

# Business Interview Results

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# Section I: Overview

- Business Interview Procedure includes the following steps
  - BERC staff called 124 businesses and 28 local officials to schedule an interview
  - The process took more than three (3) months from the late January to the mid-April
  - Length of survey varied between 30 minutes to 120 minutes depending on circumstances and issues involved as well as willingness of businesses to expand certain pressing issues
  - Final results are:
    - 50 interviews were conducted
      - 21 Economic Development and Elected Officials
      - 29 Businesses

# Section I: Overview: Distribution of Interviews by County

BI1. Distribution of Interviews by County

County	Percent (%)
Bedford	18
Coffee	18
Franklin	8
Giles	4
Hickman	6
Lawrence	8
Lewis	6
Lincoln	4
Marshall	6
Moore	2
Maury	8
Perry	2
Warren	6
Wayne	4
Total Interviews (N)	50

MTSU Business Interviews

- All 14 counties are represented
- Interviews represent a diverse group of businesses from agribusinesses to automotive suppliers

## Section II: Economic History of Region

- Traditional manufacturing industries have ended their half-century presence in the region, affecting all aspects of life
  - Currently, still companies are leaving
  - Nearly 10,000 jobs lost in the last decade
  - NAFTA triggered the losses
  - Outflow was massive
- While certain businesses have relocated, the ones remaining here are losing customers and their businesses are shrinking
- A notable observation is that branch operations are closing creating a negative local sentiment against branch operation

## Section II: Economic History of Region: Impact of Overseas Competition

- International competition made the largest companies shut down
  - In certain instances, local companies were purchased and eliminated
- Critical aspect of international competition is that companies located overseas do not face same regulatory environment and cost structure the companies are facing here
  - Cheap labor and low environmental standards have made the companies here less competitive
- Implications of these processes are that
  - Farms are consolidated
  - Decent paying manufacturing jobs gone
  - Existing businesses are feeling squeezed and uneasy

## Section II: Economic History of Region: Which Companies have Survived?

- Those companies diversifying their product lines
- Companies heavily invested in technology and new products
- Those companies upgrading their manufacturing technologies, but at the expense of some job losses
- Those companies operating in healthcare niche markets
- Those companies producing hazardous materials and subject to extensive regulations but at the expense of significant loss in productivity
- Those companies investing in their employees and in the region

# Section III: Current Business Environment

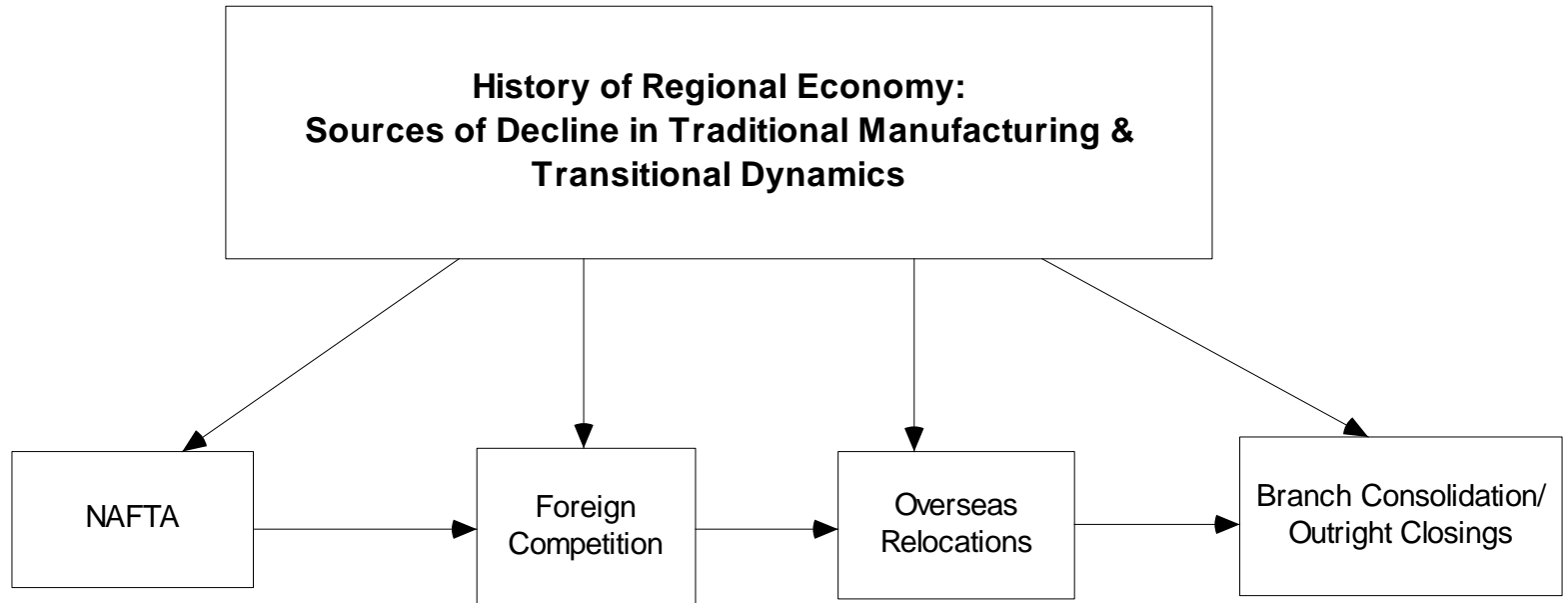
- The region is still in transition
  - Everyday, it is possible to hear a new announcement of plant closing in the region
- Subprime meltdown and accompanying financial crisis affecting all businesses
- However, increasing energy prices and raw material costs affecting overseas competition's impact on area businesses
  - This creates a window of opportunity for area businesses to recapture certain lost businesses
- Quality concerns of imported goods helped area businesses to a certain extent
- Increasing cost of doing businesses in overseas markets is likely to help local businesses

