



Tennessee Business Leaders Survey

Summer 2020 Results



THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

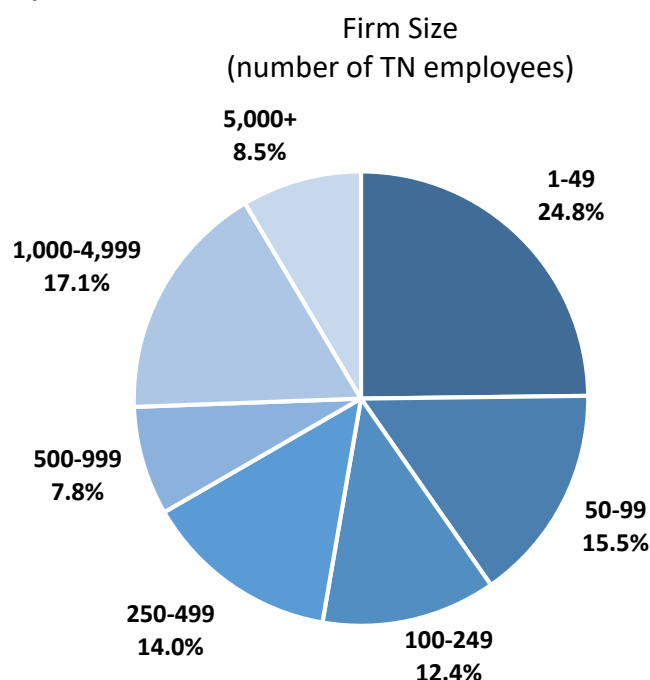
BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

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Introduction

Many business leaders from across Tennessee responded to the inaugural Boyd Center's Business Leaders Survey, providing a unique perspective on Tennessee and the nation's economy. Responses were provided between August 12-20, which is a uniquely challenging time in the nation's economy because of COVID-19. Respondents, over half of whom are CEOs or company owners, represent a broad sample of Tennessee's businesses, both by size and by industry. Responses were received from leaders across all industries, with about one-seventh from manufacturing and firms ranging in size from less than 50 to over 5000 employees (see Figure 1). Business leaders have somewhat diverging views on economic issues, likely because they come from different industries and parts of the state, but we summarize key themes that emerge.

Figure 1: Respondents to the Boyd Center Business Leaders' Survey represent a broad sample of Tennessee businesses.

