



Tennessee Business Leaders Survey

Winter 2021 Results



THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

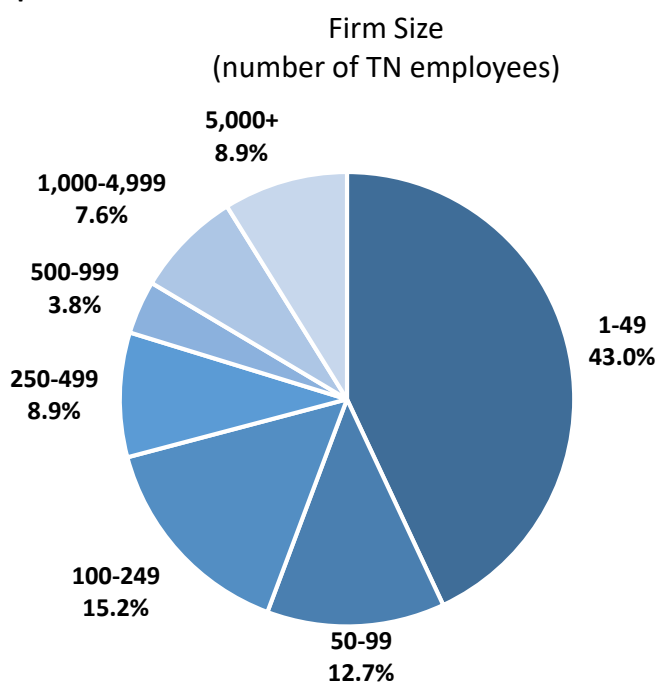
BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

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Introduction

Many business leaders from across Tennessee responded to the Boyd Center's second Business Leaders Survey, providing a unique perspective on Tennessee and the nation's economy. Responses were provided between January 19 and February 1, 2021, which represents a very challenging time in the nation's economy because of continuing COVID-19 issues. Respondents, 70 percent 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 each from services, manufacturing, finance, and construction and firms ranging in size from less than 50 to over 5000 employees (see Figure 1). Business leaders have somewhat divergent views on economic issues, likely because they come from different industries and parts of the state; we summarize key themes that emerge.

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



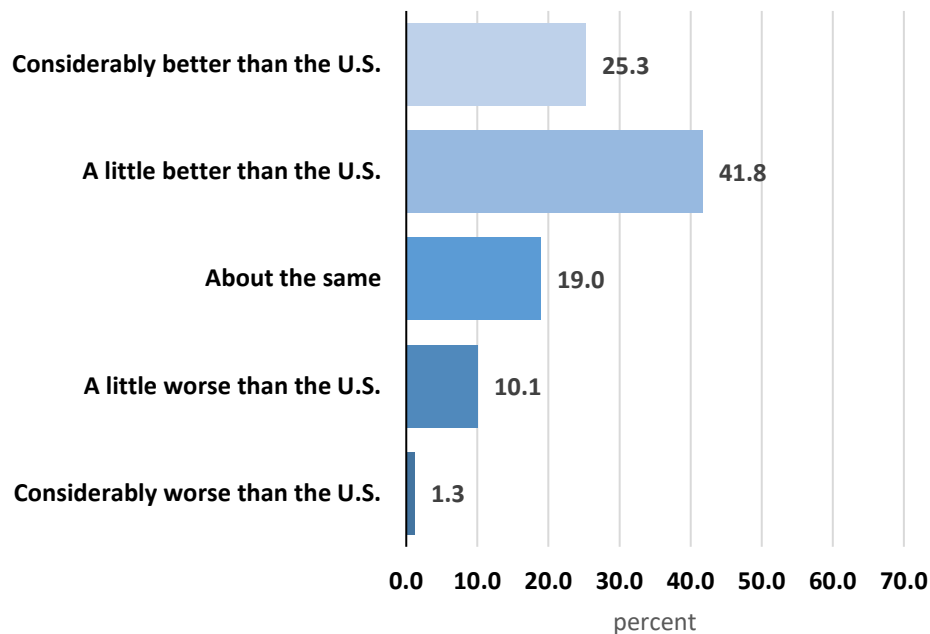
Source: Tennessee Business Leaders Survey, Winter 2021 results.

U.S. and Tennessee Economy

Not surprisingly, 80 percent see the U.S. economy as worse than one year ago, with only 10 percent seeing it better. On the good news side, about 90 percent believe the economy is the same or better than it was six months ago. Leaders are somewhat optimistic that things will improve, with two-thirds saying the economy will be better over the next year and only a little over one-fifth believing the economy will worsen. General expectations about Tennessee's economy are similar to those for 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 11 percent seeing the U.S. doing better (see Figure 2). The perspective on Tennessee's relative economic strength is very similar to

that expressed in the previous survey. Stronger business investment (47 percent) and better government leadership (19 percent) were the primary reasons listed for why Tennessee growth will outpace the nation’s over the next 12 months; this is very similar to the earlier survey. Separately, the vast majority (73 percent) believe Tennessee is headed in the right direction and 70 percent see Tennessee’s state government doing an excellent or good job of creating a good business environment compared with only 3 percent seeing the state doing poorly. This demonstrates a consistent positive perspective on the state. Respondents were permitted to identify up to three areas where Tennessee could improve its business climate. Technology infrastructure (71 percent) and transportation infrastructure (66 percent) were strongest, followed by targeted economic development incentives (49 percent).

