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Post-Katrina New Orleans

The Challenges, Milestones and
Progress of Small Business
Owners and Entrepreneurs

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MHA – 791 Professional Paper
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Introduction

The US Small Business Association reports that 99.9% of all US business can be classified as small. Having less than 500 employees small businesses provide work for just over half of all US private sector workers (2009). Additionally, less than 2% of those businesses have between 100-499 employees (Headd & Kirchhoff, 2009), leaving approximately 97% of all US businesses employing 99 or fewer employees. Given this statistic, it would stand to reason that small businesses have a higher success rate than large ones; however, developing and opening a small business does not occur without risk. The SBA reports that only 51% of new small firms last more than five years (2009). When developing a business plan for a small company or corporation, consideration must be given to both the challenges and opportunities of entrepreneurialism such as the economy, competition and the workforce pool (Moutray, 2008).

Nationally economic confidence is up among small business owners with the least amount of owners since February of 2008 rating the economy as poor (Rasmussen Reports, 2009). In post-Katrina New Orleans the sentiment amongst small business entrepreneurs is also encouraging; however the city's general economic confidence is still guarded amid conflicting media reports of the long-term outlook of residential viability.

Purpose

Local research has revealed that since the storm some small business owners have recorded the best revenues they have ever had (Anonymous, (personal communication, March 2008)) while others, even some considered New Orleans institutions such as O'Flaherty's Irish Pub, have had to shutter their doors. The unpredictable nature of which small businesses are succeeding in the wake of the post-Katrina recession has led to the purpose of this paper: to

illustrate the challenges, milestones and progress SBOs and entrepreneurs are facing in post-Katrina New Orleans.

Angele Davis, then Secretary of the Louisiana Department of Culture, Recreation & Tourism, said in a 2007 interview with TheStreet.com (Mengisen, 2007), "A major part of [New Orleans'] newly recognized 'cultural economy' are the small businesses, which have been hanging on by a shoestring as grants and zero-interest loans have been slow in coming. Soon after Katrina, small-business owners recognized that Small Business Administration loans could not help them either because they lacked collateral or didn't otherwise qualify. So people helped themselves ... restructured their businesses [and] rolled up their shirt sleeves and rebuilt from the ground up." This paper demonstrates that in a community rebranding its economic viability as its culture, small businesses are better for the both the culture and the economy.

Justification

New Orleans has always been a small business friendly city, with only one current Fortune 500 company (Entergy, ranked 205 in 2008) and only one additional Fortune 1000 company (Superior Energy Service, ranked 933 in 2008). Until 2007 and even before the 2005 flooding, New Orleans only supported one additional Fortune 500 company headquarters: Freeport-McMoRan Corporation & Guild. The New Orleans CityBusiness Book of Lists for 2007-2008 (GNO, Inc., 2009) reports that there are only 44 companies in the greater New Orleans metropolitan region with 1000 or more employees.

Small businesses generally re-circulate 30-33% of revenues back into their communities (some businesses up to 45%) and chain and box companies generally re-circulate 10-13%

(AMIBA, 2005; Houston & Rodriguez, 2009; Houston & Eness, 2009; Truit, 2004) so maintaining a high percentage of small businesses in New Orleans is imperative to the economic future of the city. The Urban Conservatory found that “If Orleans Parish consumers, including residents, institutions, and visitors, were to shift just 10% of all [consumer] activity for chains to local merchants, the result would be equivalent to injecting an additional \$60M annually into the local economy in the form of re-circulated dollars that would have otherwise left the area.” (Houston & Eness, 2009).

A literature review on business planning and execution during economic recessions, with a focus on post-Katrina New Orleans, is conducted. A business plan for a small restaurant/theater concludes this study as an illustration of the entrepreneurial process of investing in the tourism industry, which directly comprises 12% of the New Orleans industry market and indirectly comprises up to 40% (GNO, Inc., 2008).

Constraints

The business plan that accompanies this paper will not be fully implemented during the writing of this paper due to time constraints. The exercise of writing the plan will result in the author’s ability to continue past the conclusion of this paper with a personal implementation of the knowledge gained while writing it.

GLOSSARY:

- Cultural Economy – referring to how cultural meanings are embedded in economics. Generally speaking the reference is made about how an economy relies on a distinct and recognizable culture to support it – without a distinct culture a city has no economy on which to build
- Disaster Tourism – referring to tourism resulting from visitors who go to a region after a disaster specifically to view the devastation and progress
- Economic confidence – a measure of five factors as to how money in an economy gets spent (or not) at any given time – are *consumers* confident that their economy is healthy enough to maintain their current spending trends, are *industrial executives* ordering the production of goods to be maintained, are *services firms* projecting positive or negative trends in the foreseeable future of the economy, are *construction* and *trade executives* confident that there will continue to be a demand for their industry
- Fortune 500 – an annual list of the largest 500 companies in the country, ranked by revenue generation
- Fortune 1000 – an annual list of the largest 1000 companies in the county, ranked by revenue generation
- NGO – Non-Governmental Organization – national and global organizations without affiliation to a government (such as The Rotary Club and the World Economic Forum)
- Re-circulate – money that is returned to the local economy when it is spent locally, minus the cost of the original purchase; for example, when tax dollars reappear in the form of road repairs
- SBA – Small Business Association
- SBOs – Small Business Owners

OUTLINE OF LITERATURE REVIEW:

- i. Introduction
- ii. Small Business and Economic Recessions
 - a. What the small business market can expect
 - b. Current market optimism Index
 - c. Strategy
- iii. Post-disaster Economic Recovery
 - a. Examples from across the globe
 - b. Barriers to recovery and enhanced crisis response
- iv. Post-Katrina New Orleans
 - a. The social and economic devastation
 - b. Tourism
 - c. Deciding to reopen and/or invest
 - d. Timeline: Challenges, Milestones and Progress for Small Businesses over the Past Four Years
- v. Conclusion

Literature Review

Introduction

Many cities and communities that fall victim to natural disasters are located in regions of the globe that attract tourism due to their natural beauty. Coastal regions experience hurricanes, tsunamis and tourists escaping landlocked, arid, rural monotony. Heartlands experience floods, tornadoes, and tourists escaping humidity, traffic and noise pollution. Mountains and highlands face avalanches, mudslides and tourists in search of fresh air, wildlife and the humbling feeling that the world is bigger than they are.

The small businesses that exist in these geographically unstable regions undoubtedly exist on an operational edge that small businesses in geographically sound areas do not. This literature review broadly reports how small businesses are affected in regions experiencing economic recessions as a result of natural disasters and narrows its focus eventually to the specific economic conditions in post-Katrina New Orleans.

Small Business and Economic Recessions – What the Small Business Market can Expect

All businesses should have a plan for how to operate successfully during economic recessions. Small businesses, as their name indicates, do not have large revenues to rely on during times of financial hardships and often run on a streamlined budget, even during the best of times. Patterns that occur in business cycles indicate when recession is on the horizon. Alan Greenspan, former chairman of the Federal Reserve has been infamously quoted as saying that a drop in the sale of men's underwear is one of the strongest signs of a recession, reasoning that there would be no reason for sales to not remain flat unless people were seriously concerned with their finances (Pavelsky & Harnett, 2009; Park, 2009).

But, there are also serious indicators that can be monitored for business owners to prepare for slumps in business. The Leading Economic Indicator and Index of Lagging Indicators are the most widely respected metrics of the US economy. Used in conjunction with other business indices they can warn SBOs of what is happening to the economic market. Reporting for Small Business Reports, Maurice Smith (1990) believes that not only are there indicators to monitor for signs of a recession, but small businesses need to be prepared for what to expect when the recession occurs.

Smith concludes that recessions have always been and will continue to be more severe than the preceding one (1990). In his conclusion he advises small businesses that reduced consumer spending on non-necessities may result in unpreventable lay-offs. Historically, interest rates tend to rise during a recession and SBOs need to decide how much debt burden they are willing to take on. Based on his findings, Smith recommends unnecessary assets be liquidated to fund the lean times expected as revenues fall.

As each recession begins to come to an end Smith's research reminds SBOs that the majority of the recession planning is certainly beneficial as the "bargains from "distress situations"" occur. "Individuals and businesses that are prudent and build up their available cash [before the recession], will be able to bargain shop for valuable assets at substantial discounts" once other distressed businesses begin to become affected by the downturn (Smith, 1990).

Given the history of US recessions, recovery is inevitable. "The current record-setting business expansion was born at the end of the worst post-war recession. Although the next recession promises to be one for the history books, it will also sow the necessary seeds for the

next recovery. Such has been the nature of the business cycle for some 200 years. By preparing to weather the next recession, the prudent businessperson is also preparing to take advantage of the next business expansion.” (1990).

SBOs can also prepare for added competition in the small business market during a recessionary cycle. Using the terms “survivalist” referring to mom and pop ventures, Yusuf & Schindehutte (2000) propose that the spirit of entrepreneurship in a community is closely tied to economic conditions, suggesting that as the economy worsens entrepreneurship rises. Concluding that, “sufficiently adverse conditions leave the people little alternative other than self-employment,” they report that of 17 offered Reasons Leading to Start-Ups, the four most chosen reasons for starting a small business were extrinsic and all related to earning more money (2000).

Small Business and Economic Recessions – Current Market Optimism Index

The past year has been trying for SBOs, with the National Federation of Independent Business (NFIB) rating March 2009 with the second lowest reading of their Index of Small Business Optimism “in the 35 year history of the NFIB survey” (Dunkelberg & Wade, April 2009). Reporting that first quarter 09 job losses were the worst in the history of the survey, that May of 2009 saw the largest decline ever in average employment per firm (Dunkelberg & Wade, September 2009), that “inventories are being reduced at a record pace” and that capital expenditures for the past six months fell to a record low reading, NFIB paints a grim picture of small business economic trends. SBOs across industries report that lagging sales and taxes as the leading two most important problems affecting optimism.

However, despite the foreboding reports of the NFIB there is also research literature supporting claims that severe economic recessions actually tend to spur an increase in creation of small businesses, more so than during times of financial prosperity. Emergent Research, a consulting firm specializing in the analysis of small business trends and impacts, reports that in 2009 the number of small businesses will actually increase and benefit from the governmental regulation of the banking industry and programs targeting small business (Ockels & King, 2009). Whether out of necessity from being downsized, distrust of large corporations or the search for a job that will let employees wear flip-flops and bring their dog, the small business market is often driven by the innovation that results from frustration with the prevailing system.

Small Business and Economic Recessions – Strategy

Small business recessionary strategy has an advantage over its big business counterpart in that most of the research on the matter suggests that SBOs who pro-actively use recessions to leverage the creativity, flexible structure and proximity to the market (Latham, 2009) are able to maintain or improve their profitability.