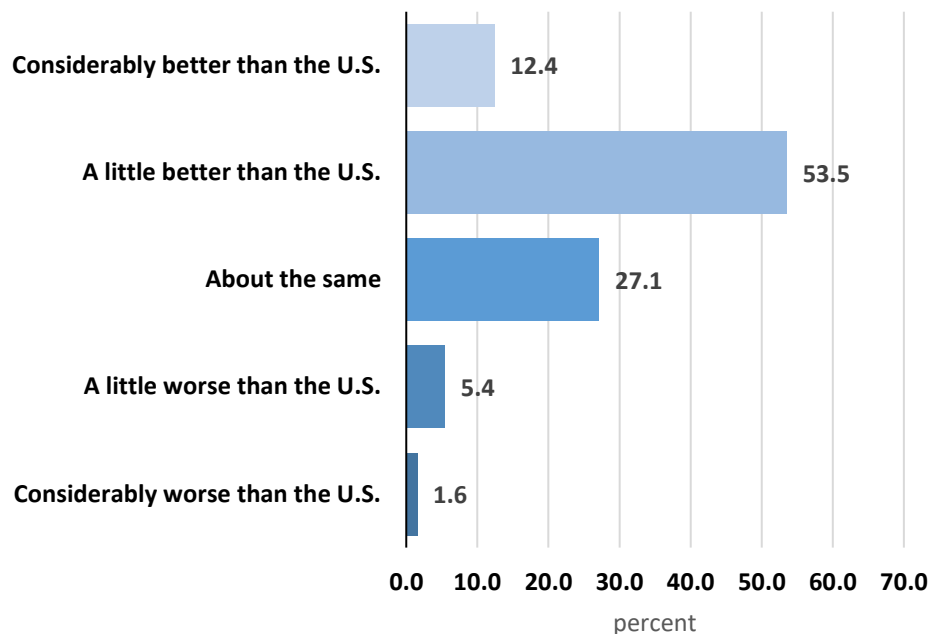


U.S. and Tennessee Economy

Not surprisingly, more than three-fourths see the U.S. economy as worse than six months ago, with only 10 percent seeing it better. Leaders have not become optimistic yet. One-half believe the U.S. economy will get worse over the next 12 months, while a little over one-third see the economy improving. General expectations about Tennessee's economy are similar to the national economy, but most expect Tennessee's economy to improve more than the national economy, with two-thirds expecting healthier improvement in Tennessee and only 7 percent seeing the U.S. doing better (see Figure 2). Stronger business investment (40 percent) and better government leadership (22 percent) were the primary reasons listed for why Tennessee growth will outpace the nation's over the next 12 months. Separately, about two-thirds see Tennessee's state government doing an excellent or good job of creating a good business environment, with only 1 in 14 believing Tennessee does poorly. Indeed, a strong majority (73

percent) believes Tennessee is headed in the right direction. Respondents were permitted to identify up to three areas where Tennessee could improve its business climate, and three out of a list of 10 rose to the top. Technology infrastructure and transportation infrastructure were both listed by around 70 percent of leaders. Also, a nearly equal percentage targeted economic development incentives.

Figure 2: Two-thirds of Tennessee business leaders expect the Tennessee economy to be better than the national economy over the next 12 months.



Individual Company Performance

Business leaders are more optimistic about the performance of their industry in Tennessee over the next 12 months than they are for the state’s economy as a whole. About one-half think their industry will do better and only 21 percent think it will do worse, compared with only one-third seeing the overall economy improving. Leaders are a little less optimistic about the future performance of their company, whether measured by profits or revenues, than they are their industry. Most think their company will have similar employment over the next 12 months, with a little more than one-third seeing employment growth and a similar percentage expecting capital investment. No one indicated that a substantial employment decline is expected over the next 12 months, offering an encouraging perspective on COVID-19’s impact on the economy. Leaders anticipate that moderate demand growth will be the primary source of increasing their profitability, to the extent that it happens, over the next year.

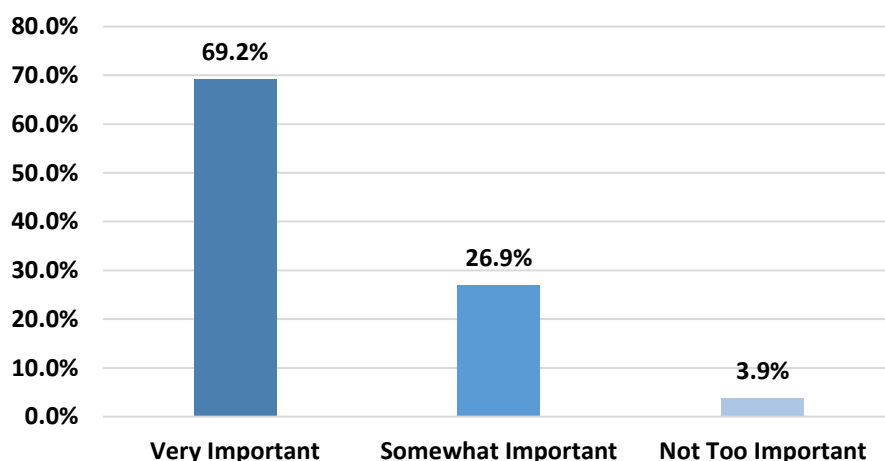
Respondents were asked about the challenges that their businesses face and were permitted to identify up to three. Adverse economic conditions, surely driven heavily by COVID-19, was identified by more than 80 percent of respondents. Nearly one-half identified government regulations and almost one-fourth said taxes. Human resources, global political instability, risk management, and health care costs also were listed as challenges by at least one out of five leaders.

