

Assessment of Small Business Aid and Small Business Needs in Louisiana Five Years After Hurricane Katrina

Overview of Case Studies

Michael A. Turner, Ph.D., Robin Varghese, Ph.D., Patrick D. Walker, M.A.

With research assistance by Daniel Graubman



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First and foremost PERC wishes to thank the small business owners and self-employed aid recipients who agreed to be interviewed for this report. In no particular order they are: Douglas Wells and his wife Elaine, George Serigny and his wife Marina, Carol Lewis, Kinh “Ken” Nguyen, and Kyle Berner.

We also wish to thank Charlene M. Soares (United Houma Nation), Tuan Nguyen (Mary Queen of Vietnam CDC), Sister Helen and Denise Galatas (Southern Mutual Help Association), Phyllis Jordan (Good Work Network), and Emily Mitchell (The Idea Village) for assistance in the logistics of setting up and arranging space for the case study interviews.

Additionally we would like to thank all the LDRF-funded Community Development Organizations (CDOs) that participated in this project.

The Idea Village

NewCorp Inc.

Goodwork Network

Capital Access Project

Mary Queen of Vietnam CDC

Southern Mutual Help Association

Operation Hope

United Houma Nation

The CDOs provided information on many aid recipients enabling us choose the recipients interviewed in this study. Each CDO had great examples of small business and self-employed aid recipients that were very successful following aid and also examples of some that were not. The level of success of individual cases described in this report should in no way be thought of as indicative of impact of the respective CDO that aided them. The many CDOs not represented in the cases by no means provided less compelling cases, the number of cases that we planned to examine was simply fewer than the number of participating CDOs.

And finally, we wish to thank the Louisiana Disaster Recovery Foundation (LDRF) for funding this valuable research.

The findings and conclusions contained in this report are expressly and exclusively those of the authors.

Table of Contents

1.	Introduction	6
2.	Overview of Research and Purpose	8
2.1.	Case Studies	9
2.2.	Surveys	10
3.	Organizations Participating	11
3.1	The Idea Village	11
3.2	NewCorp Inc.	12
3.3	Good Work Network	12
3.4	Capital Access Project	13
3.5	Mary Queen of Vietnam Community Development Corporation (MQVN CDC)	14
3.6	Southern Mutual Help Association, Inc.	15
3.7	Operation Hope	15
3.8	United Houma Nation	16
4.	Case Studies	17
4.1.	Feelgoodz Case	18
4.2.	Parenting Magazine Case	21
4.3.	The Case of Ken's Pharmacy	23
4.4	The Case of George Serigny	26
4.5	The Case of Douglas Wells	28
5.	Results and Analysis of Case Studies	30
5.1.	Start-ups	30
5.2	Existing Small Businesses	32
6.	Conclusion	34

1. Introduction

In the over five years since a series of natural disasters ravaged the American Gulf Coast, considerable sums of money have been invested in rebuilding communities and revitalizing the region's economy. While some of these programs have been controversial, it is inarguable that these funds have had a net positive impact on affected communities.



Now that challenges to regional recovery and renewal have been compounded by the subprime mortgage meltdown in the U.S. and the global financial crisis, expanding the development successes requires three things:

- (1) a clear understanding of links between development programs and development outcomes;
- (2) an assessment of the nature and magnitude of outstanding unmet development needs; and
- (3) a further assessment of the nature and cost of additional efforts necessary to satisfy those unmet needs.

The focus of this analysis is narrower. Rather than comprehensively examining the entire Gulf Coast, only small businesses and micro-enterprises in hurricane-ravaged parts of Louisiana were analyzed. Furthermore, only those programs that were enabled (entirely or in part) by grants, loans, or other forms of assistance through the Louisiana Disaster Recovery Foundation (LDRF) were most directly assessed.

This analysis builds upon PERC's earlier work on how small and medium-sized enterprises (SMEs) were impacted by the series of natural disasters that began in 2005. This analysis focused not just upon economic impacts, but also how SME's were coping with continued challenges, emphasizing the perspective of small business owners and entrepreneurs from those areas most directly affected by the natural disasters.

PERC's 2008 analysis found between 15% and 30% of SMEs in affected areas were earning less than half of their pre-Katrina level revenues.¹ In addition to reduced revenues, many SMEs in affected areas were taking on increasing amounts of debt, and a growing number of SMEs were becoming delinquent or going into default. For small businesses, the average amount of debt and other obligations in the credit collections process increased by nearly 500% in New Orleans.² Yet despite many SMEs having negatively-impacted revenue and increasing average debt service burdens, the number of small business owners who considered the 2005 hurricanes to be the primary cause of challenges confronting their firms decreased by 13% between 2007 and 2008.³

One of the key findings in PERC's earlier studies was discrepancy among business owners by ethnicity. On average, Black-owned businesses tended to be doing worse than their peers in terms of revenue, amount of debt and amount of debt delinquent or in collection, and exit rate.⁴ While the PERC analyses did not probe into

causal factors for these discrepancies, the fact of such differences is noteworthy, and its underlying causes merit further attention. To the knowledge of the authors, no such analysis has been conducted as of the completion of this report.

Finally, earlier PERC analyses noted that small business owners, when surveyed, consistently identified non-profits and charities as the institution having the greatest positive impact on business and economic recovery. In fact, the number of business owners identifying non-profits such as the LDRF and the Community Development Organizations (CDOs) that it funds as having the greatest impact on recovery exceeded the second most common response (FEMA) by 63%.⁵

Clearly, then, the efforts of non-profits like the LDRF in the trenches in those areas most directly affected by the 2005 natural disasters are *perceived* by some small business owners to have made a positive impact upon economic recovery. The task of this series of reports, then, is to assess—quantitatively and qualitatively—the nature and magnitude of the impact of one such non-profit on a select group of small businesses in Louisiana.

1 Turner, Michael A., Alyssa Lee, Robin Varghese, Patrick Walker. *Recovering But Not Recovered: Gulf Coast Businesses Three Years Later*. Chapel Hill, NC. PERC Press, August 2008. Pg. 7.

2 Turner, Michael A. Alyssa Lee, Eugene Gurenko, Alexander Igin, Robin Varghese, and Patrick Walker. "Credit and Financial Impacts of Disaster: What Can We Learn from Credit File Data." Chapel Hill, PERC Press. August 2008. Pages 22-29.

3 Turner, Michael A., Alyssa Lee, Robin Varghese, Patrick Walker. *Recovering But Not Recovered: Gulf Coast Businesses Three Years Later*. Chapel Hill, NC. PERC Press, August 2008. Pg. 7. *Recovering But Not Recovered*. Pg. 7.

4 Turner, Michael A., Patrick Walker, Robin Varghese. *Recovery, Renewal, and Resiliency: Gulf Coast Small Businesses Two Years Later*. PERC Press, August 2007 et. al.

5 *Op. Cit.*



2. Overview of Research and Purpose

This research project, comprised of this case studies report and an analysis report, is designed to measure the impact of LDRF-supported grants, loans and other assistance programs. Since 2005, these programs have been designed and administered to aid small businesses by community development organizations, eight of which are examined in this and the analysis report. This research is intended to help the LDRF:

- ▶ assess the current state of Louisiana small businesses operating in areas directly and indirectly affected by the 2005 hurricanes;
- ▶ establish the nature and extent of unmet development needs among small business owners; and
- ▶ measure the magnitude of resources required to address existing unmet needs.