## Section III: Current Business Environment/Transitions

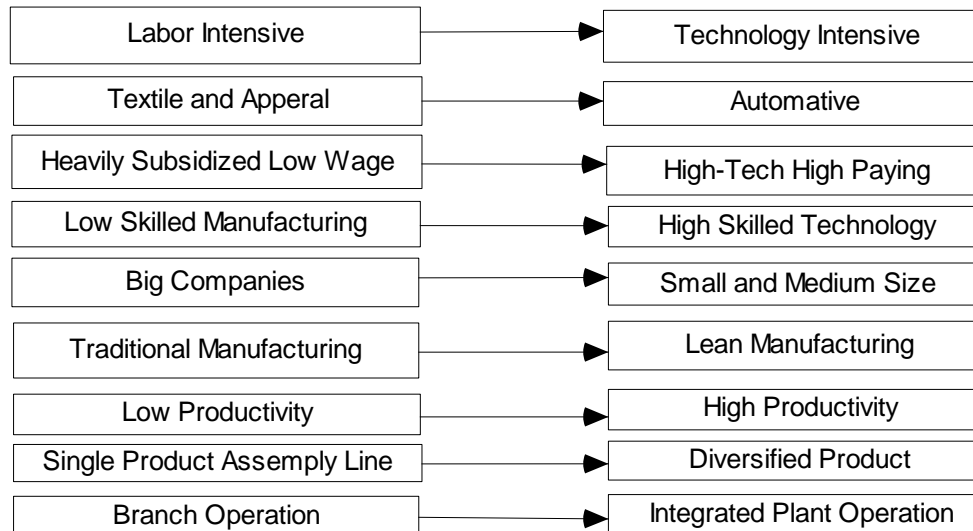
- Before analyzing current challenges, let's summarize transitional dynamics in business environment in the region
- As we see in the next chart, NAFTA triggered the whole process, then competition from China intensified, creating massive outflows of companies to overseas as well as branch consolidation and outright plant closings
- In terms of transitional dynamics, there have been multiple dynamics at work, generating increasing tensions in rural counties but also opportunities to reinvent themselves provided that they have necessary funding

# Section III: Current Business Environment/Transitions

Chart IV.2: Transitional Dynamics in MTM Region: Interviews



## Transitional Dynamics



# Section III: Current Business Environment/ Transitions and Tensions

- While there have been ongoing transitions in local business environment, local business leaders have specific concerns about current environment and business practices
  - Concern about too much emphasis on automotive
  - Concern about too much emphasis on “big businesses;” many believe that the region’s future is in small to medium size businesses
- Many business leaders believe region has a big potential for growths but have the following recommendations for the regional competitiveness:
  - Focus on how to stay competitive regionally
  - Increase highway capacity
  - Develop aggressive business strategy to market the area regionally
  - Connect region to AL; need to make a fresh start in defense industry
  - Institute new policies to help small businesses; they are engines of economic growth, and current job creation incentives are not practical for them
  - Emphasize “lean manufacturing” and centers for manufacturing excellences; productivity increase and technology investment are key to our future
  - Build up regional technical resources

