

# The New Orleans Index at Ten

## The Rise of the Social Entrepreneur Post-Katrina

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### Introduction

Innovation is often borne of necessity married with opportunity. In 2005, on the heels of one of the costliest and deadliest disasters in U.S. history,<sup>1</sup> and in the context of a business environment that is most charitably described as traditional, necessity met opportunity, and social entrepreneurship began germinating in New Orleans.

Hurricane Katrina provided a distinct line of demarcation for examining social entrepreneurial activity in New Orleans. The challenges in assessing the growth of social entrepreneurship begin with the most basic evaluative conundrums. There are currently no consistent systems either locally or nationally for measuring this emergent field. In fact, scholarly research has been limited by lack of a consistent definition, as well as questions about how to measure the impact of social entrepreneurship.<sup>2</sup> Much of the research has focused on case studies and exciting examples.<sup>3</sup>

In this paper, we will look at differences in the contextual environment that enabled change as well as the agents of change. Dr. Ana M. Peredo lists the following factors as essential to social entrepreneurship: (1) aiming either exclusively or in some prominent way to create social value of some kind, and pursuing that goal through some combination of (2) recognizing and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources.<sup>4</sup>

In this paper, we expand on Peredo's concepts to describe the growth of social entrepreneurship based on a constellation of enabling factors:

- \* Recognition of the need for new strategies to deal with key societal challenges
- \* Policy level changes
- \* Growth in civic engagement/civic confidence
- \* Opportunities for small business entry
- \* Increased access to capital for entrepreneurial activities
- \* Development of an ecosystem of support
- \* Growth in sector level expertise
- \* Evolving network of individual risk-takers/social change agents

### WHAT IS ORLEANS PARISH?

*Orleans Parish is the city of New Orleans. New Orleans and Orleans Parish are interchangeable. Their boundaries are the same and they contain the same population.*



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We use material from key informants, generally accepted proxy measures, and case studies to describe both pre- and post-storm status. We conclude with a future view—what social entrepreneurship can be and can mean for New Orleans as we continue to rebuild and re-envision our city.

## History of the challenge pre-Hurricane Katrina

New Orleans pre-Hurricane Katrina had been a southern city on a downward economic spiral, hastened by the oil bust in the 1980s.

*By many accounts, New Orleans never developed a robust civil society in its long history prior to Hurricane Katrina. Its elites were closed, its government unresponsive, and most of its citizens swung between passivity and angry protest. As is typical of communities with closed and rigid elites, New Orleans lost rank to more open, dynamic cities since the 1840s, when it was the third largest American city. In the half century prior to Hurricane Katrina, New Orleans actually shrank in size, while a New South arose all around it.<sup>5</sup>*

For innovation to result in increased social entrepreneurship, the agents of change—the social entrepreneurs—have to exist, and the structural context has to be conducive to their development.<sup>6</sup> Perhaps the only enabling factor pre-Katrina was the recognition of the need for new strategies to deal with key societal challenges. Before Katrina, 28 percent of New Orleans residents lived in poverty.<sup>7</sup> Along with these high rates of poverty, Louisiana also had some of the poorest health statistics in the country, with high rates of infant mortality, chronic diseases such as heart disease and diabetes, and AIDS cases.<sup>8</sup> In fact, New Orleans systems were failing residents—for example, in 2004, the Orleans Parish School District ranked 67th out of 68 school districts statewide with only 35 percent of students scoring basic or above on state exams.<sup>9</sup> There may have been recognition of societal and environmental needs, but this recognition didn't lead to policy change to enable social entrepreneurship and problem solving in the areas of need.

Prior to the storm, the city had few opportunities for residents to recognize and exploit opportunities to create social value. Lack of viable economic opportunities and limited access to capital were major obstacles. Prior to Katrina, New Orleans had very low levels of Community Development Finance Institution (CDFI) activity, which was a primary source of capital for disadvantaged businesses, affordable housing, and social ventures in other cities.<sup>10</sup> There were few, if any, true angel investing or venture capital opportunities in New Orleans.<sup>11</sup> In the South, capital had flowed to Atlanta, Florida, the Research Triangle Region of North Carolina, and other southern markets along the east coast.<sup>12</sup>

Contracting opportunities in the social services sector, in areas such as public education and public health, were often bundled into large contracts pre-Katrina, making it difficult for small businesses and startup social entrepreneurs to gain access.<sup>13</sup> This lack of access discouraged small businesses and entrepreneurs from even competing in the bidding processes.