Shelly Lee wrote in her May 2009 article for The Journal of Financial Planning, “Guiding Your Small-Business Clients Through the Downtown Maze,” that the resiliency of small businesses during a recession can be compared “to the space shuttle’s path to and from its launch pad: The path is gravel, made of millions of little stones, each of which absorbs some of the weight and tension. A solid, concrete surface would crack and buckle...” Making the point that small businesses need to be prepared to be flexible with their operations during financially lean times, she further explains that after the recessions of the early 90’s, small businesses

created 500,000+ more jobs than large corporations and by 2004, after the tech crash of the early 2000's, small business was responsible for over 2/3 of all US operating profits.

Churchill and Lewis (1984) surveyed 1057 entrepreneurs and SBOs after the recession that spanned 1977-1981 to determine if "small businesses can take effective measures to moderate the effects of an unfavorable economic climate." 30.3% of Service-related small business reported that they were Hurt Severely by the recession and 31.9% reported that they were Hurt Somewhat by the recession, for a total of almost 2/3 of all Service-related respondents reporting that the recession negatively affected their business.

Asking "How active or passive were the companies?" in response to the prevailing fiscal downturn Churchill and Lewis presented those surveyed with a list of forty-five common business responses to implement in response to economic decline that they could/should have considered while experiencing the recession. They concluded that there were thirteen actions taken by those surveyed that are "illustrative of good management, whether in good times or bad" and that if the small business sector prepares for financial recessions it does not have to be at the mercy of the economic conditions.

According to Churchill & Lewis (1984) the ten most common and effective measures that small businesses can take in advance of an economic recession are (in order of most effective):

1. Monitor collections more closely
2. Budget expenses and monitor compliance
3. Change sales price
4. Stop selling to or move some customers to COD who pay slowly
5. Move toward purchasing-to-order rather than to inventory
6. Streamline organization
7. Require suppliers to deliver on shorter notice
8. Change the number of units held in inventory of each different item (depth)

9. Change the level of your borrowing overall
10. Change the days outstanding of accounts payable

Graham Beaver and Caroline Ross conducted a 1999 post-recession study for the journal *Strategic Change* surveying SBOs who identified themselves as users of strategic management during the preceding economic decline. They report that small businesses that survived the mid-1990's recession displayed several, if not all of these characteristics:

- They had a firm grip on their finances
- They examined business forecasts carefully and returned to the original business plan to check principal assumptions made about sales volume and cash flow
- They reduced the money that debtors owed by implementing an effective credit management system and/or used factoring (put cash flow first, profit second and sales third)
- They considered what purchases to make and deferred risky ones that were not necessary or negotiated better prices, extended credit or quicker deliveries to reduce stock. Many had a pricing plan and took a strategic view when setting price.
- They concentrated on tight stock control, reviewing and identifying areas where efficiency and costs could be improved. Successful firms focused on stock efforts on high-price and high-volume items. They also minimized work in progress and finished goods stocks by making production processes as streamlined as possible.
- Sales and marketing activities were reviewed to increase efficiency and reduce costs where possible, including dropping marginal products and concentrating on the most non price-sensitive products and services.

Post-disaster Economic Recovery – Examples from across the globe

Post-disaster economic recessions are different from national and global recessions because they are localized to the community/region that the disaster occurred in and they cannot be planned for. In the post-tsunami, post-911, post-Katrina environment that SBOs now operate in, global NGOs have begun to address the issue of post-disaster livelihood recovery, although the parameters of what livelihood recovery means varies from location to location (and culture to culture) making it difficult to define.

According to a 2008 study published by Disaster Prevention and Management there is an emerging global consensus that while emergency relief is essential immediately following a disaster for the provision of shelter and survival equipment economic relief is dependent upon “the necessary shift from emergency relief to development reconstruction” (Regnier, et al., 2008).

Studying post-tsunami India, Indonesia and Sri Lanka, Regnier, et al., report that implementing microeconomics and creating micro-entrepreneurship programs have had the most success restoring the pre-disaster livelihood situation of these particular communities/regions because the communities that were devastated were relatively and primarily poor villages and most pre-disaster enterprise was very small. However, the World Bank reports that since the small amount of post-disaster economic recovery research that has been done focuses on a limited list of localized and specific regions, there is not enough conceptual knowledge to have applicable global theories “regarding the facilitation of post-disaster business rehabilitation” (2005).

Instead, the World Bank suggests that one of the biggest priorities of post-disaster relief should be employment for affected citizens. Stating that “sending in canned food and used clothing ... is enormously counterproductive” the 2005 World Bank report claims that providing employment opportunities to natural disaster victims for the salvage of (re)building materials will supply those displaced with both financial opportunity and a psychological goal that reaches beyond the immediate grief associated with the devastation.

However, Regnier, et al., also uncovered an unexpected dilemma that often occurs from the generosity of extensive humanitarian assistance – that the aid and intervention received to

help rebuild areas devastated by natural disasters actually tend to exceed the amount needed to simply replicate the pre-existing economy of a region. Unfortunately, an overabundance of aid usually precedes large-scale (corporate) reconstruction projects and large-scale intervention, leaving the redeveloping community, itself, at risk of being left out of the redevelopment process.

In 2006, Tony Lloyd-Jones reported in a project for the Max Lock Centre at the University of Westminster that “humanitarian agencies and most development aid institutions have none or few competencies in micro-entrepreneurship.” Regnier, et al., agree with Lloyd-Jones’ findings, stating “grass-root livelihood restoration projects have ... less political attractiveness and public visibility than large-scale intervention” and too often the humanitarian projects end up victims themselves, as corruption results from inadequate oversight (2008). The tsunamis set the bar high for expectations of global disaster relief, but provided little example of what to do with the resources once they arrived at the disaster site.