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



Source: Tennessee Business Leaders Survey, Winter 2021 results.

Individual Company Performance

Business leaders have similar optimism about the performance of their industry and the overall state’s economy over the next 12 months, previously they were more optimistic about the state. Eighty percent or more expect their company to perform the same or modestly better over the next year, whether measured by revenue, profits, employment, or investment. Less than 10 percent see employment falling this year. Stronger market demand is the primary hope by far for expecting greater profitability.

Respondents were asked about the challenges that their businesses face and were permitted to identify up to three. Adverse economic conditions was identified by 58 percent, down notably from the 80 percent in the previous survey. One-half identified government regulations followed by human

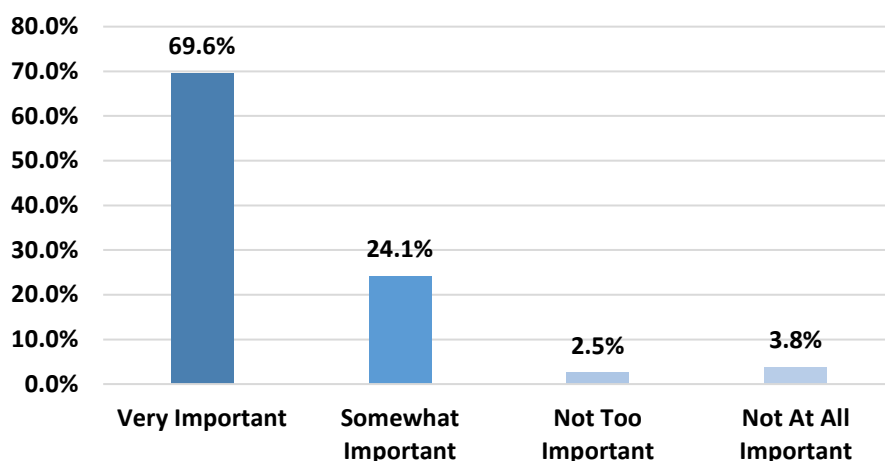
resources and health care costs, each at nearly one-fourth of respondents. Taxes were also listed as a challenges by one out of five leaders.

Labor Force

Respondents were asked several questions about Tennessee’s labor force. Responses on ability to find trained workers were very similar to the first survey. Just over one-half (55 percent) said they were unable to find sufficient workers with the right training in the state, and the responses again differed notably by region. About 52 percent in middle Tennessee said there is a supply of appropriately trained workers, but this drops to one-third in east and west Tennessee. Technical skills, particularly in east Tennessee, followed by work ethic and initiative (both particularly in west Tennessee) were listed as the biggest labor supply concerns. Fifty-five percent indicated retaining workers is a challenge. Leaders had very different perspectives on what factors make it difficult to retain workers, to the extent it is an issue. Quality of local schools and substance issues were raised most frequently (again, particularly in west Tennessee) each by about one-fourth of respondents. Availability and cost of housing and child care were much more likely to be listed by middle Tennessee leaders.

Seventy percent indicated that STEM education is very important to their business’ future (see Figure 3). While a high percent list it as very important in every region, 85 percent say so in east Tennessee versus 48 percent in west Tennessee.

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, Winter 2021 results.

COVID-19 Effects

Reflecting the widely different impacts across firms, 46 percent have seen revenues decline during the pandemic versus 29 percent that have seen revenue growth. Thirty-nine percent did some business reorganization as a result and 26 percent laid off workers. On the other hand, 21 percent added employment. Only 8 percent anticipate requiring a vaccine, and the majority will leave it optional.

About 30 business leaders participated in a moderated discussion about Tennessee's economy in early February, and recurring themes that arose were the resilience of businesses in our state and the ability to adjust working operations without hindering productivity. One business leader said he is a "complete believer" in working remotely now, calling it a success story of the pandemic. Several agreed that video platforms such as Zoom have both increased participation in conference calls and have allowed for better engagement among employees working remotely. When employees do fall sick with COVID-19, some companies are providing paid sick leave for as long as the employee tests positive, which sometimes may be up to three months. Some businesses have dedicated more time to investing in their workforce and providing more training opportunities or apprenticeships. In the health care field, patients are often able to stay in the comfort of their homes with remote monitoring techniques implemented over the past year, which is not only convenient for the patient but also provides more lower-cost options.

Aside from the changes business leaders implemented within their companies, several at the discussion also noted the federal government's aid in helping Tennessee's businesses and workforce. They believe that upon looking back at this point in history, it will be notable how swiftly stimulus checks and the Paycheck Protection Program were rolled out across the U.S to save jobs and businesses.