# Section IV: Past, Present, and Future of Industry Clusters in the Region

- The region has experienced a shift in manufacturing employment
  - Shift from traditional manufacturing that dominated the period between the early 1940s and the mid-1990s
  - Current environment represents the remnants of past industries plus heavy automotive industries: a hybrid system
  - Future is likely to be dominated by service industries, automotive, defense-related and bio-fuel, according to interview results
- The following chart summarizes this process

# Section IV: Past, Present, and Future of Industry Clusters in the Region

Chart IV.3:

## Historical Evolution of Regional Economy: From Traditional Manufacturing to High Tech Defense and Service Industries

I. From the 1940s to the Mid-1990s  
Traditional Manufacturing



II. From the Mid-1990s to Present  
Hybrid Make-up



III. Future Expectations/  
Potentials



# Section V: Current Industry Clusters

- 100 sound bites from 50 business and community leaders identified the current industry clusters in the region as presented in Table BI2
  - Automotive and automotive suppliers top the list
  - Metalworking & fabrication, food processing, and machine works constitute next group of clusters
  - The third group includes the group of clusters that includes lumber/wood processing, leather/plastics/packaging, medical supplies/healthcare
  - The fourth major group includes writing instruments, chemical and appliances

BI2. Current Industry Clusters (ranked by the number of frequency)

Clusters	Percent Cited (%)
Automotive & Automotive Suppliers	17
Metalworking & Fabrication	9
Food Processing/Manufacturing	8
Machine Works	8
Lumber/Wood Processing	7
Leathers/Plastics/Packaging	7
Medical Supplies/Healthcare	6
Writing Instruments	5
Chemical	5
Appliances	5
Aerospace & Defense	4
Mobile Home/Trailers Manufacturing	3
Energy-Based/Biofuel	3
Bottling	2
Distillery	2
Printing and Publication	2
Electronics	2
Call Centers/Distribution/Warehousing	2
Drilling	1
Precision Manufacturing	1
Nursery	1

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# Section V: Current Industry Clusters: How are They Performing?

- Observation about the business environment
  - Pretty stable business environment
  - Region is good place to do business
  - Regional environment is good for businesses
- Issues and concerns about regional business environment
  - Region needs fast-track program activation
  - The region is producing less and less
  - High automotive concentration creates weakness
  - Property tax on equipment further eroding already thin margins
- National economic trends and concerns
  - High competition
  - Increasing material costs and energy prices: regional supplier industries feeling squeezed as the cost of production increases but they cannot increase their prices due to customer industries' resistance
  - Housing downturn affected lumber and wood processing industries
  - Relocation of businesses overseas has shrunk certain industries due to the loss of customer industries

# Section V: Current Industry Clusters: How are They Performing?

- Industries that are stable, doing OK and growing
  - Automotive due to automation
  - Plastics and packaging
  - Distillery
  - Metal fabrication
  - Niche markets: explosive manufacturing
  - Agribusiness
  - Injection molding
  - Lumber and logging
  - Traditional manufacturing with government contracts
- Industries that are not performing well
  - Small businesses are struggling because of increasing material costs
  - Automotive suppliers are feeling squeezed
  - Air conditioning and fabricated metal are feeling squeezed
  - Margin for writing instruments are razor thin and they are very slow
- Overall, half of businesses are experiencing low to moderate growth rate