These measures have several potential benefits for LDRF policy and for community development organizations. The obvious benefit of knowing the effectiveness of programs enables a reallocation of funds towards the most effective use. The data

sets we gather (see below) for this analysis can also assist in assessing whether and how the effectiveness of programs may vary, e.g.:

- ▶ by business sector, age, geography or other demographic facet;
- ▶ by interactions with other assistance programs; and
- ▶ by interactions with the surrounding business environment.

The extensiveness of the analysis is designed to bring nuance to policy prescriptions. For example, it may be the case that a relatively ineffective policy, say, small business loans for enterprises in the office supply sector, can be made more effective by a complementary program, such as technical assistance.

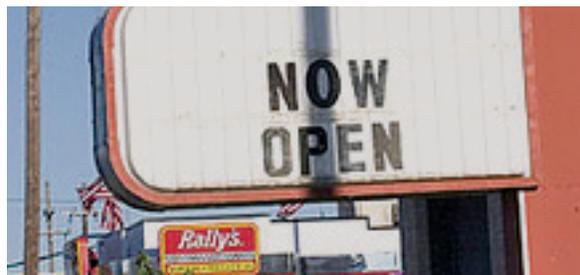
Our approach to answering these questions and measuring these outcomes comprises separate data-gathering exercises. Each of the data-gathering exercises has a logic that is integral to that of the whole project, but they also provide substantive insights in and of themselves. The three data-gathering efforts are:

- ▶ case studies,
- ▶ telephone surveys, and
- ▶ third-party private datasets (and potentially some public databases).

The report will elaborate on the data sources utilized, the rationale for their collection, and what each has to offer.

2.1. Case Studies

The first data set is gathered from case studies; this report details the findings of these case studies. The rationale behind using case studies and conducting case studies first is:



To gain an understanding of program 'effectiveness':

Given the fact that the economic recovery of a business is partially dependent on the recovery of sectors in a wider economy that has been hit by a disaster, it is important to develop a qualitative benchmark of success and failure for small businesses in the New Orleans area. Moreover, as some sectors were differentially affected by, for example, subsequent hurricanes (fisheries), or the burst of economic bubbles (construction), it is necessary to understand in which sectors, regions, and timeframes success means 'growth' and in which it means 'survival.'

Our strategy with the case studies was to interview three to four successful cases and one to two unsuccessful cases, as defined by the community development organizations whose programs we are examining. The interviewees are recipients of LDRF funds disbursed by these CDOs.

To identify key issues in business operations that can be inquired about in phone surveys and selected from private (and possibly public) databases:

Aside from standard questions regarding business performance and profile, we hoped in our survey to inquire about key and common but region-specific issues in business activity. That is, there may be operating requirements, challenges, and concerns not apparent to the outside observer. Case studies help to identify these factors to be inquired about in surveys and looked for in the large private and public datasets.

In preparation for the interviews, we gathered application data and any status reports the interviewees filed with the community development organization. We asked for application data on acceptances, as well as for rejections and for those who though accepted declined the grant or loan.⁶ We also requested any follow-up data such as any updates to the applicant's file (as in paid back loan, went out of business, still operating, etc.). Interviewees were selected also on the basis of the extent to which they represented typical cases, in terms of sector, other grant, loan, and technical assistance recipients.

This report provides some lessons from the case studies.

2.2. Surveys

The surveys of small businesses were conducted by telephone. The surveys included recipients of LDRF-funded assistance programs (loans, grants, technical assistance) as well as businesses that were rejected or declined assistance. Lists of these small businesses came from the eight participating CDOs. In addition, a control sample of businesses was surveyed. The businesses in the control sample were randomly drawn from a general list of small businesses in Louisiana.

The survey asked the owners and operators of businesses questions about operations since 2005, just before Hurricane Katrina, to the present. Survey questions regarded:

- ▶ Business demographics: sales and employment
- ▶ Impact of the disasters on business operations, change in sales and employment
- ▶ Business confidence
- ▶ Current challenges in business operations, including access to capital and credit
- ▶ Post-disaster assistance and the impact thereof
- ▶ Program-specific information

Third Party Private and Public Datasets

The third main data component utilizes very large datasets covering tens of thousands of businesses in Louisiana. This data will be appended to the information from the case studies and from the phone surveys, but its true value comes from being able to develop a near-comprehensive picture of small businesses in Louisiana. Combined with the data from the surveys, the case studies, and the applications from the community development organizations, we will be able to:

- ▶ Generate comparison cases that control for the impact from the 2005 hurricanes to see how the recipients perform relative to non-recipients, and
- ▶ Assess the scope of unmet need by examining the profiles of non-recipients

⁶The logic behind asking for application data for rejections and those who declined assistance rests in our intention to approach rejects in the telephone survey phase.

From Experian: the small business credit file data and small business owner and operator data. As Experian updates its National Small Business Database and its Business Owners Link (BOLS) database on an ongoing basis, PERC will be able to analyze data that is less than thirty days old.

From Acxiom: Additional socio-demographic information on small business owners, such as age, household income, and ethnicity.



3. Organizations Participating

PERC worked with eight community development organizations (CDOs) for this analysis. These organizations have received funds from the LDRF in order to facilitate small business recovery in the affected areas. The organizations have different approaches to small business assistance—whether in the form of loans, grants, or technical assistance—and work with different communities in the area. The following broadly describes the participating CDOs.⁷



3.1 The Idea Village

In 2000, The Idea Village was formed by a group of New Orleans entrepreneurs who returned home energized by experiences in thriving communities across the United States. The founders determined that the key to creating positive economic and social change in New

⁷These descriptions are based on material provided by the CDOs to PERC, interviews with CDO staff members, and information from the CDOs websites

Orleans was to create a vibrant entrepreneurial community. The Idea Village formalized in 2002 as an independent 501(c) (3) non-profit organization with a mission to identify, support and retain entrepreneurial talent in New Orleans by providing business resources to high-impact ventures. It provides business resources to select ventures that have a potentially high impact on factors such as skill development and employment. It has supported 570 local entrepreneurs by engaging 890 professionals and allocating over 56,000 consulting hours and \$2.5 million in capital. This portfolio generates over \$87 million in annual revenue and has created 1,000 jobs for the New Orleans community.

The Idea Village identifies growth challenges, sets goals, and provides business strategy, marketing support, and financial direction. In addition, The Idea Village provides access to development grants, talent and innovative work spaces. With a ten-year track record and focused strategic plan, The Idea Village will support new entrepreneurial ventures through The Idea Village Entrepreneur Challenge™, build the entrepreneurial ecosystem through The IDEAbank™ and develop entrepreneurial talent through IDEAcorns™.

3.2 NewCorp Inc.

NewCorp, Inc. is also a 501(c)(3) non-profit community development financial institution (CDFI) that provides assistance to small businesses, especially minority- and female-owned

businesses. It provides financial and technical assistance to these businesses, including training, counseling, and financial products and services. New Corp works with enterprises located primarily in Orleans and Jefferson parishes. It also works with businesses in St. Bernard, St. Tammany, St. Charles, St. John, and Plaquemines parishes.

New Corp Inc.'s technical assistance programs include one-on-one counseling, business plan development, assistance with certifications, marketing support, help with accounting and finance, computer/internet training, management counseling, and financial literacy.

NewCorp also assists corporations, banks, other financial institutions, universities, gaming casinos and governmental agencies achieve the goal of doing business with minority and women owned business. In this area, they provide database maintenance/retrieval, business resource information, bid and contract posting, as well as business event collaboration.