Post-disaster Economic Recovery – Barriers to Recovery and Enhanced Crisis Response

There is little scholarly literature on post-disaster economic recovery and even less on the post-disaster recovery of small businesses. The previous section of this paper and the literature cited within it illustrate that there is ample post-disaster response for regions devastated by unplanned catastrophe, but there is no literature on best practices or methodologies for recovery. The author attempted to research both post-earthquake San Francisco and post-911 New York City small business recovery and the major takeaways from the journals and articles read were that time and personal passion are the only constants that factor into recovery – with most sources citing the incompleteness of the Twin Towers site as how

post-disaster regions can expect the government to assist with (or hinder, as the case may be) recovery. The consensus of the literature was that if SBOs want to recover, they are simply going to have to do it themselves.

There is some crisis management literature reporting on how small business can plan and mitigate crisis events, but even that literature is scarce. In 2005 Rodney Runyan completed the only scholarly study this author was able to find specifically regarding the effects of crisis on small business owners, but his study was concerned only with post-Katrina New Orleans and did not specifically address the recession that followed the storm. The majority of his research focused on the mitigation of future crises, knowing what we know now.

Cater & Chadwick completed an exploratory study for Nicholls State University in 2008 that also examined small business response to crisis and disaster. Their case study draws upon both small business literature and crisis management literature but admittedly finds little literature addressing the two together. Proposing four factors that inhibit crisis response and six factors that enhance it, and “Because [their] study is exploratory in nature, [they] invite further research into the area of small business and crisis management,” Cater & Chadwick’s literature review supports this author’s lack of scholarly findings on post-disaster small business economic recovery.

While all literature on economic recovery addresses the understanding that businesses need both employees and customers, following a disaster with the scope of Hurricane Katrina both of those elements tend to disappear. The difference between small business and large business in regards to employees and customers is that small businesses often do not have the resources to plan how to recover either one of them. Runyan’s study (2005) revealed that

there is little crisis planning conducted by small business. Reporting on Hurricane Katrina Runyan found, "Most business owners went through their normal pre-storm routine boarding up windows and doors, moving computers on top of desks and closing early. But a very small number (perhaps one or two out of hundreds) actually removed inventory, and none reported moving equipment." This complacency was attributed to the frequency of looming meteorological disaster and the fact that it had been over a generation (40 years) since a hurricane (Betsy) actually caused widespread damage in the metropolitan area. Few residents felt they needed to plan or had cause for alarm because they had never seen a storm leave the devastation that Katrina did.

Runyan's study also revealed that in post-disaster recovery one of the largest barriers small businesses face is a fear of what large businesses will do. Competing with the resources that large businesses and chains have access to and being priced out of the market of customers that is already a fraction of its original size is a risk that small businesses owner's are not sure they want to take considering the losses already sustained. This revelation in Runyan's study corresponds with Martin's (2005) argument that the level of crisis following a disaster may be dependent on the size of the business. Small businesses need the day-to-day cash flow to operate and large businesses generally have capital to borrow against when cash flows slow. Runyan was, however, also able to conclude that SBOs who were able to open in the storm's aftermath actually experienced an increase in sales over previous recent sales patterns. Fewer competition and remaining population being concentrated in viable housing areas created a captured audience for businesses who reopened quickly.

Finally, Runyan's study revealed that at the time of his research (six months after the flooding) there was still little discussion of what SBOs learned from the disaster and the primary barrier to recovery was identified as FEMA (often interchanged with the SBA, although the issues with the two agencies were ultimately identified as distinct, with the FEMA issues being ranked as more detrimental to progress).

FEMA's allocation of financial allowances to victims for food, shelter, and lost wages was identified as the largest problem SBOs faced. "The [small business owners in Runyan's study] felt strongly that workers needed to fill jobs were being provided with a *disincentive* to work" from FEMA. SBOs needed labor and perceived FEMA's assistance as competition, feeling that had residents been forced to continue to work, they would have.

Cater & Chadwick (2008) research disaster response from a less immediate perspective than Runyan although the ultimate goal of their study is a similar, albeit more comprehensive, one: while Runyan sought to identify what went wrong, Cater & Chadwick seek not only to identify what went wrong, but what went right.

The four propositions of small business crisis response *inhibitors* they identify are:

1. Limited financial resources inhibit the small firm's response to external crisis.
2. Communication difficulties inhibit the small firm's response to external crisis.
3. Difficulties in supply logistics inhibit the small firm's response to external crisis.
4. Governmental bureaucracy inhibits the small firm's response to external crisis.

The six propositions of small business crisis response *enhancers* they identify are:

1. A sense of proximity enhances the small firm's response to external crisis.
2. The ability to move rapidly enhances the small firm's response to external crisis.
3. A concern for employee welfare enhances the small firm's response to external crisis.
4. The versatility of employees enhances the small firm's response to external crisis.
5. Networking relationships, especially in the form of strong ties to local stakeholder groups, enhance the small firm's response to external crisis.

6. A concern for community welfare enhances the small firm's response to external crisis.

Post-Katrina New Orleans – The social and economic devastation

The per-capita income (PCI) in New Orleans has “gyrated like an economic yo-yo” since Katrina, according to Scott Thomas of BizJournals.com (2009). Ironically, in June 2005, just six weeks before the storm, New Orleans was rated #1 as the US city (with more than 250K residents) for the fastest growing PCI (from 2000-2003) by an American City Business Journals study compiled with data from the US Bureau of Economic Analysis (Thomas, 2005). In 2009 New Orleans was again ranked #1 as residents and businesses return to the city, but following Katrina, New Orleans was ranked last in the same study in 2007.

