

# **Tennessee Business Barometer**

In partnership with the Tennessee Chamber of Commerce and Industry

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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.

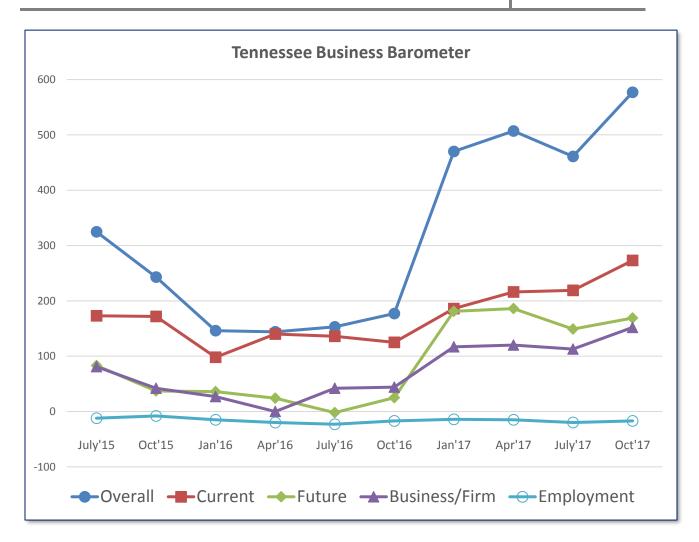
The current online survey of 81 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between October 5 and October 13. The sample of respondents includes business owners (21%), vice presidents (14%), senior managers (33%), and managers/others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

	Oct 2016	January 2017	April 2017	July 2017	October 2017 <sup>1</sup>
Overall Business Barometer	177	470	507	461	577
<b>Current Economic Situation Index</b>	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

#### **Tennessee Business Barometer Index and Sub-Indices**

<sup>&</sup>lt;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 views of the economy outnumber those who hold negative views of the economy.



<u>*Current Economy*</u>. 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).

bright diversified growing growth improving Leadership Optimistic positive robust stable steady strong vibrant workforce

**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.

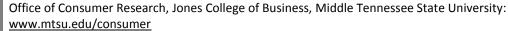
The word cloud below shows the 15 words most often given when respondents were asked, "*What one word comes to mind when you think about the future of your firm/business?*" The words reflect that although business leaders perceive challenges ahead, they are optimistic about the future for their firms.

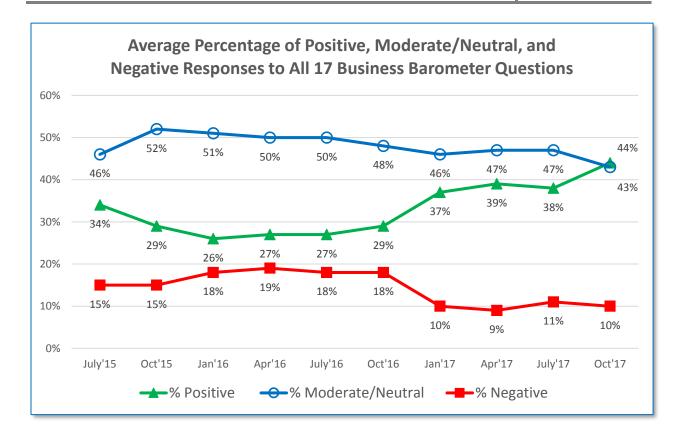
accelerating challenging challenging consolidation growing growth hopeful opportunity optimistic promising solid steady strong technology transition

**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.

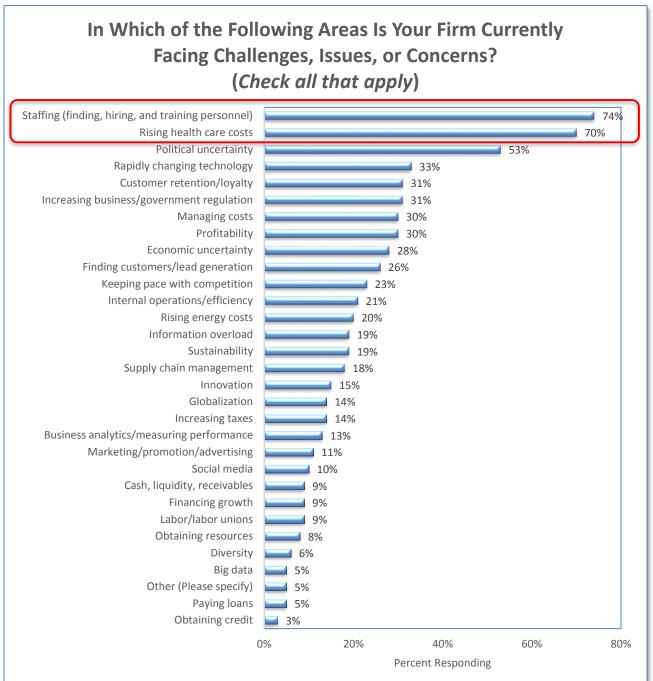




## **Business Challenges**

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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 October 2017