3.3 Good Work Network

Good Work Network is a primary provider of business development services for the small community-based businesses that support families and sustain communities. Founded in 2001, the Good Work Network is a 501(c)(3) whose mission is to educate, coach, and support these

smaller businesses to help them improve their skills, realize their full potential and become active participants in the local economy. Through its programs and services, Good Work Network works to expand the local economy by building minority- and women-owned businesses, envisioning a community where the economy is diverse and inclusive and where all dedicated and competent entrepreneurs have access to the resources they need to succeed.

Good Work Network has operated micro enterprise development programs for the U.S. Small Business Administration, the U.S. Department of Health and Human Service Office of Community Development, the Louisiana Department of Economic Development, the City of New Orleans, and the Louisiana Disaster Recovery Foundation.

Since its inception, Good Work Network has been providing business development services to a client base that is 92% African American, 69% female, and 67% low-income. It has assisted over 1,900 individuals, helped start 300 minority or women owned businesses, and assisted clients in acquiring \$2,000,000 in business capital. Since Good Work Network began counting job creation in 2006, over 340 jobs have been created by the businesses Good Work Network has assisted. GWN services eight parishes, including: Orleans, Jefferson, St. Bernard, Plaquemines, St. Charles, St. James, and St. John the Baptist.

The Good Work Network provides technical assistance in the areas of accounting, bookkeeping, administrative support services, business education and coaching, capital access, marketing, credit counseling, and website development.

3.4 Capital Access Project

Capital Access Project (CAP), founded in 2001, is a 501(c)(3) non-profit that promotes the growth of small business in the New Orleans metropolitan area. They are dedicated to supporting the creation of competitively viable small, disadvantaged, minority- and women-owned firms through business development assistance by identifying, qualifying and matching those firms with public- and private-sector resources to start or expand their businesses, create jobs, and create an economic impact that would otherwise not exist in New Orleans.

At the center of CAP's service delivery strategy is the one-on-one consultation. Every client receives one-on-one counseling with a CAP client manager and a customized action plan is developed to help the client achieve firm-specific goals. The services CAP provides include business plan evaluation and preparation; strategic business plan development; loan packaging; business certification assistance; personal credit repair; business credit building; adult financial literacy training; business after-care (post-engagement management and techni-

cal assistance); business research; forming a Louisiana corporation, LLC or partnership; securing an EIN, as well as state and city tax IDs, licenses and permits; and helping clients establish a business banking relationship.



3.5 Mary Queen of Vietnam Community Development Corporation (MQVN CDC)

MQVN CDC, also a non-profit organization, was founded in 2006 by community leaders from the Mary Queen of Vietnam Church. Its mission is to be a credible advocate of equality for all residents in the Greater New Orleans area who desire self-determination, sustainability, harmony and accessibility to rights and services. They aim to foster quality community development, resiliency and celebration of cultures. MQVN CDC seeks to rebuild the Vietnamese community in New Orleans East in the wake of the natural disasters of Katrina and Rita, and contribute to the revitalization of the greater New Orleans area. MQVN CDC's efforts are broad and comprise issues of affordable housing, economic development, education, health care, and cultural arts.

As part of these revitalization programs, MQVN CDC has also focused on small business revitalization, including the administration and provision of loans, grants, and technical assistance.

Major accomplishments to date include:

- ▶ Providing emergency relief assistance to over 3,000 Vietnamese American residents post-Katrina;
- ▶ Developing a trailer site that provided 199 trailer homes to hundreds of returnees;
- ▶ Engaging nearly 1,000 community members in identifying community needs and articulating priorities for neighborhood rebuilding process;
- ▶ Offering culturally competent case management services to over 1,200 community members;
- ▶ Assisting Village de l'Est business owners to secure over \$2M in capital to rebuild or expand their businesses;
- ▶ Gaining support and endorsements from over 50 local and national groups to form a long-term debris management and recycling plan;
- ▶ Mobilizing over 500 community members to participate in the Unified New Orleans Planning process;



- ▶ Collaborating with Children’s Hospital and Tulane Medical School to start two bridge health clinics in New Orleans East; and
- ▶ Assisting the short- and long-term needs of hundreds of fisherfolk affected by BP oil drilling disaster.

3.6 Southern Mutual Help Association, Inc.

Southern Mutual Help Association, Inc. (SMHA) is a forty-year-old non-profit community development corporation headquartered in New Iberia, Louisiana, with a mission of building strong, healthy and prosperous rural communities. SMHA’s special focus is on distressed rural communities whose livelihood is interdependent with Louisiana’s land and waters. Following 2005’s Hurricane Katrina and Hurricane Rita as well as 2008’s Hurricane Gustav and Hurricane Ike, SMHA has worked with 840 homeowners, fifty fishers, ninety-seven farmers, forty non-fisher businesses, and eleven churches to recover and rebuild; SMHA’s total direct investment in homes and businesses in the form of grants, loans, lines of credit and volunteer labor exceeds \$10.6 million.

SMHA has worked with Louisiana’s traditional fisher families for over a decade – well before the 2005 hurricanes – helping them find ways to continue their generations-old family businesses as they faced losing their rights to access public waters and find economic solutions to their

inability to compete with low-priced, low-quality foreign imported seafood. Following Hurricanes Katrina and Rita, SMHA’s work expanded to include providing grants and low-interest loans to help fishers recover their homes, boats and businesses. SMHA’s most recent work is establishing a recoverable grants fund to help small-boated fishers and fisher-related businesses survive in the wake of the BP oil spill that has threatened their livelihood and generations-old way of life.

3.7 Operation Hope

Operation HOPE, Inc. (HOPE) is a non-profit founded in 1992 in Los Angeles. Its activities include lending, advocacy, and education for low income and minority communities. The mission of HOPE is to assist underprivileged communities through investment, technical assistance, and outreach.

In the wake of hurricane Katrina, Operation HOPE worked in affected areas to provide small businesses with grants, one-on-one counseling, marketing assistance and financial education, including guidance from CPAs, and assistance with loan applications.

Through a partnership memorandum with the State of Louisiana and funding from the Bush-Clinton Katrina Fund, the Mississippi Development Authority, the Louisiana Disaster Recovery Foundation, and the Louisiana Department of Economic Development, HOPE delivered critical financial expertise and emergency financial guidance to over 120,000 individuals in the affected

areas, including 2,652 individuals and families served through Earned Income Tax Credit (EITC), working in partnership with former U.S. President Bill Clinton, the Clinton Foundation and H & R Block. Additionally, 3,581 small businesses owners received critical services to support rebuilding efforts, including entrepreneur training, financial management guidance from volunteer CPAs, in-house business coaching, access to QuickBooks, and tax assistance, help researching and preparing for loan presentations to banks, and special technical and contract consultations.

Additional assistance included preparedness and recovery seminars with 10,718 participants, and financial literacy training for youth through HOPE's award-winning Banking on Our Future program educating 3,213 students. These services and the many other services offered to the victims of Katrina and Rita were provided by employees using 2,953 members of HOPE's volunteer network and HOPE Corps, all specifically recruited to provide financial guidance and assistance to families and small business owners.

HOPE's efforts have included the distribution of 5,000 Emergency Financial First Aid Kits (EFFAK) through Lowe's and Home Depot stores and during various church services and providing an electronic link to the EFFAK and Personnel Disaster Preparedness Guide (PDPG) to 200 local organizations and state government agencies.

3.8 United Houma Nation

The United Houma Nation (UHN) is a state recognized tribe of approximately 17,000 tribal citizens residing within a six-parish (county) area. The six parishes, Terrebonne, Lafourche, Jefferson, St. Mary, St. Bernard and Plaquemines, are located along the southeastern coast of Louisiana.

