Anchor institutions, such as hospitals, universities, arts and cultural institutions and sports venues, occupy a unique and influential place in America’s inner cities. In 66 of the 100 largest inner cities, an anchor is the largest employer. Some 925 colleges and universities, or roughly one in eight, are based in the inner city. About 350 hospitals, or roughly one in 15 of the nation’s largest hospitals, call an inner city home. [continued]
Many inner city anchors remain economically strong, even as cities fight job loss and historic levels of home foreclosures. Yet anchors’ relative economic health, combined with the fact that they can be seen as disconnected from their neighborhoods, often makes them a target of resentment. Too often, anchors are not seen as integral to the local economic fabric. As cities and other nonprofits face increasingly severe fiscal restraints, anchors are repeatedly called upon by government and non-profit organizations to support multiple community needs. In some cities, there is now a greater focus on anchors’ capacity to make payments in lieu of taxes.

There is another, more efficient way for anchors to bolster their local economies: by working with their communities to create shared value for both. Shared value, writes Initiative for a Competitive Inner City founder and Harvard Business School Professor Michael Porter, is defined as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates... Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success.” The concept of shared value recognizes that anchors and their communities are inextricably bound together. As Porter writes, “A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation opportunities for its citizens.”

The Cleveland Clinic, which is ranked as one of the country’s top-performing hospitals and hosts 4.2 million patient visits each year, has been particularly forward-thinking in its efforts to create shared value. Over the past year, we have worked with the Clinic to develop a framework for anchor engagement. Our hope is that the framework presented here will allow us to explore the mutual benefits to be had via creative engagement and to learn from the considerable experimentation already taking place.

Why the Inner City Matters
The crossroads of America’s cities have the potential for great economic vitality. Eight percent of the U.S. population, or about 25 million people, live in an inner city. Even that figure—roughly equivalent to the population of Texas—significantly understates the economic demand generated by inner cities because commuters add greatly to the spending power of inner city residents. As markets, income density in the inner city is eight times greater than it is in the suburbs.

Despite their relatively small size, inner cities are rich in labor and land, with diverse and underemployed workforces and desirable locations that allow companies based there to serve thriving business districts nearby. Over the next ten years, nearly one billion square feet of building space in U.S. inner cities is expected to become available—almost exactly the amount that growing industrial activities will require. Inner cities are also rich in transportation hubs, with a higher concentration of airports, water ports and intermodal shipping centers than other parts of the country.

Yet our inner cities are also areas of concentrated economic malaise. While inner cities occupy only 0.1% of U.S. land area, their residents are disproportionately impoverished: Inner cities host 19% of U.S. total poverty and a distressingly high 31% of minority poverty.

The concentrated nature of inner city economic disadvantage makes it susceptible to focused intervention. If we are serious about tackling income and wealth inequality, and its resulting social ills, the inner city represents our best chance for large-scale success.

The Impact of Anchors
Hospitals, universities and major cultural institutions are referred to as “anchors” for good reason. They hold significant investments in real estate and social capital, making it extremely difficult for them to pull up stakes and leave. Collectively, colleges and universities have inner city real estate portfolios valued at almost $100 billion. In 2008, inner city anchors spent over $200 billion on goods, services and pay. Large hospitals alone spent $130 billion. In Detroit, the three largest anchors—Wayne State University, Detroit Medical Center and the Henry Ford Health System—control nearly half of the real estate in the city’s Midtown neighborhood and spend a combined $1.7 billion annually on goods and services.

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1 National Center for Education Statistics
2 American Hospital Association annual survey, State of the Inner City Economy Database. Based on hospitals with 1,000 or more employees
Nationally, so-called “eds and meds” provide 5.2% of jobs. In the inner city, they provide 11% of jobs. That number is expected to increase as the clusters, or industry groupings, in which anchors are represented—Local Health Services and Education and Knowledge Creation—are projected to grow over the next eight years, creating approximately 340,000 new inner city jobs. Without anchors, inner cities would have lost 10,000 jobs from 1998 to 2006.

Harnessing the Potential
Anchors can create shared value by embracing their interdependencies with their neighborhoods and strategically including community impact in their business strategy. This can produce measurable advantages, such as increased demand for their products and services, more success in hiring and retention and the ability to leverage private development money.