The ecosystem of support for social entrepreneurs was also limited. Pre-Katrina ecosystem intermediaries that provided technical assistance, support, and financing to entrepreneurs and small businesses included Good Work Network, The Idea Village, and government-funded Louisiana Small Business Development Centers.<sup>14</sup> Private nonprofit organizations were funded at significantly lower levels compared to post-Katrina, limiting their ability to deliver services. For example, Good Work Network, an intermediary technical assistance organization reported 2003 revenue as \$108,371 compared to \$1,177,756 in 2011.<sup>15</sup> The Idea Village, an intermediary entrepreneurship organization working with high growth companies reported revenue of \$690,941 in 2004 and \$1,601,750 in 2010.<sup>16</sup> Furthermore, no intermediary organization existed to provide support specifically to entrepreneurs with explicit social and environmental missions.

There were limited avenues for aspiring social entrepreneurs to be innovative and test out new ideas pre-Katrina. The municipal government demonstrated low levels of trust with the city's residents, leading to few government partnerships with social entrepreneurs. And while resources (such as academic classes, research opportunities, pitch competitions and public/private partnerships) began opening up around the county to support aspiring social entrepreneurs, New Orleans largely lagged behind. For example, the Stanford Center for Social Innovation, founded in 1999, had ten programs, three events, and one journal before 2004.<sup>17</sup> The Harvard Social Enterprise Initiative, founded in 1993, incorporated MBA-level courses and five programs before 2004.<sup>18</sup> New Orleans pre-Katrina had no programs, journals, or classes in social entrepreneurship.

The environment pre-Katrina ranked low in levels of trust.<sup>19</sup> While risk-taking, identified by Peredo as one of the enabling components of social entrepreneurship, is not directly connected to civic engagement and civic trust, it makes sense that taking risks on behalf of one's community is based on trust and begins with engagement in one's community.<sup>20</sup>

Finally, pre-Katrina, New Orleanians were leaving the city in pursuit of opportunities elsewhere. The port, oil, and tourist enterprises in New Orleans lacked the generative power of the technology industries that boomed in comparable cities in the United States in the late twentieth century.<sup>21</sup> As a result, the city was unable to attract new residents or to keep many of its current residents.<sup>22</sup> Not only had the

city's population consistently decreased since the 1980s, but also the city became poorer and less college educated.<sup>23</sup> International studies have shown that social entrepreneurship is related to education levels, and that individuals with international experience and high levels of education attainment are the most likely to be involved with social entrepreneurship.<sup>24</sup>

The economic, political, and social context of pre-Katrina New Orleans was not conducive to social entrepreneurship. Residents seeking to innovate and take risks to create social value looked elsewhere for opportunities.

## Major developments in social entrepreneurship in New Orleans

In the initial days and months following the storm, the city suffered from widespread government failure and resource constraints: no trash pick-up, no schools, no street signs, no property maintenance on public properties, no health services, etc.<sup>25</sup> Many community-led initiatives and organizations were founded as a result of the massive government failure. Youth Rebuilding New Orleans started as an initiative for high school students to mow the neutral grounds and became a workforce development and housing organization.<sup>26</sup> The Student Hurricane Network brought students from outside of the city to support residents on legal needs.<sup>27</sup> Greenlight New Orleans helped decrease residents' energy costs through free installations of CFL light bulbs.<sup>28</sup>

Native New Orleanians and newcomers alike seized opportunities to address longstanding needs within the community. Examples of entrepreneurial efforts initiated after the storm include Vietnamese-Americans returning to New Orleans East in record speed to rebuild their community and get power turned back on; the formation of Women of the Storm to demand more effective levee board structures and other political changes;<sup>29</sup> and the creation of new organizations, schools, and systems by educators who saw an opportunity to improve public K-12 schools.<sup>30</sup>