The impact of Hurricanes Katrina and Rita have brought long-term hurricane relief efforts to the forefront of the UHN's strategic plans for the next three to five years. Efforts are focused on tribal citizens' immediate rebuilding needs and future community development. The UHN estimates that, approximately 7,000 tribal citizens were directly affected by these hurricanes with nearly half displaced.

The United Houma Nation received funds from various grants and contributions. These donations have greatly impacted the United Houma Nation and its tribal citizens in their relief efforts, enabling home repair grants, individual fishing vessel repair grants, and the ability to assist individuals and businesses by providing furniture, bedding, personal hygiene supplies, school supplies, food, etc. Thousands of tribal citizens have received aid from the United Houma Nation Hurricane Relief Office. The Tribe is also assisting citizens with financial literacy and the providing of revolving loans and grants to help micro-enterprise.



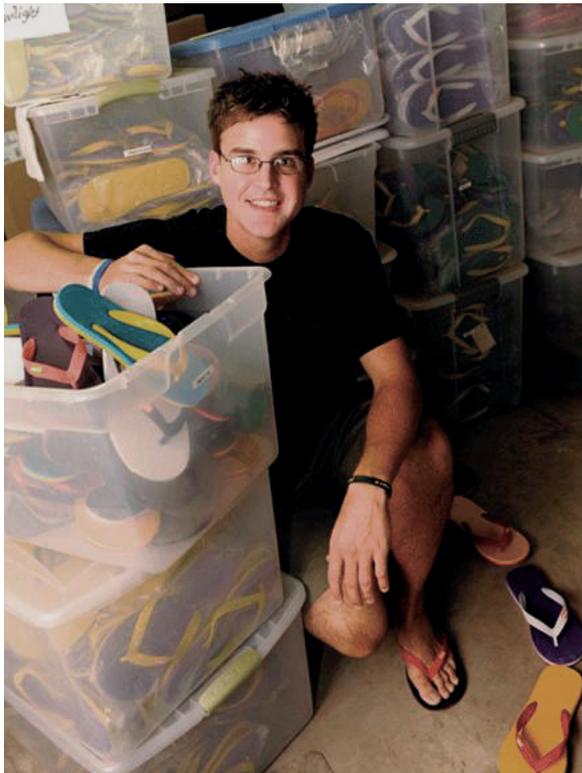
4. Case Studies

The following five cases are derived from in-person interviews conducted in November 2009. The interviews were extensive, ranging from one hour to several hours and took place either at the offices of the assisting aid organization, the place of business of the small business, or accompanying the interviewee to examine affected areas. What follows represents summaries of the business stories, impacts of the natural disasters on the business owner's

life and business, and impacts of the aid received from the community development organization from which the business owner sought assistance. These cases were selected to represent typical aid cases for the community development organizations examined in this and the remaining reports. Much of the additional information gathered in the interviews will be used and analyzed in later reports, where it will be combined with survey and other data.

4.1. Feelgoodz Case

Feelgoodz is a small business that sells its own brand of flip flops. Feelgoodz was founded in 2008 by Kyle Berner. Kyle graduated from Loyola in 2003 with a degree in marketing. Following graduation Kyle had a number of jobs, from being a record producer for a local New Orleans label to a salesman at a small computer business to a hot dog cart operator. Between November 2005 and November 2006 Kyle took a job teaching English in Thailand. While these jobs paid the bills and were interesting, Kyle had higher aspirations and wanted to start his own business. While he was entrepreneurial, he lacked a focus for his energy. He was searching for something to be passionate about.



Owner: Kyle Berner
CDO: Idea Village

Berner's 2008 startup sells eco-friendly, socially conscience flip-flops

“Our participation in The Idea Village program poised Feelgoodz for rapid growth. Not only did I receive financial and human capital to finance some of that growth, but more importantly, a solid plan and ongoing support to carry it out.”

Kyle Berner

In December of 2007 Kyle went back to Thailand for a wedding. While at a local market the flip-flops he was wearing broke, so he searched for a new pair. He came across some marketed as “Thailand’s most comfortable, all-natural rubber flip-flop.” He bought a pair and agreed that it was the most comfortable pair he had ever worn. He went online, tracked down the manufacturer, and had a meeting the next day at the factory. He found out that they were not selling the product in North America. He asked to create the Feelgoodz brand for the US and got a contract to be their sole distributor in the US market.

Kyle Berner and his business partner, Joel Neland, finalized the broad vision for the business on New Year’s Day, 2008. Feelgoodz would be based on a socially conscious model; it would be a social enterprise with a for-profit engine. Ultimately, the product would be all-natural (100% recyclable and biodegradable), its packaging would utilize recycled materials and it would be manufactured in a socially conscience way (fair wages and proper working conditions). In addition to aiding the development in Thailand via manufacturing and use of rubber, a share of Feelgoodz’s revenues also goes to support social, environmental, and developmental causes. Feelgoodz is also attempting to become America’s First Fair Trade Certified Rubber Product by January 1, 2011.

This business model of being socially and environmentally conscious is at the core of Kyle Berner’s passion about the business and creates a powerful and appealing identity for the Feelgoodz products.

Kyle with business partner Joel created the legal entity (an LLC) in April 2008. Shortly thereafter, a shipment of three hundred pairs of flip-flops was received, producing the first sales for Feelgoodz in June. The initial shipment was sold locally in New Orleans, and quickly sold out. Then another shipment of 2000 was received in September and also sold quickly. Another 2,000 pairs were received and sold. During this initial phase the appealing story of this social enterprise start-up caught the attention of the media and a short AP story on Feelgoodz was released nationwide in the fall of 2008. Sales of flip-flops and sandals are very seasonal in the US, with most sales occurring in the warmer months. Kyle Berner indicated that bulk of sales would occur between March and September with a lull occurring between November and February. Feelgoodz would use this lull as a planning period for the following peak season.

Kyle Berner knew of Idea Village and some of the support they could offer through a friend of his sister who happened to work for Idea Village.

In December of 2008, Feelgoodz received a \$5000 technical assistance grant from TechAssistLA, an organization partnering with Idea Village. The funds were used to hire a search engine optimization (SEO) firm to drive web traffic to the Feelgoodz website.

Whole Foods (SW region) learned about Feelgoodz from the AP story and in February 2009 emailed Kyle Berner stating that they were looking for “conscious flip-flop” that was consistent with their mission. Kyle was excited by the potential of having Whole Foods selling Feelgoodz flip-flops, but combined with growth

via the web and other retailers, his focus was now shifting more to the need to meet demand and dealing with the challenges of a rapidly growing company.

In the spring of 2009, Kyle Berner participated in the Idea Village Entrepreneur Challenge. This gave Kyle the opportunity to work with an IDEACorp team that would help him work through issues confronting his start-up. Kyle's IDEACorp team was made up of eight MBA students and a professor from Stanford's Graduate School of Business. Their challenge was to enable an early stage start-up to prepare for rapid growth. They delivered inventory and cash flow management tools to solve supply chain problems, created a marketing strategy to increase sales by 200%, and accompanied Feelgoodz on a summer 2009 road show to Whole Foods locations across the country. On the last day of the challenge, Feelgoodz was awarded a grant of \$25,000 in start-up funding. These funds were crucial at this time since at that point Feelgoodz had no other significant sources of outside funding, credit, or cash flow. The capital was critical to Feelgoodz as it was needed to purchase the flip-flops for which Feelgoodz would not receive revenue until after retailers sold them.

By the summer of 2009, sixteen Whole Foods stores were selling Feelgoodz flip-flops.