Labor Force

Respondents were asked several questions about the Tennessee labor force. Just over one-half (55 percent) said they were unable to find sufficient workers with the right training in the state, but the responses differed notably by region. About two-thirds in Middle Tennessee think they have a supply of appropriately trained workers, but the percent drops well below half in East and West Tennessee. Indeed, only about 20 percent of West Tennessee leaders feel the labor force is adequate. Despite their comments on a supply of adequately skilled workers, nearly two-thirds indicated retaining workers was not a challenge, though this was true for about one-half of West Tennessee respondents. Leaders had very different perspectives on what factors in Tennessee could make it difficult to retain workers, to the extent it is an issue. Quality of local schools, housing costs, childcare costs and availability, and substance abuse were listed most frequently. Availability and cost of housing were much more likely to be listed by Middle Tennessee leaders. Substance abuse was listed more frequently in West and East Tennessee. Quality of local schools was listed very frequently by West Tennessee respondents.

When asked about where workers were lacking, somewhat over one-fifth indicated technical skills. A range of softer skills, when combined, were identified by many leaders. Work ethic, writing skills, and initiative were listed most. A lack of realism about compensation was chosen by more than one in 10. Seventy percent indicated that STEM education is very important to their business (see Figure 3).

Figure 3: A majority of Tennessee business leaders deem STEM (science, technology, engineering and math) education very important for their future in the state.



Source: Tennessee Business Leaders Survey, Summer 2020 results.

COVID-19 Effects

Among respondents, only 1 said their business was closed down by government restrictions associated with COVID-19 and another 10 percent said they closed because demand was so weak during recent months. A significant share remained open (see Figure 4), but with significant restrictions (27 percent). More than 60 percent have continued to operate despite COVID-19. More than 7 in 10 said that revenues were below expectations, with only 15 percent seeing revenues above plan. Over three-fourths of respondents have less

than 10 percent of workers furloughed or laid off, with very few saying a larger percent is not back to work. Sixteen percent added employees since COVID-19 impacted the country (see Figure 5).

Figure 4: Most all Tennessee business leaders report remaining open during the COVID-19 pandemic, but nearly 10 percent closed due to weak demand.

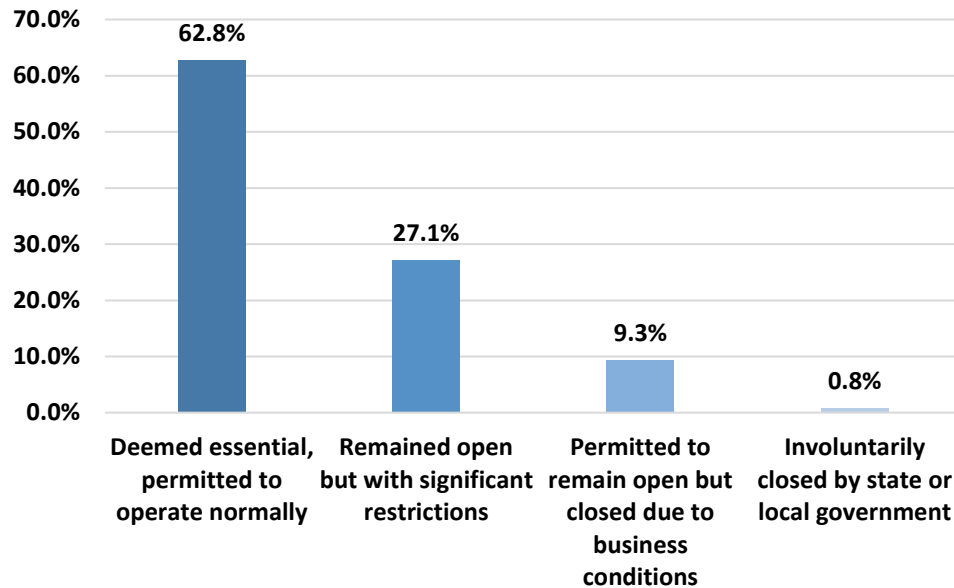


Figure 5: Over three-quarters of Tennessee business leaders report having less than 10% of their workforce laid off or furloughed due to COVID-19.