Also in 2007, The Southern Economic Journal printed the results of a symposium comparing the resiliency of Hurricane Katrina victims throughout the initial stages of recovery. Boettke, et al., conclude that in general “many of the governmental policies adopted to deal with the crisis and that guide the rebuilding effort along the Gulf Coast have had the unintended and undesirable consequence of slowing the process of recovery.” (2007). Beginning with a history of underperformance on scales economic freedom (ranked 40th out of 50 states in 2004; Huang, et al., 2004)) and concluding with historical corruption statistics (ranked the third most corrupt in 2004 by Corporate Crime Reporter), the journey of the New Orleans economy is illustrated by Boettke, et al., as one that faces more struggles than hope. Mentioning the same frustrations that Runyan (2005) had with FEMA's extension of unemployment benefits and creation of a FEMA-based economy resulting from “government provision of goods and services long after immediate needs [had] passed,” the research of

Boettke, et al. support the traditional classification of New Orleans as a welfare city and not a modern one.

The challenges of reconstruction after the storm are exacerbated by the historical social conflicts in New Orleans that have led to this classification as a welfare state. Specifically, there exists an institutionalized racism locally (for example, the mayor infamously proclaiming the return of his chocolate city) and a distrust of the state government out of Baton Rouge as the conservative epicenter of the state decides what is best for the largest, most liberal city in the state. Combined with the lack of federal support for permanent recovery and a repeated denial of reconstruction funds either for flood protection (wetland restoration and levee fortification) or housing, the entrepreneurial spirit of the city struggles to maintain. The 'social capital' that the city needs to generate revenue has been drained as residents fall victim again in wake of a perception of government failure.

Post-Katrina New Orleans - Tourism

The New Orleans Conventions and Visitor's Bureau (NOCVB) released their Tourism/Hospitality Industry Update in August 2008 summarizing the condition of the tourism market in the city. This report was designed as a tool to encourage both visitors and investors. Summarizing the 92% increase in tourism from 2006 to 2007 as hotels, festivals and major events return to the city, the report reminds readers that tourism is the largest employer in the metropolitan area, providing 69K jobs. Tourism also generates \$5B in visitor spending revenues, translating into 35% of the city's operating budget via tax collection. Supporting Miller's 2008 article "Disaster tourism and disaster landscape attractions after Hurricane Katrina" the NOCVB also reports that "many organizations are choosing to participate in

volunteerism projects to give back to our community and accelerate neighborhood recovery” (2008).

Miller’s article is auto-ethnographic because there is very little scholarly research on disaster tourism, but he makes reference to psychological and anthropological motivations for both tourism and investment in disaster areas. Citing the historical wonder that travelers have for “visiting sites where martyrs once stood, patriots met a heroic death, or masses of people died,” Miller echoes the findings of travel writer Rolf Potts in his essay *The Allure of Disaster Tourism* (2006) reiterating that “travelers are increasingly becoming fascinated with visiting sites of ‘high emotional impact’ that are associated with death, disaster and other atrocities – includ[ing] New York City (World Trade Center), Honolulu (USS Arizona Pearl Harbor Memorial Museum), Auschwitz...” Potts likens travelling to New Orleans to celebrate Mardi Gras in 2006 to travelling “to Dresden to celebrate Oktoberfest in 1946” (2006).

Miller’s opinion that “The Katrina disaster tours that are sold in New Orleans put suffering, years of governmental neglect, poor civic planning, a failed government response, and centuries of racial and environmental injustice on the map” (2008) allow for the rebranding of New Orleans as both the entertainment destination that it was and an inspiration for “hope, survival and renewal from utter devastation” (Miller, 2008). NOCVB’s 2008 proclamation that “New Orleans as a tourist destination has a fresher product, cleaner streets, new attractions and hotels, more restaurants, record-breaking attendance at cultural festivals, and a renewed sense of hospitality” is supported by reports that New Orleans saw 7.8M visitors in 2008, which is 91% of the pre-Katrina average of 8.5M. Considering that only approximately 68% of the pre-Katrina population of New Orleans had returned by 2008, this disproportionate relationship in

tourism (and tax revenues) to population should result in a greater return to the average business owner in New Orleans, no matter what the size of the business.

Post-Katrina New Orleans – Deciding to reopen and/or invest

As of August 2008 the city of New Orleans had written and attempted to implement three different recovery plans. Immediately following the storm Mayor Ray Nagin created the Bring New Orleans Back Commission, which proposed a questionably legal (Olhansky, et al., 2008) neighborhood-based plan that initially shrunk both the residential footprint of the city and resident's trust in the city's recovery planning. The second recovery proposal was the Lambert Plans, which were commissioned by the city council and focused primarily on a partnership with an urban planning and advisory board out of Miami. This plan was flawed in that it did not address the viability of each of the 49 neighborhoods it planned to rebuild. In the end the Lambert Plans did not meet the Louisiana Recovery Authority's conditions for planning and were scrapped. The final (and very slowly on-going) recovery plan was originally called (and still referred to as) the Unified New Orleans Plan (UNOP), but is formally known as the New Orleans Strategic Recovery and Redevelopment plan. It is a complicated plan that involves several funding sources and consists of several layers of commissions and governing bodies.