The positive momentum for social entrepreneurship in the ten years following Katrina has been powerful. Constructive changes are evidenced by the levels of risk individuals are willing to take, the increase in the number of social entrepreneurs, policy changes, the growth of the ecosystem, the increase in access to capital, the increase in small business starts/patents awarded, and a new willingness by the government to partner with community residents.<sup>31</sup>

A new style of activism has arisen in post-Katrina New Orleans. Civic engagement has evolved from focusing on pressing for government assistance—which leads to communities fiercely competing against each other for limited resources. New forms of engagement include: increasing organizational capacity and autonomy, greater strategic sophistication, increasing citizen participation, a new cooperative orientation, and the emergence of new support organizations and new recovery resources.<sup>32</sup> One of the most striking aspects of the post-Katrina period in New Orleans is how New Orleanians who had never taken part before have been drawn into civic affairs. According to Frederick Weil's research, "post-Katrina New Orleanians were 24 percent more likely to attend a public meeting at which town or school affairs were discussed...With the advent of frequent community and planning meetings focused on disaster recovery, we can see new forms of civic engagement displacing an old style of civil distrust and disengagement in New Orleans."<sup>33</sup>

People were galvanized by many things, including the "green dot" on a planning map that said that their community was slated for return to green space;<sup>34</sup> by anger at authorities who were viewed as unresponsive; and by feelings of love for and solidarity with fellow community members. A new civic leadership emerged from among people who had never been engaged before.<sup>35</sup>

Some of the community's new leaders formed organizations to address social issues. A Kresge Foundation study found that "15 percent of nonprofit health and human services organizations in the New Orleans area were founded because of Hurricane Katrina."<sup>36</sup> Even New Orleans charter school board leadership evolved to reflect growing community engagement in the city: hundreds of community members were tapped to serve on school boards compared to the nine elected officials that previously governed the Orleans Parish School Board.

Policies also changed post-Katrina to support social entrepreneurship, beginning with the establishment of the Louisiana Lieutenant Governor's Office of Social Entrepreneurship in 2006, the first of its kind in the country to support social entrepreneurs at a statewide governmental level.<sup>37</sup> In August 2010 and 2012, the L3C and the Benefit Corporation legislations were passed to support new corporate forms for social entrepreneurs. The L3C, a low-profit limited liability company, is a type of LLC for for-profit companies focused on a socially or environmentally beneficial mission.<sup>38</sup> Louisiana was the ninth state to pass this legislation.<sup>39</sup> In August 2012, Louisiana also passed the Benefit Corporation legislation, sponsored by Majority Leader Walt Leger III, which allowed corporate for-profit entities to incorporate a societal or environmental mission at the same level as the duty to shareholders to maximize financial value.<sup>40</sup> The New Orleans Business Alliance and social innovation incubator, Propeller: A Force for Social Innovation (Propeller), supported the passage of this legislation and provided technical assistance to the first six companies to incorporate as a Benefit Corporation in the state.

Some of the prominent strategies fueling the rise of social entrepreneurs in the social services sectors have been those that enable access to government contracts through unbundling larger contracts into smaller ones. One example is the Orleans Parish School Board school food contract. In the post-Katrina environment, the Recovery School District had jurisdiction of school food contracting for its direct-run and independent charter schools. Social innovation incubator Propeller recognized that this policy change also allowed independent charter

schools to bid out their own school food contracts outside of the Recovery School District. As a result, 15 schools decided to join forces with the Healthy School Food Collaborative, incubated by Propeller and operated by the KIPP New Orleans School Food Authority, to develop a healthy food service RFP (Request for Proposal) that held food service contractors to more rigorous healthy food standards while at the same time allowing each individual school to make their own contracting decisions.<sup>41</sup> This collaborative has grown to provide healthy breakfasts, lunches, snacks, and/or suppers to 43 percent of all public schools in New Orleans in school year 2014-15.<sup>42</sup>

