
Average Attitude

The general attitude of Tennessee business leaders is improving. 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, Tennessee business leaders’ general perception of the economy continues to improve since the end of 2016.



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. Difficulties finding qualified employees and rising health care costs 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 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. Personnel-related issues (staffing and rising health care costs), along with political uncertainty, continue to be of most concern to Tennessee business leaders. Apprehensions about increasing regulation and customer retention are rising.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from July
1	Staffing (finding, hiring, and training personnel)	211	24	0
2	Rising health care costs	151	13	0
3	Political uncertainty	80	4	0
4	Increasing business/governmental regulation	54	6	+4
5	Finding customers/lead generation	53	2	-1
6	Customer retention/loyalty	53	2	+4
7	Profitability	52	4	0
8	Economic uncertainty	48	2	-3
9	Internal operations/efficiency	46	5	+4
10	Managing costs	43	3	-4
11	Rising energy costs	37	2	-2
12	Rapidly changing technology	36	1	+3
13	Increasing taxes	32	0	-1
14	Keeping pace with competition	29	1	-3
15	Financing growth	23	0	+11
16	Supply chain management	23	0	0
17	Sustainability	21	1	+1
18	Innovation	17	1	+2
19	Business analytics/measuring performance	16	1	+6
20	Cash, liquidity, receivables	15	2	+2
21	Labor/labor unions	13	0	-7
22	Information overload	11	0	+2
23	Marketing/promotion/advertising	11	0	-2
24	Obtaining resources	10	0	-7
25	Globalization	10	2	-6
26	Social media	9	1	+3
27	Paying loans	8	0	+1
28	Diversity	6	0	-5
29	Obtaining credit	3	0	-2
30	Big data	3	0	0

Tennessee Business Barometer		Jan 2017 (%)	April 2017 (%)	July 2017 (%)	Oct 2017 (%)	Net Change from July*
Overall economic conditions in the U.S. are: ^C	Good	29	46	52	66	+17
	In between	70	52	44	33	
	Bad	2	2	4	1	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	53	50	40	38	+1
	About same	26	41	50	54	
	Worse	15	6	8	5	
Economic conditions in Tennessee are: ^C	Good	65	62	73	83	+12
	In between	30	38	25	18	
	Bad	3	0	2	0	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	44	47	43	48	+11
	About same	52	48	51	51	
	Worse	5	4	6	0	
Economic conditions in your industry are: ^C	Good	48	53	52	57	+11
	In between	44	42	40	41	
	Bad	3	5	6	0	
Twelve months from now economic conditions in your industry will be: ^F	Better	39	39	32	34	+5
	About same	50	55	56	59	
	Worse	6	5	7	4	
Regulatory conditions in your industry are: ^C	Good	23	23	21	20	-7
	In between	52	53	59	56	
	Bad	18	18	13	19	
Twelve months from now regulatory conditions will be: ^F	Better	32	29	19	19	-1
	About same	53	59	69	68	
	Worse	8	6	5	6	
Economic Conditions for your firm/business are: ^C	Good	47	60	51	70	+21
	In between	50	36	43	28	
	Bad	0	3	5	3	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	52	47	47	51	+4
	About same	42	46	44	43	
	Worse	5	5	6	6	
Compared to last year will your firm grow: ^{B/F}	More	32	34	38	41	0
	About same	47	51	46	41	
	Less	14	13	12	15	
Compared to last year will your firm invest: ^{B/F}	More	35	33	28	38	+19
	About same	48	46	50	51	
	Less	6	12	19	10	

Compared to last year will your firm's sales: ^{B/F}	Increase	51	53	54	65	+8
	Stay the same	28	39	35	19	
	Decrease	6	4	8	11	
Compared to last year will your firm's profitability: ^{B/F}	Increase	39	39	46	57	+8
	Stay the same	38	49	40	23	
	Decrease	12	8	12	15	
Compared to last year will your firm's inventories: ^{B/F}	Increase	6	12	10	11	+4
	Stay the same	50	49	50	52	
	Decrease	8	14	12	9	
In the next 12 months will employment at your firm/business: ^E	Increase	35	36	36	42	+2
	Stay the same	56	60	56	47	
	Decrease	8	1	6	10	
Qualified employees are: ^E	Easy to find	6	3	3	4	+1
	Found with effort	44	40	41	41	
	Hard to find	47	53	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