Although released about two years after the storm, the purpose of UNOP was and is still unclear to SBOs, however. Having been described using terms such as ““blueprint,” “framework,” “roadmap,” and “strategy”” (Olhansky, et al., 2008) UNOP has seemed more like an exercise in “infrastructure financing and coordination” (Olhansky, et al., 2008) than about redevelopment or recovery. Without an explanation of what benefits UNOP would produce for

small businesses, those that would rebuild had to begin before having any idea when/what aid would be available to them.

Chamlee-Wright suggests, in an article for the International Journal of Social Economics, that the response to Katrina by SBOs and corporations generated a “spirit of enlightened self-interest” (2008) and reflected impatience with government assistance. Concluding that “strategies deployed by private citizens served as the principal source of community rebound in the months following the storm” (2008), Chamlee-Wright chastises government failure to support SBOs with the resources to return and even goes so far to say that public policy actually impeded small business rebuilding.

In the wake of the majority of the city’s population evacuating (and relocating) and amongst the proposals for rebuilding plans which, as stated above, included options for reducing the city’s footprint, SBOs and entrepreneurs faced other challenges besides governmental bureaucracy, as well. Crime, insurance rates, housing rents and political scandals were up, with quality of education, city services and white collar job opportunities on the decline. Deciding to invest in such a precarious situation without knowing what the future holds is risky.

Lam, et al. (2009) released a report of factors influencing small businesses to open/reopen in New Orleans which spans the two years following the storm. Illustrating that factors change as the social and political climate in the city changes, Lam, et al. conducted a three-part survey of over 8000 New Orleans-based businesses from December 2005 until October 2007. Analysis of the data concludes that in the first four months after the storm less than 26% of pre-Katrina number of businesses had opened, 39% after 10 months and 66% after

two years (2009). Lam, et al. also report that by the third survey only 19% of businesses rated the recovery of the economy as satisfactory and 45% rated recovery as unsatisfactory. In December 2005 the top three most important reasons that small business owners reported as a problem to opening were levees, lack of customers and employees (lack of and poor quality to choose from). By the third survey in October 2007 the most important reasons (from the same list) were crime, levee, and employees (again, lack of and poor quality).

Post-Katrina New Orleans – Timeline: Challenges, Milestones and Progress for Small Businesses over the Past Four Years

November 2005 – Bi-partisan politicking and bureaucracy hindered small business recovery immediately after Katrina. A \$595M small business recovery package was sent to the senate three separate times as Senators fought over who would be named as official authors of the bill. In addition, “A month after Katrina, the SBA had received 3218 applications for small business disaster loans but had approved only 12” (Gajilan, 2005). Left to their own devices approximately 2800 small business entrepreneurs belonging to the Louisiana Association of Business and Industry, began their own relief fund and by November had distributed over 600 grants (Gajilan, 2005).

August 2006 – The Bring New Orleans Back Commission decided to let individual neighborhoods coordinate their own recovery plans, with \$3.5M available from a Rockefeller Foundation grant. What was still unclear at this time was how small businesses could apply for the grant. The city had laid-off over 2400 workers and was being operated by FEMA employees who deferred SBOs to the over-taxed and under-staffed SBA. Lack of affordable housing made staffing virtually impossible for national chains to open quickly, despite their immediate humanitarian efforts, and over 80% of SBOs lost their homes. \$107.8M had been committed to fighting the impact of Katrina, but only 17% was allocated for long-term building and recovery (Mann, 2006).

March 2007 – Small businesses that had returned were struggling to capture the smaller market, exaggerated by the fact that per capita there were now actually more small businesses than pre-Katrina (Britt, 2007). “Hang-ups over federal aid packages, massive insurance hikes and difficulties in redeveloping the region – not to mention perpetual safety concerns over level reconstruction and periodic spikes in crime in

poorer regions – have conspired to create what some call the Battle for New Orleans” (Britt, 2007). In February 2007 a local meeting of small business owners to discuss federal and state aid to rebuild expected 150 attendees and 600 showed up. Enough time had passed for businesses owners to make a profit from taking pot shots at the government’s response to the storm with t-shirt slogan’s such as “Make Levees, not War” gaining national attention.

August 2007 – The national small business scene started to recognize New Orleans as a city with an entrepreneurial spirit as the last three quarters of 2006 saw “a net [gain of] 968 employer companies, representing a return to about 80% of pre-Katrina levels” (Tozzi, 2007). The online business market was especially seeing a boom in New Orleans as commercial office rents remained well below the national metropolitan averages. The New Orleans Exchange was founded in New Orleans by a former managing director for Citigroup out of New York, who said, “the New Orleans Exchange might pay 10 times as much in New York to rent the kind of loft space his company has” (Tozzi, 2007). Online companies were also desirable in an environment that may require a last minute evacuation. Blake Killian, the founder of Killian Interactive, an online marketing start-up has said, “We just [grab] our laptops and [head] to higher ground” (Tozzi, 2007). Small business incubators and support centers also began to show a presence in the city in late 2007. The Idea Village gained credibility and the Entrepreneur’s Organization Accelerator was launched “to help early-stage companies grow” (Tozzi, 2007).

May 2008 – The city used its culture and art to distract residents and visitors from the increase in crime. In 2007 the volatility of the city perpetuated the murder rate to the highest in the nation, a statistic that the city had been fighting and winning against since the mid-90’s when it was also the highest in the nation. At the same time, the New Orleans Jazz and Heritage Fest drew record numbers (Jones & McGuigan, 2008) and albums and books about New Orleans flooded the mainstream –with appropriate titles such as Why New Orleans Matters, City of Refuge, The River in Reverse, City That Care Forgot and My People Need a Second Line, to name a few.