# Section V: Current Industry Clusters: What are the current challenges industry face?

## BI3. Challenges for Current Industry Clusters

Challenges	Percent cited (%)	Challenges	Percent cited (%)
All aspects of workforce	19.07	Local funding challenges to expand services (infrastructure)	2.58
<i>lack of technical skill</i>		State red tape	2.58
<i>availability and quality</i>		Failure of secondary school system	2.58
<i>shortages</i>		Water supply/waste water treatment	2.58
<i>skills</i>		Tax (local, personal, corporate) & abatement	2.06
<i>math and science skill</i>		Education	2.06
Cost of doing business	11.86	Unemployment & underemployment	2.06
<i>raw materials</i>		County-centric thinking	1.55
<i>energy</i>		Environmental regulations	1.55
<i>utility</i>		Transportation/supply cost	1.55
<i>logistics</i>		TVA rate increase	1.03
International Competition	11.34	Broadband accessibility	1.03
<i>China, NAFTA, Others</i>		Retail leakage/less shopping opportunities	1.03
Workers comp for small businesses	7.73	Union mindset	1.03
Healthcare	4.64	Getting defense contracts for companies	0.52
Work ethic	4.12	Business friendly attitude	0.52
<i>FMLA abuse</i>		Rural and remote	0.52
<i>turnover</i>		Local leadership (not coming together to face challenges)	0.52
<i>commitment</i>		Economic leadership	0.52
General economic environment	3.61	Not availability of high paying jobs for area graduates	0.52
4-Lane highway	3.61	Loss of customer base to overseas	0.52
Retaining existing businesses	3.09	Consolidation of branch operations	0.52
<i>incentives</i>		Decent rail services	0.52
<i>grants for tech investment</i>		New generation employee turnover	0.52
<i>small business incentive packages</i>		Regional marketing	0.52

# Section V: Current Industry Clusters: What do the industry leaders think about these challenges?

- Leveling the playing field is a must to offset the impact of international competition
  - Quality of imports should be carefully scrutinized
- “Just-in-time” manufacturing is critically important, and the counties in the region need 4-lane highway to become “just-in-time” supply centers
  - Local governments are struggling to complete projects
- State red tape is a major challenge for businesses and must be eliminated
- Small businesses are paying hefty prices for increasing utility costs
- Leadership should make sure the foundation is strong and reduce the chances of further employment losses from the rural areas
- The work we do does not require advanced education but new generation does not have a basic math skill
- Non-traditional technical schools are absolutely necessary to address business needs
- Economic development officials’ attitude must change; their concerns are adding more jobs, but our concern is about surviving and sustaining
- Counties need to work together to address water, transportation, regional park infrastructure and skilled workforce issues
- Policies for existing businesses are urgently needed
  - New legislation that gives incentives for companies expanding in rural areas is necessary
- The region is in the middle of high-tech corridor that should be leveraged

# Section V: Current Industry Clusters: What should be done to be more competitive?

## BI4. What can be done to remain competitive?

Suggestions	Percent cited (%)	Suggestions	Percent cited (%)
Improving education and educating workforce	11.69	Taking advantage of NAFTA to sell there	1.30
Reduce the healthcare cost	6.49	Eliminating middle man/buying your own	1.30
Prioritizing existing business needs (small & rural areas)	6.49	Promoting college education	1.30
Lean manufacturing-university connection	6.49	Being competitive in labor insurance and utilities	1.30
Addressing workforce skills/work ethic	6.49	Hazardous material shipping regulations	1.30
Diversifying products and economy	5.19	Connect local suppliers to customers	1.30
Becoming/making your business more competitive	5.19	Ease of getting through state red tape	1.30
Legislation that levels the playing field with NAFTA and China	5.19	Municipal waste water treatment facility	1.30
One stop regional workforce training and business centers	5.19	National level focus on competitiveness and education	1.30
Cutting the corporate taxes/ personal tax on unassembled equipment	3.90	Utility cost must be addressed for small businesses to remain competitive	1.30
Set up a "non-traditional technical school"	3.90	We need to have an energy policy	1.30
Make workers comp small business friendly	2.60	Revamping incentive package to accommodate small businesses	1.30
Empowering employees & leveraging their creativity	2.60	Leadership should take advantage of available federal money for	1.30
Expanding the highway	2.60	<i>workforce development</i>	
Improving community support for businesses	2.60	<i>existing industry retention programs</i>	
Cooperation across the counties/regional focus	2.60	<i>lean manufacturing</i>	
Encourage existing businesses to invest in the area	2.60	Bring research and testing labs to the area	1.30
<i>reward integrated business systems with tax incentives</i>			

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# Section VI: Future/Potential Industry Clusters: What are they?