Many support system and ecosystem players became established in the years following Hurricane Katrina. Existing organizations received more funding and resources, and new organizations sprouted to tackle gaps in the ecosystem—from technical assistance to affordable office space to access to capital. For example, Propeller provided social ventures with physical co-working office space to enable collaboration and technical assistance, and the New Orleans Startup Fund provided startup capital to for-profit entrepreneurs, some of whom self-identified as social entrepreneurs. Other organizations key to the growth of social entrepreneurship post-Katrina included: NO/LA Angels (a network of angel investors investing in high-growth startups);<sup>43</sup> New Orleans BioInnovation Center (a shared office space and a capital fund for biotech startups);<sup>44</sup> Tulane University's Social Innovation Social Entrepreneurship (SISE) academic program and social entrepreneurship minor, and the new Tulane University Taylor Center for Design Thinking.<sup>45</sup>

The post-Katrina environment enabled innovation and creativity via idea competitions, government responsiveness, public/private partnerships, and new resources available for startups engaging in creative problem solving by the community on basic social issues. Entrepreneurship data confirmed significant change.

#### INDIVIDUALS STARTING UP BUSINESSES PER 100,000 ADULT POPULATION (THREE-YEAR AVERAGES)



Source: *The New Orleans Index at Ten*, The Data Center, July 2015

The government became more amenable to working with community partners and required and promoted equity strategies to make opportunities available to low-income minority entrepreneurs. One example is PitchNOLA: Lots of Progress, a partnership between the New Orleans Redevelopment Authority (NORA) and Propeller. NORA was the owner of many vacant lots in the city, and Propeller recognized that these vacant lots had the potential to serve as resources for the community. The two entities partnered to develop an innovative pitch competition for community members to present their best ideas to revitalize specific vacant lots in low-income neighborhoods in the city—the winner of the competition received the lot and a cash prize to help implement their idea. The winner of the first competition, David Young of Capstone Inc., has since expanded from one lot to 26 lots in the Lower 9th Ward to establish fruit orchards and beekeeping for honey production.<sup>46</sup>

In the water sector, Propeller partnered with government entities such as the New Orleans Sewerage and Water Board, the City of New Orleans, and Councilmembers Latoya Cantrell and Susan Guidry to catalyze entrepreneurship and civic engagement in coastal restoration and urban water retention and quality. Propeller's Water Accelerator was led by entrepreneurial luminary Mike Eckert, former President/CEO of The Weather Channel/weather.com, and yielded companies such as Magnolia Land Partners (which signed contracts for 1,300 acres of Louisiana wetlands to be permanently restored and protected) and Green Man Dan (which created an underground rainwater catchment system that has contracts in place to retain 500,000 gallons of storm water onsite per year).<sup>47</sup> The Water Chal-

lence Day during New Orleans Entrepreneur Week featured an arts-based civic design prize awarded by audience vote to build an arts installation to increase civic water awareness.<sup>48</sup>

In the food sector, Propeller worked collaboratively with government entities such as the Recovery School District, the Louisiana Department of Education (LDE), the USDA, and individual charter school Local Educational Agencies (LEAs) to bring healthy school meals and farm-to-school initiatives to New Orleans public schoolchildren. LDE and USDA allowed the Propeller initiative, Healthy School Food Collaborative, to establish an entity that served as an umbrella School Food Authority (SFA) for other public schools, and allowed a Request for Proposal (RFP) to be written to allow increased food standards, such as no canned fruits or vegetables, no hormones in the milk, no fried foods, and a fresh fruit and vegetable daily.<sup>49</sup> The LDE also worked with Propeller and Louisiana Appleseed to pass Universal School Lunch legislation to provide free school meals to low-income public schools in 2014.<sup>50</sup>

The willingness of individuals to take risks must be coupled with support for this risk-taking by funders in the community. Foundation, government, and individual funders also played an important role in promoting equity and inclusivity strategies and practices, and targeting resources to diverse social entrepreneurship leaders that were tackling problems in low-income communities. For social entrepreneurial post-Katrina risk takers, the source of much of their early funding was philanthropic and governmental. To track and understand the post-Katrina dynamics, we interviewed funders, as well as a former director of the Louisiana Recovery Authority and a representative from SEEDCO, a community development intermediary. We asked if the tolerance for risks changed after the 2005 floods.