(%)     (%)     (%)     (%)     July*       Overall economic conditions in the U.S. are: $c^{1}$ in between Bad     Codd 2     2     44     1     +17       Twelve months from now overall economic conditions in the U.S. will be: "     Better Worse     53     50     40     38     +1       Twelve months from now overall economic conditions in the U.S. will be: "     Good     65     62     73     83     +12       In Tennessee are: C     In between Bad     30     2     0     0     10	Tennessee		Jan	April	July	Oct	Net
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Increase	51	53	54	65	+8
Stay the same	28	39	35	19	
Decrease	6	4	8	11	
Increase	39	39	46	57	+8
Stay the same	38	49	40	23	
Decrease	12	8	12	15	
Increase	6	12	10	11	+4
Stay the same	50	49	50	52	
Decrease	8	14	12	9	
Increase	35	36	36	42	+2
Stay the same	56	60	56	47	
Decrease	8	1	6	10	
Easy to find	6	3	3	4	+1
, Found with effort	44	40	41	41	
Hard to find	47	53	53	53	
	Stay the same Decrease Increase Stay the same Decrease Increase Stay the same Decrease Increase Stay the same Decrease Easy to find Found with effort	Stay the same Decrease28 6Increase39 38 Decrease12Increase6 38 12Increase6 50 Decrease50 8Increase50 50 8Decrease8Easy to find Found with effort6 44	Stay the same2839Decrease64Increase3939Stay the same3849Decrease128Increase612Stay the same5049Decrease814Increase3536Stay the same5660Decrease81Increase81Easy to find63Found with effort4440	Stay the same283935Decrease648Increase393946Stay the same384940Decrease12812Increase61210Stay the same504950Decrease81412Increase66056Decrease816Stay the same566056Decrease816Easy to find633Found with effort444041	Stay the same   28   39   35   19     Decrease   6   4   8   11     Increase   39   39   46   57     Stay the same   38   49   40   23     Decrease   12   8   12   15     Increase   6   12   10   11     Stay the same   50   49   50   52     Decrease   8   14   12   9     Increase   35   36   36   42     Stay the same   56   60   56   47     Decrease   8   1   6   10     Easy to find   6   3   3   4     Found with effort   44   40   41   41

#### <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

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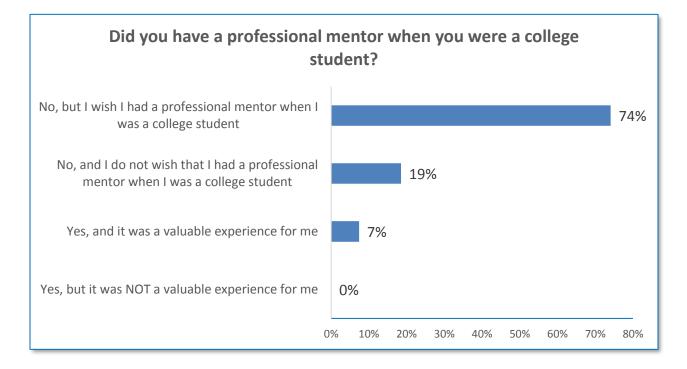
\* The Net Change score for each question is calculated based on the change in percent of both positive and negative responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent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

#### **Professional Mentoring for College Students**

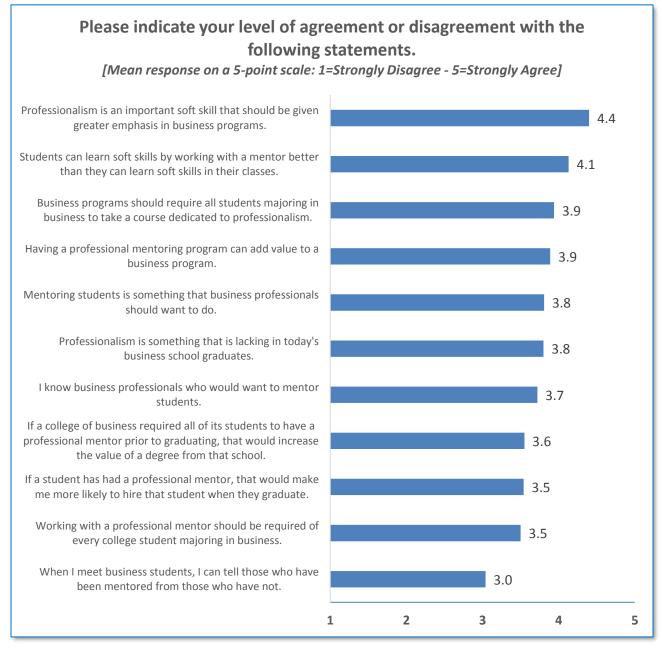
In response to concerns from business leaders that college graduates lack soft skills such as professionalism, colleges and universities are seeking to identify ways to incorporate soft skills and professionalism into their degree programs. Professional mentoring is a means by which professionalism can 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).



<u>Note</u>: 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."

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Tennessee Business Barometer October 2017

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 <u>tim.graeff@mtsu.edu</u>.

For more information about the Tennessee Chamber of Commerce and Industry, visit <u>www.tnchamber.org</u> 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?