- Businesses and community leaders mentioned distillery/winery/tourism/retirement development as potential clusters
- Aerospace and defense as well as automotive and its suppliers as the second and third clusters
- R&D based high technology industries and alternative energy were also received high rankings

## BI5. Future Clusters/Potential

Clusters	Percent (%)
Distillery/Winery/ Tourism/ Retirement	21.52
Aerospace & Defense	15.19
Automotive and Automotive Suppliers	15.19
R&D Based High Technology Clusters	10.13
Alternative Energy/Biofuel	8.86
Food & Poultry Processing	7.59
Call Centers/Distribution/Warehousing	5.06
Medical Supply/Pharmaceutical Support	5.06
Plastics	3.80
Material Sciences	2.53
Machinery Manufacturing	2.53
Writing Instruments	2.53

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## Section VI: Future/Potential Industry Clusters: How do the business and community leaders see the future?

- Overwhelming number of them indicated that region has potential for growth
  - But they indicated that core manufacturing industry will continue to decline
- Similarly, they mentioned that the region is great for business to start and grow as well as raise family
  - However, the existing business feels that if the things continue to be the way they are we may not be in business in the near future
- The region is strategically located to grow and attract new businesses
  - However, we need to be ready in terms of industrial sites and workforce education
- We cannot afford to lose our manufacturing capabilities
  - Community and government should realize that losing manufacturing ability will decrease our quality of life and standard of living
- Regional effort is critical for the future growth
  - The region must carefully decide what kinds of clusters they will attract given the available resources
- We need to diversify and adapt the market conditions to remain competitive
- Growth will come from technology and innovations
  - Existing business will play critical role

## Section VI: Future/Potential Industry Clusters: How do the business and community leaders see the future?

- Arnold-Huntsville cooperation should be pursued vigorously, and spill over effect of this cooperation across the rural counties should be explored
- TVA would be more cooperative in rural areas
- Entrepreneurship and small businesses will be the engine of region's economy
- Integrated plant system rather than branch operation will be critically important for the sustainable economic growth

# Section VI: Future/Potential Industry Clusters: What are the future challenges?

- All aspects of workforce tops the list as the critical challenge the region will face as its economy continues to transform itself.

**B16. Future Challenges**

Challenge	Percent cited (%)	Challenge	Percent cited (%)
Improving all aspects of workforce	19.47	Diversification	2.65
Local education/resistance to tech education	8.85	Water availability/treatment	2.65
Bringing communities together around a common goal	7.08	Thinking and acting regionally	2.65
Foreign competition	6.19	Addressing energy cost	1.77
Infrastructure in rural areas/funding	4.42	Price increase	1.77
Open mindedness/cooperation among leaders	4.42	Lack of incentives for rural areas/small businesses	1.77
Shipping/transportation	4.42	Training programs for welding, injection molding and other technical areas	1.77
Highway/4-lane access	3.54	Airport access	0.88
Healthcare	3.54	Technical resources	0.88
Red tape/regulations	3.54	Regional emphasis on education, workforce, highway	0.88
Leadership in promoting and selling the region by leveraging exiting industries	3.54	Increasing efficiency in water and energy use	0.88
Broadband access	2.65	Preparing workforce for potential technical skill shortages due to baby boomers	0.88
Heavy reliance on automotive	2.65	Advance manufacturing development programs are critical	0.88
Lack of R&D supported by universities	2.65		
Workers comp	2.65		

## Section VII: What is the state of business-to-business interactions in the region?

- Nearly one-third of businesses and community leaders rated the business interaction below average; less than 17 percent as above average; and 27 percent believe more need to be done

### BI7. What is the state of business to business interaction in the region?

Categories	Percent cited (%)
Little/No Interaction	18.75
Not Good	14.58
Average	10.42
Above Average	16.67
Could be better	27.08
HR Directors and Plant Managers Meeting	12.50

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## Section VII: What are the critical issues in business-to-business interactions in the region?

- We need to foster a healthy regional business environment, regionalism itself and regional workforce development
  - Regional business expos and synergy must be encouraged
  - Need better synergy at the regional level between businesses, industrial boards, chambers, educational institutions and government
- Local chambers and mayors need to know their communities better
  - They need to work hard and visit businesses
- Relations with outside business associations are better than the ones with the area businesses
  - Social organizations are not there
  - Some companies are more detached
  - Management of companies is not living in the area
  - Community culture is not strong
  - Some businesses do not want to interact with each other
  - Businesses are not cooperating with each other
- Networking is critical for business success
  - It is desirable to have close cooperation in the area of education
  - There should be a new initiation of business to business meetings to pool resources in lean manufacturing areas
  - Small businesses need to come together

## Section VII: What are the state of business to education interactions in the region?

- Overall, business and community leaders indicate a positive interaction with schools. However, they continue to acknowledge that
  - Education is a sore point
  - County could benefit from new educational opportunities
  - Small companies do not have close interaction

### BI8. Business to Education Relationships

Categories	Percent cited (%)
Business to vocational school is good	3.33
Businesses done a good job in cooperating with educational institutions	43.33
There are close contacts with technology centers	13.33
Community college is doing good at training	6.67
Could be better	16.67
Limited/no interaction	16.67

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## Section VII: What are the state of business to education interactions in the region? What are the concerns of businesses?