The assistance of Idea Village came at a perfect time for Feelgoodz. Kyle Berner believes that his working with the Idea Village enabled Feelgoodz to "knock it out of the park" and that the success in managing the spike in growth would not have been possible without help of Idea Village and the Stanford group.

"Our participation in The Idea Village program poised Feelgoodz for rapid growth. Not only did I receive financial and human capital to finance some of that growth, but more importantly, a solid plan and ongoing support to carry it out.," said Berner.⁸

Building on its growth, Feelgoodz plans to expand to five to six new regions of Whole Foods stores by Spring 2010. Berner estimates that it is likely that an additional 130 stores will be selling his Feelgoodz by the end of 2010. He thinks Feelgoodz will need approximately \$300,000 to purchase necessary inventory to enable future growth. To raise the funds, Berner is considering crowd funding, wherein a number of investors would contribute to the organization.

Beyond the funds and direct and tangible assistance received from Idea Village, Berner reported receiving many valuable (if intangible) benefits. The Idea Village served as a central pivotal resource, introducing him to local business leaders, providing consulting and growth strategy advice, and hosting brainstorming sessions. Berner believes these developments attributable to the Idea Village staff's wide range of skills. He reports that the staff was very enthusiastic and "jumped in" to contribute in any way they could. He believes Idea Village has a great model and thinks it should be emulated around the country.

Moving forward, Berner remains loyal to New Orleans, noting that it is a "city being rebuilt through entrepreneurship."

⁸ This quote comes from marketing material from the Idea Village and not the case study interview.

4.2. Parenting Magazine Case

Carol Lewis worked for the New Orleans Public School system for 15 years. She began her career as a teacher and later moved to administration. She filled many roles as an administrator, working as assistant principal and on parental involvement. Prior to Hurricane Katrina, Mrs. Lewis had some publishing ideas as a teacher. Unhappy with education material provided to teachers, she began to create supplements better suited for the curricula and grade levels. Lewis's first customer was a math teacher from across the hall. Her supplements were instantly popular, but as Lewis began to get promotions within the school system, Lewis decided to focus on her career and the pursuit of a master's degree.



Owner: Carol Lewis
CDO: Good Work Network

Education administrator is able to launch small business after the storm

As an administrator, Mrs. Lewis felt overextended and wanted to focus on greater positive change to the district. She was working on a proposal to work directly on the issue of parental involvement when Hurricane Katrina hit New Orleans.

Mrs. Lewis and her family were evacuated to Houston following the storm and she was furloughed from her job. In Houston, while others went to the local libraries to look for job openings, Mrs. Lewis developed a business idea to create a publication resource to bridge the gap between schools and parents. Mrs. Lewis knew from her experience that there was a need for greater communication: parents could be better informed on the curricula, what was expected at each grade level, and their rights as parents. Equally importantly, funds were allocated to encouraging and facilitating parental involvement. The publication also could be used as a No Child Left Behind (NCLB) compliance tool for school districts.

During the evacuation Lewis gained additional clarity on her career goals, and her return to the New Orleans school system became less likely. While she had discussed the feasibility of surviving on one income with her husband, the risk and hurdles of starting a business combined with no initial source of funding made the decision of whether to leave her public education career a difficult one. She was confident about the move given her expertise gathered from her experience as a teacher and administrator, but her inexperience sourcing funds and starting and operating a business daunted her.

Immediately after returning to New Orleans in late 2005, Lewis heard a radio advertisement for Good Work Network, a non-profit that assists small business owners and entrepreneurs. The advertisement welcomed those with no experience operating or starting a business to a public workshop and mentioned grant opportunities of up to \$4,000.

She immediately called to sign up for the workshop. She recalls that the assistance she received at Good Work Network was immeasurable. While she received an initial grant of \$2000 (based on a sliding scale), of more value to her was the advice and confidence she received. Good Work Network acted as a consulting service and a sounding board for her—as she put it—“crazy” ideas. While at Good Work Network, she also met with other budding entrepreneurs. While the exchange of ideas and experiences among these budding entrepreneurs was highly valuable in itself, the networking also led to one of her first sources of advertising revenue from a fellow Good Work Network classmate. To date her business continues to grow and thrive.



4.3. The Case of Ken's Pharmacy

Kinh "Ken" Nguyen is the owner of Ken's Pharmacy. Mr. Nguyen is a Vietnamese immigrant who opened Ken's Pharmacy in a tightly knit Vietnamese community in eastern New Orleans. Following extensive damage from Hurricane Katrina, leaders of Mary Queen of Viet Nam (MQVN) founded MQVN Community Development Corporation (MQVN CDC) to help rebuild. Over four years after the storm, areas near Ken's Pharmacy still exhibit the destruction produced in 2005 in the form of water damaged vacant buildings. The shops of the 'village' immediately surrounding Ken's Pharmacy, however, show definite signs of improvement.



Owner: Kinh "Ken" Nguyen
CDO: MQVN CDC

Vietnamese shop owner faces lasting effects of hurricane damage

"Planners considered not encouraging rebuilding on the area where the Vietnamese community is located, and considered keeping it as a 'green space' or classifying it as unrecoverable."

Kinh "Ken" Nguyen

The electricity was out the afternoon Mr. Nguyen was interviewed. Sporadic and unreliable electrical service still impacts the business. Having electricity is crucial for a Pharmacy, as many medicines need to be refrigerated, but such outages have been common enough that Mr. Nguyen uses a backup generator now.

The pharmacy itself was not flooded by the storms of 2005; the waters came up to the front parking spaces, but did not come inside the store. The flooding radically altered the area around his house and business. One aspect that stuck with him was that the waters had killed all the vegetation; everything was quiet, brown and lifeless after the water receded. The second floor of the pharmacy did experience water damage from roof damage during Katrina. Mr. Nguyen's nearby house was more severely damaged. He estimates that his home was four feet underwater for two weeks. After the water receded, Mr. Nguyen and his neighbors had the surreal experience of removing fish trapped in their homes. The waters were toxic; he described a nearby shop that threw its perishables into the water in the parking lot, creating an unbearable stench. Mr. Nguyen's house and store were also both looted following the storm.

While repairing his home, Mr. Nguyen lived above his pharmacy. Insurance settlements enabled repairs to his store and home, though there was no one to do the work immediately following Katrina. So Mr. Nguyen, like many of his neighbors, did much of the work himself.

Prior to Katrina, part of Mr. Nguyen's store was a jewelry store operated by his in-laws. Much of the jewelry inventory was looted following the storm. His pharmaceutical inventory was also mostly destroyed by the lack of air conditioning and refrigeration for an extended period of time. Mr. Nguyen received two \$10,000 business recovery grants from the state, which he used to replace his inventory.

He was able to re-open his pharmacy in December of 2005. His was one of the first stores and the first pharmacy to re-open. The re-opening was announced on radio stations that were monitored by evacuees, inciting the return of community members who desperately needed a pharmacy.

Mr. Nguyen estimates his business declined 70% when he first re-opened. While he faced less competition as one of the only businesses open immediately after the storm, his customer base was reduced.

During the initial years following 2005, the MQVN CDC assisted Mr. Nguyen and other business owners to overcome language barriers and navigate bureaucratic procedures necessary to receive aid. The MQVN CDC acted as central source for information about aid and development and advocated for the community as a whole.