September 2008 – The threat of Hurricane Gustav did significant damage to the morale of the small business community in New Orleans. Even with 7900 less businesses in the city than prior to Katrina, unemployment was only at 4.1%, the lowest in the US (Ruiz, 2008). With labor already in short supply, the threat of Gustav caused the collective, Greater New Orleans, Inc. to “[consider] offering business disruption

insurance as part of an incentive package” to small business entrepreneurs (Ruiz, 2008).

May 2009 – “New Orleans asks: What Recession?” As the only state with positive employment numbers (Jonsson & Knox, 2009), Louisiana – and New Orleans – had finally seen a significant influx of the federal money earmarked for recovery. “The \$14.4B federal levee-improvement project, a new \$3B refinery on the city’s west side, the \$500K renovation of the Jackson Barracks military base and a \$60M downtown residential complex called 930 Poydras are all bucking the dreary national total for construction” and “entrepreneurs in New Orleans say the real reason the city has outperformed expectations is the human capital that has flowed into the city... young, highly educated and socially conscious risk-takers looking for a “livable city” to make their marks on the world” (Jonsson & Knox, 2009).

July 2009 – In addition to the Idea Village, four entrepreneurial resource centers formed: Entrepreneur’s Row, the Icehouse, the IP (Intellectual Property) and the Entergy Innovation Center. Likening New Orleans to “Prague after the curtain” and the Bay Area in the mid-90’s (circa the Silicon Valley boom), “entrepreneurs are reinventing New Orleans” (Ellin, 2009). Seema Sudan, an entrepreneur who moved to New Orleans in 2007 was drawn to the relatively low-cost of real estate in New Orleans and had “never been in a place that is so community-oriented” (Ellin, 2009).

September 2009 – Demand for disaster loans from the SBA pressured an extension of the Gulf Opportunity Loan Pilot Program (GO Loan) until September 2010. “Businesses actually starting, restarting and in some cases moving to the region is not something that will happen always immediately after a disaster” said a spokesman for the SBA (White, 2009).

Literature Conclusion

If small business in New Orleans were to receive a presidential-style state-of-the-union address, this author would proclaim the city’s condition as strong, but guarded. While the economic confidence of entrepreneurs is greater than ever in light of recent reports that tourism has already returned to over 90% of its pre-Katrina levels, the economic confidence of the overall metropolitan market is cautious as the population has reached only 75% of pre-Katrina numbers (Scallan, 2009).

This literature review has revealed that there is little scholarly research on economic recessions specifically addressing the post-disaster recovery of small business. There is also little scholarly research available on disaster tourism; however, the literature that is available spotlights the city of New Orleans as an example for discussion of both disaster planning and revitalization research. Highlighting that small business owners have felt more frustration with the government than satisfaction, the literature also emphasizes the city's entrepreneurial spirit and dedication to the cultural economy.

Business Plan
For the Creation of a Restaurant/Dinner Theater
(Business Name TBD, to be referred to as The Theater)

Executive Summary

The Theater will be a dinner-theater-style restaurant showing films for moviegoers who also wish to enjoy a full-service meal. It will be located in New Orleans, LA and will feature prix-fix menus that celebrate the culture of each film being shown. The genre emphasis will be on cult classics such as Office Space and The Big Lebowski, timeless classics such as Breakfast at Tiffany's and It Happened One Night, and art house films such as A Clockwork Orange and Blue Velvet.

The décor will feature vintage movie posters and will have a combination of art deco and pop art influences with elemental accents such as black lacquer and velour. The staff will need to have a passion for cinema and understand the influence that New Orleans has had on the film industry.

The food will be inspired by the entertainment and will not have a general theme. There is hopes that a liquor license will be granted, but if not BYOB will be encouraged and a bar featuring all the glassware, mixers and condiments that a full bar would feature will be available.

The combination of restaurant and film is a relatively unique concept that has only been entertained once before in the New Orleans area. Movie Pitchers was a movie venue that greeted guests with a lobby bar featuring (you guessed it, pitchers of draft beer) and offered quick serve food such as chicken fingers and jalapeno poppers; guests waited for their food at a counter and took it into the theaters with them. Movie Pitchers closed in 2000. The Theater will be a full service upscale casual restaurant and will celebrate food that complements films with niche audiences. The Theater will merge the Dinner & A Movie concept into one location.

Mission

The Theater celebrates niche films and offers cuisine that complements features of each film such as setting, actors, characters, plot and music. Combining food that highlights elements of the film with the viewing experience itself will create an entertainment destination for all five senses.

The Theater will strive to educate the community about the significance of film to the economy. This will be accomplished via The Theater's philanthropic partnership with the Arts Council of New Orleans and New Orleans Film Festival.

Keys to Success

1. Selection of films that have distinct characteristics that can be interpreted and enhanced with a dining experience.
2. Unusual décor which is not available for enjoyment at other theaters.
3. A high quality menu with fresh local ingredients.
4. A chef/cook with a secondary passion for film.
5. A team of front of house employees who have a passion for film.
6. A Situational Learning (SLII) management style that rewards the workforce for creativity and dedication.
7. Leveraging management's experience and expertise in a varied background of food, beverage and entertainment.
8. Developing management visibility to generate business leads and "buzz."
9. Strict control of cost, internal finances and cash flow at all time, without exception.