As Robin Keegan, former Executive Director of the Louisiana Recovery Authority, described the scenario,

*There was no playbook. The tools and the regulations did not work for the disaster in front of us. The community stood up and began to take risks immediately, their expectation was that government would come with them and take risks. The (LRA) Board sought out people who had new skill sets—this led to an entrepreneurial mindset in the agency that helped to look at risk in a different way. Our counterparts in Community Development also had this entrepreneurial mindset. Nobody had ever done this before, so we needed new answers.<sup>51</sup>*

And Robin Barnes, who worked with SEEDCO after both 9/11 in New York and in Louisiana after Hurricanes Katrina and Rita, says that the most interesting funders were those who put their program guidelines aside and looked at what was needed.<sup>52</sup>

Others like William Buster, who worked with the Mary Reynolds Babcock Foundation in 2005 and now works with the W.K. Kellogg Foundation, saw a growth in tolerance for collaborative thinking rather than an individualistic approach to success:

*The playing field was wide open, so you could try new ideas. Nothing was blocking innovation. New Orleans is now known for growth in entrepreneurship and there is an increased demand for it. We have different conversations about what is expected—both with the federal government, city government and with local nonprofits and funders. Examples of this new collaborative and innovative approach include the Community Revitalization Fund at the Greater New Orleans Foundation and the Central City Funders Collaborative. The Walton Foundation's environmental arm funded economic development activities because they saw the inter-relationship between economic development and environmental issues.<sup>53</sup>*

Barnes says that risk-taking has expanded the constituencies of some funders and that funders are seeing new types of outcomes happening from the grants they make. "New Orleans is a different city—more sustainable and more resilient because more interesting investments were made in things that no one had thought of funding before, like water management."<sup>54</sup>

Organizations that worked directly with social and other entrepreneurs saw increases in programs, applicants, startups, civic participation, classes, and conferences. The PitchNOLA social innovation pitch competitions at Propeller increased in frequency from once per year in 2009 to four per year in 2014, and consistently drew over 200 interested audience members.<sup>55</sup> Propeller's Social Venture Accelerator program, which began with nine companies annually, has grown to serving 25 companies in early 2015, and will expand to about 35 in fall 2015.<sup>56</sup> The social entrepreneurship community has grown to the point of supporting a 10,000 square foot co-working shared office space that opened in 2013, currently serving over 80 companies that office at the co-working facility and hosting over 100 workshops in 2014 for social entrepreneurs.<sup>57</sup> The civic community has also become engaged in social entrepreneurship efforts. At Propeller, over 200 professional community members volunteer their time as part of the pro bono network, to deliver legal, accounting, graphic design, and other services to support the startup social ventures.<sup>58</sup>

Tulane University launched social entrepreneurship initiatives with the support of President Scott Cowen for both professorships and programming. These initiatives grew into the SISE program, the New Day social entrepreneurship student competition, the Change-makers Institute to incubate student-led social ventures, a SISE minor with a unique design thinking curriculum, a faculty network, cam-

pus partnerships, and funding for the Phyllis M. Taylor Center for Social Innovation and Design Thinking, an interdisciplinary initiative to bring together academic faculty and researchers to solve real-world problems.<sup>59</sup> Tulane University's A.B. Freeman School of Business began offering a social entrepreneurship track in their annual business plan competition in 2013.<sup>60</sup> Xavier University revitalized entrepreneurship programming with campus partnerships with Propeller, including bringing computer science students to code Startup Weekend projects.<sup>61</sup> Loyola University business school classes partner with Propeller to offer pro bono support from students and have established the Center for Entrepreneurship.<sup>62</sup>

At the national and international level, New Orleans is seen as a model, a hub, and bright light for social entrepreneurship. For example, *Forbes*, *Entrepreneur magazine*, *WIRED magazine*, *The New York Times*, and the *Los Angeles Times*, have all featured New Orleans social entrepreneurs.<sup>63</sup> International groups like the Japan Society have invited New Orleans experts in social entrepreneurship to provide guidance on how to catalyze social entrepreneurship in the post-earthquake recovery.<sup>64</sup>

Under30CEO featured some of the drivers that catalyze both entrepreneurship and social entrepreneurship. The organization ran a poll to discover which cities in the United States were considered most appealing to young entrepreneurs, factoring in not only business climate and resources but also lifestyle. New Orleans was ranked #1, as entrepreneurs identified "numerous incubators and events catered to assisting entrepreneurs" and the low cost of living as being particularly desirable qualities.<sup>65</sup>