- Although there seem to be good interactions and the schools seem to responsive to the idea of cooperation, all the rest of the statements come with a “but.”
  - Willingness to help is there but ability to deliver is below average
  - Business demand for skilled workforce is unmet
  - Business to high school is not good (nearly one-third of businesses mentioned this)
  - Not flexible enough to handle short-term business needs
  - Just a lip-service
  - Educational institutions are not showing their leadership proactively
- Need formal internship programs
- Need a “non-traditional schooling” to meet the short-term demand
  - Community colleges are not flexible enough to change programs to accommodate business needs
  - Area technical schools are performing below average in terms of business responsiveness
  - Schools listen very well but resolution of the issues take longer than business needs
- We need to reinvent ourselves when it comes to education
  - More technical training must be the case / material science/hands-on experience
  - We need to harness our existing resources such as MTSU, UT and Motlow

## Section VII: Promoting business interests?

- Compared to state and federal representation, local officials and business associations receive relatively favorable opinions

BI9. Are governments and associations promoting your interests?	
<u>Local government and association</u>	
Not doing a good job	42.42
Yes	33.33
Could be better	24.24
<u>State</u>	
Not doing a good job	46.43
Yes	39.29
Could be better	14.29
<u>Federal</u>	
Not doing a good job	61.90
Yes	19.05
Could be better	19.05

## Section VII: Promoting business interests? What are the critical local concerns

- Businesses have wide range of concerns regarding local, state and federal representations
  - Government needs to listen businesses and recognize the fact that there are solid businesses and good citizens in this community
  - Local leadership is not unified; leadership starts at home and goes all way up
  - Leadership is not listening local businesses
    - They don't recognize the real issues we are facing here
- Local associations are neglecting existing businesses at the expense of recruiting the new ones.
- We need to think regionally and motivate leadership to do the same
- Local governments are often creating extreme hardship for small businesses when it comes to handling roads
- State Economic Development officials should listen to rural communities
  - State expects too much from the rural counties
  - There should be resource conservation credits that take off large demand from local governments
- In terms of national representation, there is a disconnect between national representations and rural communities

# Section VIII: Expectations from Study

## BI10. What would you like to see out of this initiative?

- |  |   |
|--|---|
| 1. A Regional level forum  | 18. R&D labs and testing centers  |
| 2. Access to information about our region                              | 19. Synergy and leadership  |
| 3. Attracting better paying jobs                                       | 20. Water and environmental issues                                      |
| 4. Competitiveness   | 21. Community should know what business assets they have                |
| 5. Concrete recommendations regarding the problems                     | 22. Efforts to bring companies together in the areas of pressing needs  |
| 6. Economic diversity  | 23. Eliminate or reduce taxes to make industry more competitive         |
| 7. Road maps for the future  | 24. Improve the highway and other rural infrastructure                  |
| 8. High-paying job creation  | 25. Set-up a long term vision for regional economic development         |
| 9. Emphasis on education and business connection                       | 26. Which companies are buying from whom?                               |
| 10. Ways to empower this group to produce something tangible           | 27. Who are the major entities in the region?                           |
| 11. Encourage skilled labor development/evaluate this issue critically | 28. Explore workers comp and its implications for small businesses      |
| 12. Focus on existing business/find ways to make them competitive      | 29. Addressing a whole issue of utility costs                           |
| 13. Identify some companies suitable for region                        | 30. Regional level one-stop business centers                            |
| 14. Highway and tax incentives for rural areas                         | 31. Networking opportunities  |
| 15. Industry-cluster gaps/list of industries                           | 32. Modify existing incentive packages for small businesses             |
| 16. List of recommendations with details                               | 33. Directions about the factors affecting healthy business environment |
| 17. Marketing the region with data                                     | 34. Web of entities working together                                    |

Thank You!

Questions?