After Katrina, Mr. Nguyen says planners considered not encouraging rebuilding on the area where the Vietnamese community is located, and considered keeping it as a "green space" or

classifying it as unrecoverable. The Vietnamese community did not have significant influence in New Orleans or Louisiana. It was during this initial period following Katrina that the MQVN CDC was formed to act on behalf of the community and encourage rebuilding. MQVN CDC has carried out efforts crucial to restoring the community by lobbying local government and institutions for the repair and improvement of infrastructure. Among other important wins, they convinced the local electricity provider that the community would return and that enough homes and businesses would be rebuilt and occupied again to justify re-electrification of the area.

MQVN CDC is currently lobbying local governments to invest in streetscape improvements in the community's main business center. This has paid off with commitments to carry out such improvements. These government investments will complement the impact of MQVN CDC's investments in many of the small businesses in the area, such as the new store front provided for Ken's Pharmacy. Without the aid of the MQVN CDC Mr. Nguyen believes that, at most, he would have made very minor improvement that he could have done for little cost and by himself. Such improvements are particularly valuable as they benefit both the individual business as well as the neighboring businesses and the community as a whole.

The MQVN CDC acts as central source for information about aid and development and advocated for the community as a whole.



4.4 The Case of George Serigny

George Serigny is a fisherman (shrimper) who lives in Golden Meadow, Louisiana. Mr. Serigny is a member of the United Houma Nation (UHN) and has been fishing since he was thirteen years old. His fishing career temporarily ended in the fall of 2008 when his thirty-three foot boat was sunk by Hurricane Gustav. Prior to the sinking, damage from Hurricane Katrina necessitated costly repairs to the boat's net and tarpaulin. Mr. Serigny recalls that following Hurricane Katrina, although there was an abundance of shrimp, the price of shrimp was down and the price of fuel up. He believes that these conditions produced roughly similar net income as the conditions prior to Katrina.



Owner: George Serigny
CDO: United Houma Nation

This independent fisherman was unable to repair damage to his boat and house after the hurricanes.

A \$1,000 grant from the United Houma Nation enabled Mr. Serigny to buy the necessary materials to repair his boat and continue fishing. Although he missed two months of fishing, he was able to get back out on the water in November. Thus, Mr. Serigny was able to successfully provide for himself and his family in period following Katrina.

Mr. Serigny also suffered a good deal of damage to his home. A full insurance settlement covered only a small portion of the cost to repair the damage to his home. The UHN stepped in quickly with an additional \$1,000 grant for home repairs, and eventually, aid from the Road Home program was provided. The UNH invited representatives from the Road Home program to the area and was instrumental in ensuring local access to that aid. Direct financial assistance from UHN, and indirect assistance by UHN, in the form of bringing Road Home down to the community and general assistance with needed paperwork, provided Mr. Serigny and others of the community a good deal of material aid.

Until Hurricane Gustav, Mr. Serigny was clearly a success story in recovery, both on the business and personal sides.

The damage caused by Hurricane Gustav was overwhelming for Mr. Serigny. After his boat was sunk, a few men got together and raised it with pumps. Another member of the community docked his boat at no cost. He estimates that if he hired a professional to conduct all the

necessary repairs, the cost would be between \$30,000 and \$40,000. He also estimates that the cost of a new boat, similar to his damaged one, would run about \$50,000. Mr. Serigny believes that with a fraction of these amounts, perhaps, \$10,000, he could complete much of the needed work to his boat. With the help of his neighbors, friends, and relatives who have the needed skills, such as welding, to enact repairs.

Mr. Serigny has been unable to source grants for the needed funds which are far greater the grants offered by the UHN. He has not pursued loans, as he does not wish to borrow a large amount of money at his age, he also doubts that lenders would extend such credit to a person of his age. He did not have any insurance on his boat, which he believes is very common for small independent fishermen like himself, as it was too costly. Following Katrina, obtaining insurance only became more difficult. In Mr. Serigny's case, insurance covering even a quarter of the estimated damage could have been of great help, possibly enabling him to shrimp again.

Mr. Serigny does not believe the government has done nearly enough to help the small fishermen of the region recover from the hurricanes.

Mr. Serigny and his wife are kept quite busy today raising a nine-year-old great granddaughter. They have been her primary guardians since she was three months old.

4.5 The Case of Douglas Wells

Douglas Wells is a fisher living in Empire, Louisiana. Prior to Hurricane Katrina, Mr. Wells was primarily a shrimper, operating a fifty-four-foot boat he helped his father build.

Douglas and his wife Elaine had evacuated to Dallas when Hurricane Katrina struck Louisiana. His wooden boat was almost totally sunk by Hurricane Katrina and suffered extensive water damage.

Their mobile home, on family land abutting a canal, was also totally destroyed. This was particularly difficult for Mrs. Wells, who had just completed significant work on the garden and land surrounding their home.



Owner: Douglas Wells
CDO: Southern Mutual Help Association

Grants allow Douglas Wells to maintain his livelihood.

Mr. Wells returned to the area quickly after the storm to assess the damage and begin repairs. He was able to run a pump and begin repairing his boat when, less than a month after Hurricane Katrina, Hurricane Rita caused additional and extensive damage to his boat.

Mr. Wells was able to have his boat towed to Pointe à la Hache (where it is today), where it was dry-docked to enable repairs. Pointe à la Hache was the initial location of the interview with Mr. Wells. During the interview, Mr. Wells found out that for the past year the owners of the land where his and other boats were dry-docked had started on a daily basis. As Mr. Wells did not have funds to spare, it was unclear how such fees would be paid.

The needed repairs to the boat were very costly. While he planned to do much of the work himself, the materials and equipment that needed to be replaced were very expensive. Mr. Wells took out a \$33,000 SBA small business loan and used some of his savings to pay for repairs. Examples of expenses include \$3,900 to rebuild the fuel tank, \$6,900 for a new generator, and \$4,000 to rebuild the transmission. The Southern Mutual Help Association (SMHA) provided a grant of \$8,000 to purchase fiberglass (to cover the craft) and a \$5,000 loan for the outrigger.

The motor of a smaller boat that Mr. Wells owned was also damaged during the hurricanes of 2005. While repairing his larger shrimping boat, he was also able repair the motor of the smaller boat.

He was then able to use the smaller boat for oystering, which earned him enough money to cover living costs while he continued repairs on the larger craft.

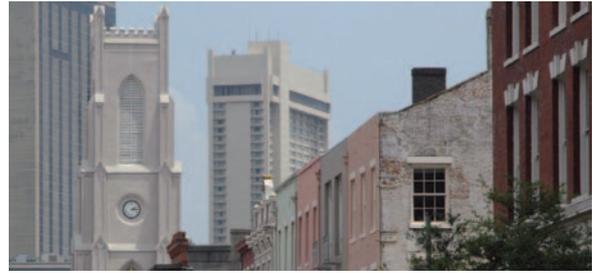
By late summer 2008, Mr. Wells had completed much work on his shrimping boat and had nearly finished covering the hull with fiberglass. In September 2008, winds from Hurricane Gustav blew the large boat off of its pilings and left a large hole in its hull. At around the same time, the motor in the smaller boat again gave out and was irreparable.

After this, Mr. Wells worked odd jobs around the shipyards to earn income and to enable him to continue repairs on his shrimp boat.

The SMHA awarded Mr. Wells a \$7,900 grant to buy a new motor for his oyster boat. This enabled him to begin oystering, giving him more substantial income and returning him to fishing, an important part of his self-definition. As of the interview, Mr. Wells was current on his loans, including the loans from SMHA.

At the time of the interview, the Wells were still living on family land. They had not been able to replace their home and have been living in a temporary FEMA trailer for the four years since the storm. The FEMA trailer was scheduled to be taken back by FEMA a few months after the interview. Mr. and Mrs. Wells were unsure what they would do if that happened.