## Cautions and implications for future policies and actions

The environment post-Katrina coupled with the rise in engaged residents made it possible for social entrepreneurship to flourish. The excitement and participation in social entrepreneurship has increased in the past four years. Initial concerns were that the increased media attention, influx of volunteers, and funding opportunities from both private and government entities would dry up in the first few years after recovery. The basis for this concern is real, as some national foundation and hurricane-related government funding programs, such as the Community Development Block Grant Disaster Recovery Program, have finished.<sup>66</sup>

Future opportunities and the path to sustainability for social entrepreneurship rests on fulfilling the promise that social entrepreneurs can make significant and measurable societal and environmental impact. In addition, in an environment of decreased government and philanthropic funding and volunteer labor, it will be important to demonstrate that social entrepreneurs can find sustainable business models that leverage market-based solutions and recurring streams of revenue.<sup>67</sup>

With its robust social entrepreneurial environment and post-Katrina history, New Orleans could provide important developments in the field by undertaking research that analyzes the impacts of social entrepreneurship as well as the factors that lead to sustainable and scalable strategies.<sup>68</sup> Furthermore, the cluster-based approach currently being developed by Propeller that combines both grass-roots efforts and policy and corporate efforts should be studied for its efficiency and effectiveness in leveraging and delivering collective and significant impact. Over the years, Propeller has transitioned to a focused sector-based approach in recruitment to increase progress on serious societal issues, such as childhood obesity, chronic absenteeism in schools, and coastal erosion. This is based on a belief that building a critical mass of entrepreneurs working on similar challenges from different angles at different levels is the most effective strategy for large-scale systemic change.

From a policy perspective, as social entrepreneurship takes on a more nuanced cluster-based approach with aggregate metrics for success, zeroing in on policies that can catalyze entrepreneurship in key sectors and can remove administrative roadblocks to innovation should be considered.

## Conclusion

For all the tragedies that came to the New Orleans area with Hurricane Katrina and the levee failures, the ten years since have provided opportunities for social innovation and the important changes that come with it. The expansion of entrepreneurial efforts dealing with societal and environmental challenges is one of these important areas of change. The New Orleans metropolitan area is now growing many of the factors that promote social entrepreneurship, including new strategies; favorable policies; opportunities for entry; access to capital and expertise; and development of an ecosystem of support. Increased civic confidence in social entrepreneurial strategies and an active network of people involved in social change efforts provide fuel for continued growth.

If these efforts can demonstrate significant impact, not only will they add to the evolving field of knowledge about social entrepreneurship, but also they will contribute in important ways towards making metro New Orleans' economy inclusive and creative.

Social entrepreneurship could be an important factor in building a future New Orleans that is more equitable economically, environmentally, and culturally.

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## About The Data Center

The Data Center is the most trusted resource for data about greater New Orleans and Southeast Louisiana. Since 1997, The Data Center has been an objective partner in bringing reliable, thoroughly researched data to conversations about building a prosperous, inclusive, and sustainable region.

## About The New Orleans Index at Ten Collection

The *New Orleans Index at Ten* collection includes contributions from The Data Center, the Brookings Institution, and more than a dozen local scholars. The aim of this collection is to advance discussion and action among residents and leaders in greater New Orleans and maximize opportunities provided by the 10-year anniversary of Katrina.

*The New Orleans Index at Ten: Measuring Greater New Orleans' Progress toward Prosperity* analyzes more than 30 indicators to track the region's progress on economic, inclusive, and sustainable growth. Essays contributed by leading local scholars and the Brookings Institution systematically document major post-Katrina reforms, and hold up new policy opportunities. Together these reports provide New Orleanians with facts to form a common understanding of our progress and possible future.

The *New Orleans Index* series, developed in collaboration with the Brookings Institution, and published since shortly after Katrina, has proven to be a widely used and cited publication. *The Index's* value as a regularly updated, one-stop shop of metrics made it the go-to resource for national and local media, decisionmakers across all levels of government, and leaders in the private and nonprofit sectors.

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