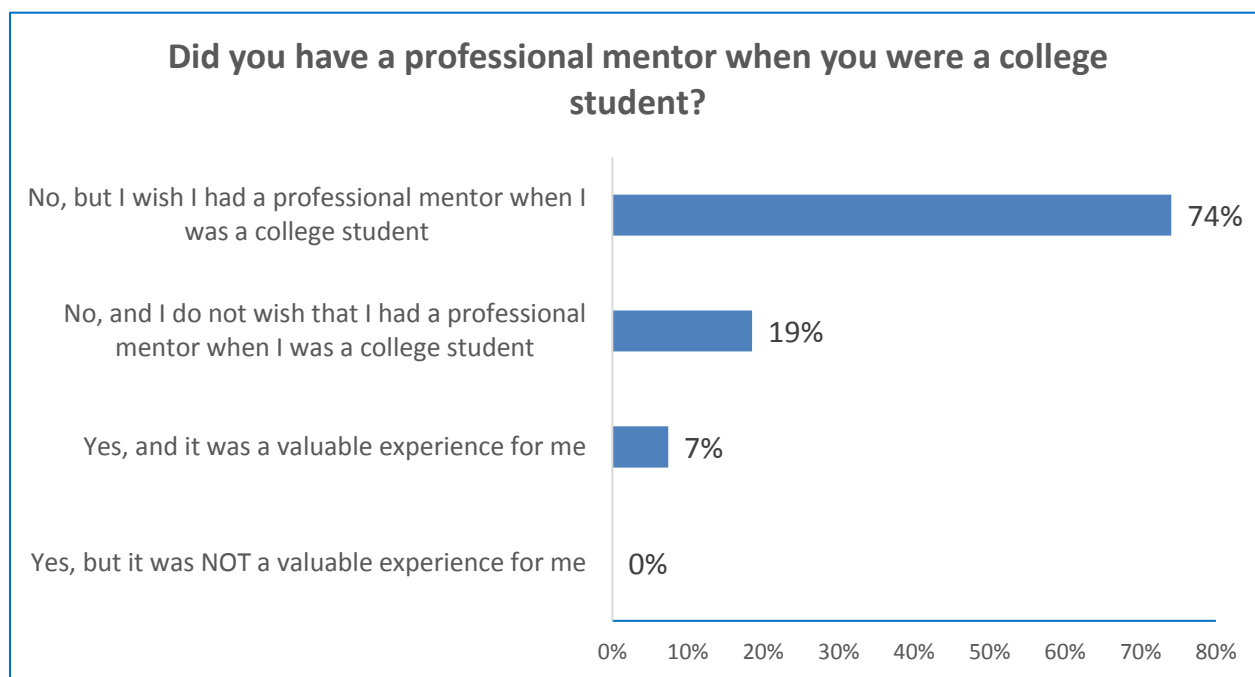
* The Net Change score for each question is calculated based on the change in percent of both positive and negative responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent more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