The Army Corp of Engineers, as of the interview, was still working on shoring the canal beside Mr. Wells' land. Truck after truck of fill dirt would pass by. The area surrounding the land contains many empty lots where structures used to be. Unfortunately, Mr. and Mrs. Wells think that many in the area did not evacuate and are among those missing from the parish. The impact of the storms and flooding—a lack of permanent structures, battered boats aground on dry land—remains devastatingly evident.



5. Results and Analysis of Case Studies

There is a natural division between the aforementioned cases, those of businesses operating prior to and affected by Hurricane Katrina and those of businesses that started after the storm. This division may be important for not only this analysis but also for policies aimed at supporting small businesses, encouraging entrepreneurship, job creation, and stable and economically vibrant communities.

5.1. Start-ups

Of the five cases examined, two were start-ups. The two entrepreneurs behind these start-ups are very different, one a recent college graduate, Kyle Berner, and one a 15-year veteran of the New Orleans School system, Carol Lewis. Mr. Berner described himself (prior to starting his business) as being an entrepreneur in search of an idea. Mrs. Lewis, on the other hand, did not consider herself an entrepreneur when she started teaching and only slowly found the drive to start her own business when she identified unmet needs. This,

perhaps, reflects two types of entrepreneurs, those that start their own business out of a strong desire to do just that, perhaps out of the desire to be their own boss or as a creative outlet, and those that start their own business out of necessity, opportunity, and/or after acquiring expertise in a particular area. At the risk of oversimplification, some may wish to be entrepreneurs and some may become entrepreneurs because of experience, expertise, and opportunity. This distinction is important because organizations providing aid to small businesses and entrepreneurs not only assist existing small businesses and start-ups, but also guide people in their decision to become entrepreneurs.

This latter function may be particularly important following a natural or manmade disaster, loss of a major employer, or times of widespread unemployment. In these situations, routines change. Traditional avenues of employment may be limited or are no longer available. This was the case with Carol Lewis; being furloughed from her job created an opportunity for her to explore the possibility of starting her own business. But unlike many for whom a return to employment in their field is uncertain, Lewis was aware that the New Orleans Public School system would surely reopen and, based on her experience, finding a new teaching job would not have been difficult. This meant that there was a real risk for Mrs. Lewis in starting up her business. Mrs. Lewis pointed out that if she had not learned about Good Work Network she would probably have returned to K-12 education.

Following episodes of employment disruptions, efforts to inform the community about self-employment opportunities, the realities of starting and operating a small business, funding sources, and ways to navigate bureaucracy are valuable to recovery. Beyond times of disaster, downturns and recovery, there are also obvious benefits to informing the community of the opportunities, and realities of starting a business. This knowledge can particularly assist groups with lower than average rates of business ownership; there are always individuals for whom a switch to self-employment holds great promise. Since strategies for starting a business and financing a start-up are not typically taught in schools, programs to assist entrepreneurs and potential entrepreneurs help close an important knowledge gap. Reducing barriers to self-employment and starting a business can also enhance competition and create a more dynamic economy.

For Kyle Berner, a recent college graduate with no established career or a family depending on a steady paycheck, the risks of starting a business were not as great. Berner needed no initial guidance in his decision to launch Feelgoodz. After the business was established, however, there was a need to purchase inventory, drive traffic to the Feelgoodz website, and plan for and manage growth. As with Carol Lewis, Kyle Berner found the advice offered from the Idea Village to be invaluable. He underscored the value of being able to whiteboard ideas, brainstorm, get advice, and plan, as well as the value of two crucial grants received from Idea Village and its partner.

Feelgoodz's \$25,000 grant enabled the purchase of inventory, which, in turn, enabled Feelgoodz to undergo rapid growth. Without this grant, Kyle Berner was uncertain as to where he and his business partner would have found the needed capital. He speculates that he would have likely needed to approach friends and family for loans, but was uncertain whether that would have been sufficient. For Carol Lewis, after her business was established, she received assistance in sourcing and applying for small business funding.

5.2 Existing Small Businesses

Three of the case studies were small businesses that existed at the time that Hurricane Katrina struck Louisiana. All were operating successfully prior to Katrina and all sustained physical damage from the storm and stopped operating for some duration following the storm. One of the businesses fully recovered (a pharmacy), one has partially recovered (a commercial fisher), and one did not recover (a commercial fisher).

All three businesses had the following in common:

- ▶ They had no business insurance or had needs much greater than their existing coverage.
- ▶ They experienced extensive damage to or complete destruction of homes.
- ▶ They experienced extensive damage to business location (or boat, for commercial fishers).

The local communities in which the businesses operated suffered different degrees of destruction. Mr. Wells' community (Empire, Louisiana) appeared to have been completely destroyed with nearly all buildings and much of the infrastructure in complete ruin or heavily damaged. On the other hand, the other communities had many pre-Katrina structures that could be repaired.

Importantly, all three businesses had demand for their products restored either immediately or in the years that followed Hurricane Katrina. The fishermen had a global market for their product, and Mr. Nguyen's (Ken's Pharmacy) customer base, a largely Vietnamese community, was relatively quick to return and rebuild with Mr. Nguyen's assistance..

For all three businesses, attempts at recovery required more than immediate aid. Recovery entailed long-term efforts. While this is not likely an absolute rule for all businesses severely damaged by disaster, it is likely that recovery takes a long time for businesses when a disaster causes large-scale (community-wide) destruction. This is the case since it is not just the business location, inventory, and equipment that is damaged. When evacuation and damage to key infrastructure occur, the return could take many months in coming. Even when businesses reopen, owners must allocate time and resources to rebuilding their homes as well as their business location and inventory.

Funds needed to assist in re-establishing a home and rebuilding the business are likely not readily available to the small business owner. Learning what assistance is available, how to apply for assistance, and how to complete paperwork and bureaucratic processes for filing claims and applying for government assistance (for both home and business repair) can consume much of the business owner's time. The small business owners interviewed are accustomed to being self-reliant, but starting and operating a small business does not necessarily make one an expert on matters of insurance and bureaucracy.

In many instances, demand for a business's goods or services may depend in part or in whole on recovery of the surrounding community. A business owner may need to choose between changing locations or only slowly re-establishing their business as surrounding community is itself re-established. This would be the case for a local grocer, convenience store, gas station, or pharmacy (such as the case of Ken's Pharmacy). Operating with approximately the same fixed costs as prior to the disaster with only a fraction of pre-disaster sales may make operating, even for a short period, very difficult. What makes the dynamics of recovery even more complex is the supply side. For instance, since Ken's Pharmacy was the first pharmacy to return to the area, that it encountered a reduced market was offset by reduced competition, and a resulting larger share of the market. The return of Ken's Pharmacy--an essential service--undoubtedly enabled and encouraged the return of other local businesses and residents.

Large-scale disasters result in large-scale demands placed on builders, carpenters, plumbers, electricians, and other workers. While such businesses were drawn to Louisiana and the Gulf Coast following Hurricane Katrina and Rita (increasing the supply), the demand for such services and the needed materials could not be met quickly and at pre-disaster costs. Repair services could be significantly more costly than prior to Katrina (as was seen in Mr. Wells' case), and efforts were often delayed due to large demands on workers' time. Though not an issue with the cases examined in this report, some small business recoveries were impeded by a shortage of skilled workers. This could present a problem for larger businesses with several employees if key employees either do not return or are delayed in returning following evacuation.