Among the Motion Picture Association of America's (MPAA) highlights for 2008 in the film industry:

- Domestic box office reached the highest total in history at \$9.8 billion in 2008, up 1.7% over 2007, and up 6.8% over five years ago. At the same time, theater admissions were 1.4 billion in 2008, down 2.6% over 2007. Admissions have stayed relatively flat in the past ten years, with the exception of 2002's high of 1.6 billion admissions.
- Movie theaters continue to draw more people than all theme parks and major U.S. sports combined. Going to the movies is one of the most affordable entertainment outings for families – with admission prices remaining significantly lower than alternative entertainment options.
- In 2008 the average movie ticket price in the U.S. rose to \$7.18, a 4.4% increase over 2007.
- The number of screens in the U.S. remained constant at just over 40,000 in 2008.
- Over 115,000 businesses in all 50 states – 81 percent of which employ fewer than 10 people – comprise the motion picture and television industry.

Objectives

1. Create a theater that celebrates the culture of each movie with a meal that highlights cinematic elements such setting, actors, characters, plot and music.
 - a. Two screens maximum
 - b. In each screening room table seating for 30 and casual seating for up to 50
2. Show second run niche movies with an emphasis on cult classics, timeless classics and art house films. The staff will wear clothing that reflects the genre of each movie to enhance the cultural atmosphere.
 - a. Profitability within three months achieved with tight cost controls
3. Deliver upscale casual pre-fixe meals that emphasize the culture of each movie with courses that are delivered at times during the film that increases both the dining and eating experience
 - a. Food costs not to exceed 35%
 - b. Beverage costs not to exceed 25%

Company Ownership

The Theater will be an LLC, owned and operated by the author. There are no long term plans for expansion.

Start-Up Summary

Start-up costs include lease of the space, build out if not already designed for restaurant operations, legal fees including insurance, artwork & décor, logo design, marketing, liquor & occupancy licenses, operating supplies & equipment for foodservice (china, glass, silver, kitchen small wares), food and beverage inventory, theater equipment (projector, screen, sound equipment), office equipment & supplies, and labor. Due to time constraints, this business plan does not outline specific costs.

Market Segmentation

The target market of The Theater is residents of New Orleans who primarily reside in the French Quarter, Marigny-Triangle, Marigny, By-Water, Esplanade Ridge, Mid-City, Bayou St John, Lakeview (south of I-610), the Central Business District, the Warehouse District and the Lower Garden District which are the neighborhoods associated with zip codes 70130, 70116,

70119, 70117 and one-third of 70124. This market was chosen due to the likely locations of The Theater being in the French Quarter, Lower Garden District or Marigny, all of which have parking constraints. These areas house approximately 50K of the metro's 154K residents (GNO, October 2009). All of these areas of the city have high repopulation since Hurricane Katrina (GNO, September 2009). The 2007 estimated median income for these zip codes (CityData, 2007) were 70130: \$37,552, 70116: \$30,099, 70119: \$30,309, 70117: \$27,847 and 70124: \$73,553 for an average income of the target markets as \$39,872.

With average rents in these zip codes of \$850-967, rents equal about 27% of income. This leaves residents with some expendable income, as the federal government sets a benchmark of 30% or below as the percentage of income quantifying a renter as living in affordable housing (GNO, 2009). The Theater would like to see repeat patrons on average of twice a month (once a paycheck).

The choice of film will influence the demographics of the target market, but it is expected that all patrons will be at minimum, novice foodies. Cult classics will primarily appeal to a 27-40 years old, middle-class, artistic hipster-types, but also have specific fan bases that defy profiling (such as *Reefer Madness*); timeless classics will appeal to a broader audience of 35+ years old, middle-to-upper-class, professionals who consider themselves arts connoisseurs; and art house films will appeal to a more cinematically experienced, cerebral audience who likely exists on the periphery of their day to day life.

The owner would like to have a small appeal to a niche market of tourists who are looking for something other than the Bourbon Street or Disaster Tour experience. There are a growing number of tourists who come to New Orleans to be "New Orleanians" for a small

amount of time and seek to experience life the way locals do. Films will occasionally chosen that appeal to the tourist market that is in the city (such as for a particular convention).

Competition

There are only 12 total movie theaters in greater New Orleans (within 40 miles) and only four theaters in the city limits of New Orleans. There are no theaters that serve food other than concessions.

Zeitgeist Multi-Disciplinary Arts Center that presents “film, video, performance art, visual art and literary events six nights a week, year-round” (Zeitgeist Theater, 2009). Zeitgeist does have a small counter service café at its location as the center is a multi-purpose building.

The Entergy IMAX Theater is located at the Aquarium of the Americas. It is sponsored by the Audubon Nature Institute and primarily shows films celebrating the wonders of nature.

The Grand Theaters at Canal Place is a traditional movie theater with three screens; however, it is currently closed for renovations and will not open until April 2010.

The Prytania Theater is a single screen theater. The theater does show a variety of movies (now showing Disney’s new Christmas Carol with Jim Carrey during the afternoons and early evenings, Gone with the Wind three days a week at noon, and Blazing Saddles on the weekends at midnight).

There is no direct competition for The Theater in New Orleans. It will also have a competitive edge in that patrons will also be able to view the films without purchasing dinner.

Strategy and Implementation

Areas that need to be researched further but were outside the scope of this presentation of The Theater’s business plan are Sales Forecasts, a Management Summary with

a personnel plan, a Financial Plan including start-up funding, a break-even analysis, projected profit & loss and projected cash flow.

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