Professional Mentoring for College Students

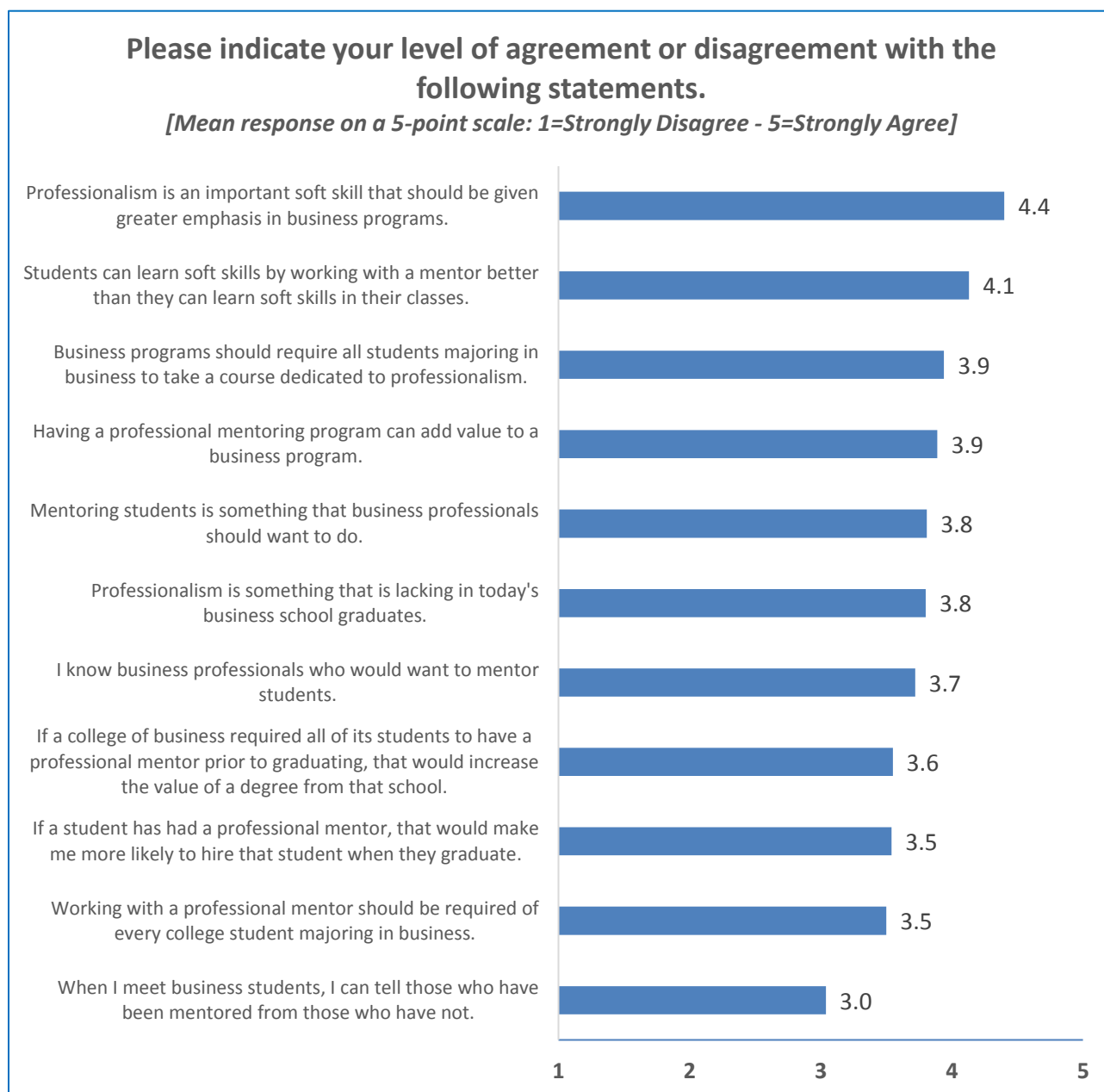
In response to concerns from business leaders that college graduates lack soft skills such as professionalism, colleges and universities are seeking to identify ways to incorporate soft skills and professionalism into their degree programs. Professional mentoring is a means by which professionalism can be integrated into college of business curriculum. Respondents were asked a series of questions related to professional mentoring and professionalism. These questions were preceded by the following introduction:

Now, we would like to ask you about professional mentoring for college students. By this, we mean when a student is paired with a professional who is currently working in a full-time career/job. The student and mentor might meet occasionally for lunch or at the professional's place of business. Mentoring might also include email and/or telephone communications between student and mentor.

The majority of respondents did not have a professional mentor when they were in college. However, they see the value of mentoring. A strong majority (almost three-fourths) say they did not have a mentor but wished they did have a professional mentor as a college student.



When asked to indicate their level of agreement or disagreement with a series of statements related to professional mentoring, the value of a mentoring program for college students and degree programs becomes clear. The chart below shows the mean ratings on a 5-point scale, where 1 = strongly disagree; 5 = strongly agree. The accompanying table shows the percent responses to each question. For all but one question, the majority of respondents agreed with the statements (somewhat agree or strongly agree).



Note: All means are statistically significantly different from the scale midpoint (3.0) at $p < .01$, except "When I meet business students, I can tell those who have been mentored from those who have not."

Please indicate your level of agreement or disagreement with the following statements. <i>[Percent Responding]</i>	Strongly disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Strongly agree	Percent somewhat agree or strongly agree
Professionalism is an important soft skill that should be given greater emphasis in business programs.	1%	3%	5%	38%	54%	91%
Students can learn soft skills by working with a mentor better than they can learn soft skills in their classes.	0%	8%	9%	48%	36%	84%
Having a professional mentoring program can add value to a business program.	1%	4%	19%	58%	19%	76%
Business programs should require all students majoring in business to take a course dedicated to professionalism.	3%	6%	19%	39%	33%	72%
Mentoring students is something that business professionals should want to do.	1%	6%	24%	48%	21%	69%
Professionalism is something that is lacking in today's business school graduates.	1%	5%	30%	39%	24%	63%
I know business professionals who would want to mentor students.	1%	9%	27%	43%	20%	63%
If a college of business required all of its students to have a professional mentor prior to graduating, that would increase the value of a degree from that school.	3%	10%	26%	53%	9%	61%
If a student has had a professional mentor, that would make me more likely to hire that student when they graduate.	3%	5%	36%	49%	8%	56%
Working with a professional mentor should be required of every college student majoring in business.	3%	13%	30%	43%	13%	55%
When I meet business students, I can tell those who have been mentored from those who have not.	4%	15%	58%	21%	3%	24%

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 81 business leaders throughout the state of Tennessee. The survey was conducted between October 5 and October 13. With a sample of 81 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 $\pm 10.8\%$. 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?