The disruption of key goods and services necessary to operate a small business following a disaster also delays and complicates the rebuilding and resumption of business. The lack of electricity and frequent outages once restored made operating Ken's Pharmacy difficult following Mr. Nguyen's re-establishment of business. In fact, the businesses around Ken's Pharmacy (including the pharmacy) suffered a common power outage during the interview for the case study, more than four years after Hurricane Katrina's landfall. Mr. Nguyen had a generator ready for such an occurrence, and so much of the interview was conducted in his dimly lit business until power was restored. We were also witness to basic infrastructure repairs continuing in

Empire, Louisiana during Mr. Wells' interview. For Mr. Wells, supply shortages also hampered efforts to returning to earn a living from fishing; a disruption in the supply of ice (needed for storing a catch) following the Hurricanes also created difficulties.

In addition to the tangible difficulties encountered in attempting to rebuild lives and businesses, there is a great psychological and emotional toll that accompanies surviving a disaster, evacuation, and return to devastated areas. Several times during the interviews the business owners or their spouses were on the verge of tears after discussing the difficulties (and sometimes horrible scenes witnessed immediately after Hurricane Katrina) that their families had suffered. Each of these instances involved concerns over the mental and physical stress endured by the spouse or children. Of the three cases of established businesses, two troubling mental and emotional breakdowns of a spouse or child were reported; both seemed directly attributable the disaster and the aftermath—initially and during the many years of recovery.

Operating a small business can be difficult, stressful, and time-consuming in the best of times. Re-establishing and rebuilding a small business following a traumatic disaster, as well as operating during recovery, is extraordinarily trying. This was equally true for the most and least successful recovery cases.



6. Conclusion

The cases described in the previous section underscore the importance of not defining a business' success or failure or an aid organization's success and failure too narrowly. The two startups described can be seen as successes as the businesses continue to grow today. But even in these cases, if the metric is current net income generated for the owners, then whether the businesses and the aid received are and were successful becomes less clear. Nonetheless, the satisfaction of the entrepreneurs, their optimism regarding future prospects, and the real growth in their business since starting up suggests it would be difficult to classify those business cases and aid received as anything but successful. For startups, success may be described in large measure by business growth and optimistic outlook.

Ken's Pharmacy's case represents a clear success in business recovery. Mr. Nguyen suffered financial and other material losses from Hurricane Katrina. The aid received by no means made up for those all of those losses, but did assist the recovery of his business, and in turn the recovery of Ken's Pharmacy assisted the recovery of the local community.

A grant assisted George Serigny in repairing damage to his fishing boat caused by Hurricane Katrina. He was then able to earn a living fishing until Hurricane Gustav sank his boat in 2008. He has not been a commercial fisher since. Since Mr. Serigny was able to earn far more in the additional years he was able to fish than the amount of grant he received, the aid itself can be considered successful. Ultimately, however, he was no longer able to fish due to an external shock.

For Mr. Wells, the damage done by Hurricane Katrina and later by Hurricane Rita to his fishing boat were so severe and costly that he has not been able to recover as a shrimper. Aid from SMHA did assist him in earning a living by oystering while he continues to repair his larger shrimping boat.

These cases point to the fact that successful aid may not bring about indefinite recovery or recovery to the exact same pre-disaster work or business.

Clearer business or aid failures may be characterized by the following:

- ▶ Being out of business less than a year or two following receipt of aid;
- ▶ Being out of business due to reasons other than an external shock; and
- ▶ Being delinquent on or defaulting on loans.

Using the same structure of the last section, what follows are the identified keys to assisting entrepreneurs (and potential entrepreneurs) and existing small businesses.

Observed Keys to Assisting Entrepreneurs and Potential Entrepreneurs

► **Communicating services offered to the community**

- ▶ Carol Lewis learned of Good Work Network and what they could offer from a radio advertisement.
- ▶ Kyle Berner learned of Idea Village through a friend who worked in the area.

While using donor funds to advertise available services may not seem as valuable as using funds directly for material aid, there is a real benefit to informing the community of services offered. A larger pool of clients could inform donors of greater need and a larger pool could result in a bigger impact, if resources are directed to the most promising who seek assistance.

► **Free advice and consulting services from a knowledgeable staff**

Both Mrs. Lewis and Mr. Berner mentioned the value of the non-monetary aid of discussing their ideas with others and receiving advice and input from a knowledgeable staff. Mrs. Lewis noted that prior to learning about Good Work Network she had come across other small business consulting services and workshops but did not pursue them because they charged a fee. Given the importance of advice and consultation, aid-providing organizations may want to explore expanded use of MBA students and business school volunteers, as does Idea Village.

► **Modest grants and assistance in sourcing funds**

Small grants and initial seed funding by the aid organizations had big impacts for Mrs. Lewis's and Mr. Berner's start-ups. Many individuals starting businesses do not have much capital to invest. As such, modest grants may enable the entrepreneur to invest in ways that make a big difference (have a high return on investment). These initial seed funds combined with assistance in sourcing additional outside funding have thus far worked well for both start ups.

Observed Keys to Assisting Recovery of Existing Small Businesses

► Grants from aid organization

If a business has been directly damaged by a disaster, particularly in a way that prevents an owner from making his or her own repairs, funds may be necessary to reopen the business. The small business owners that were interviewed tended to dislike using debt for financing business needs. Relatively small grants aimed at repairing and purchasing essentials for re-establishing businesses appeared to be well-targeted and effective. Importantly, non-profit non-governmental aid organizations can often act more quickly than large government bureaucracies can in distributing aid. As such, the grants from these organizations may be timelier and may enable a business to survive or rebuild while waiting for other aid or insurance claims.

► Loans from aid organization

For small business owners more open to debt as a means of finance and with needs greater than can be handled with small grants, loans may be necessary. This is particularly true for businesses needing costly equipment. Loans made from an aid organization that maintains close contact with the borrower, understands the borrower's situation and where the funds will be used may have a greater likelihood of being used wisely and repaid, as in the case with the Southern Mutual Help Association's loan to Mr. Wells. As with grants, non-profit non-governmental aid organizations may be able to lend more quickly and hold a business over (bridge financing) until other assistance is received or revenue is restored.

► Assistance in applying for loans, grants, and insurance claims

In the case studies, assistance in applying for loans, grants and insurance claims was cited as a valuable resource, but small business owners may not be fully aware of aid availability, terms, and necessary qualifications. This is particularly the case following a disaster when a number

of newly developed aid opportunities are opening up. The aid organization acting as a central resource for this information reduces confusion and allows the small business owner to make better decisions. Once aid is pursued, additional assistance may be needed due to language barriers or difficulty completing the needed paperwork.

► **Community rebuilding efforts**

Two of the three aid organizations examined worked on larger community rebuilding efforts, working with many local businesses. One aid organization (MQVN CDC) funded facade improvements for shops in a community business district and successfully lobbied the City of New Orleans to fund streetscape improvements. Small business success in some measure (and depending of the type of business) is a function of the success of the surrounding community. Small business aid organizations advocating for a community of small businesses can help focus efforts and enable coordination in ways individual businesses cannot.

► **Long-term interaction**

The process of recovery from disasters on the scale of Hurricane Katrina can take years. The aid-providing organizations examined were able to build deep and lasting relationships with the small business owner recipients. These relationships would not have been possible with large, anonymous organizations and agencies. Since recovery for many businesses is gradual and their needs constantly vary, longer-term interaction results in a better understanding of capabilities and recovery strategies, and aid directed by a steady source can lend stability to the turbulence of an inevitably difficult recovery. Relationships built between caseworkers and business owners were clearly important to the individuals interviewed and cannot be underestimated in the development of aid approaches.



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