The Johns Hopkins Institutions are a case in point. The area to the north of Johns Hopkins’ main campus, once a thriving working-class neighborhood, had descended into poverty, drugs and crime, with vacancy rates reaching 70%. In response, Johns Hopkins partnered with state and local governments and the Annie E. Casey Foundation to create East Baltimore Redevelopment, Inc. (EBRI), which in 2003 launched an ambitious $1.8 billion plan to redevelop 88 acres. Hopkins deeded the more than 100 properties it owned in East Baltimore to EBRI. The EBRI master plan calls for the construction of 2,200 mixed-income housing units, 1.1 million square feet of life sciences and biotech labs and offices, retail space, a new cultural center, playing fields and other open public spaces. The hospital will serve as a magnet to attract new biotech companies to the area.

The Cleveland Clinic’s efforts to create shared value hinge on an ambitious drive to reduce smoking and obesity in Cleveland. If the Clinic succeeds on its own campuses, it will be rewarded with healthier, more productive employees with lower health care costs. If it succeeds across Cleveland, it will be serving healthier citizens who will be better prepared to become engaged employees of the Clinic, resulting in a better patient experience. A better community perception of the Clinic will increase the number of patients seeking care, reduce political and neighborhood tensions and improve the morale of the Clinic’s employees.

The vast majority of the Clinic’s locations are in the inner city, where an estimated 38% to 41% of the population is obese. Some 12% to 14% of inner city residents have diabetes, compared to 5% to 6% nationally. Rates of heart disease, lung cancer and prostate cancer are all higher in the inner city.

In 2005, the Clinic banned smoking from its campuses. Employees who smoked were referred to the Clinic’s Tobacco Treatment Center, which achieved a remarkable 45% quit rate in its first year. In 2007, the Clinic stopped hiring smokers altogether. To help employees lose weight, the Clinic eliminated sugary snacks, chips and soda from its vending machines and banned trans fats from foods served on campus. It also pays for weight-loss counseling for its employees.

These initiatives boosted the Clinic’s credibility when it sought to combat smoking and obesity in its community. It started with a free six-month program to help smokers quit, generating more than 4,000 phone calls to the Ohio Tobacco Quit Line and distributing nearly 5,000 free nicotine patches. In partnership with the American Lung Association of Ohio, the Clinic developed a tobacco prevention program for K-12 students. In January of 2010, the Clinic teamed with the YMCA and Curves fitness centers to offer free three-month gym memberships. Some 8,000 people enrolled, and about half of those converted to full gym memberships. The Clinic also operates three farmers’ markets.

Local Impact: A key part of creating shared value is distinguishing between programs aimed to increase diversity and those designed to impact a neighborhood. Most anchors already have effective diversity programs in place which could be leveraged to focus on the development of their local economies. In inner cities, minorities own almost half of all businesses, so increasing the amount of business done locally will also help anchors meet their diversity goals. If anchor institutions could boost the amount of business they do with local suppliers and hire more local residents, the impact on inner cities would be substantial.

The Framework
There are seven capacities in which anchors typically interact with their communities: as a provider of products or services; real estate developer; purchaser; employer; workforce developer; cluster anchor; and community infrastructure builder. In each capacity, the anchor drives value for
itself and its community. When the anchor deploys all of these capacities strategically, using the lens of shared value to make all of its decisions, it achieves the greatest economic and social impact on its community.

Working collaboratively with key stakeholders in the public, private and not-for-profit sector will almost always yield the greatest value for the community and, usually, the highest business value for the anchor. But there are certain capacities in which anchor, acting alone, can at least begin to drive that shared value, such as hiring and purchasing practices.

In other capacities, such as enabling cluster growth or developing a local workforce to serve their needs, anchors are most likely to be effective as leaders in joint efforts with specialist organizations, public officials or other local employers. As a community infrastructure builder, an anchor must strategically use its resources and influence in collaboration with a wide range of the “right” stakeholders.

Roles

To maximize shared value, an anchor should start with the roles in which it has the most influence and that require the least dependence on other parties. Anchors already have expertise – acquired as part of the normal course of doing business – as providers of goods and services, as real estate developers, as purchasers and as employers. In these roles, anchors are well-positioned to immediately increase the positive impact they have on their communities.

**ROLE: CORE PRODUCTS OR SERVICES**

| Shared value for the anchor: | A higher level of innovation and proficiency in its core competency |
| Shared value for the community: | Improved access to the anchor’s expertise, products and services |

One of the most direct ways for anchors to engage their neighbors is by cultivating them as customers. This will require some anchors to address issues of access and affordability, and to develop new approaches and products tailored specifically for these constituents. In many cases, knowledge gained from community-centric approaches will have direct relevance to the anchor’s core market.

**Making it Work:** The Cleveland Clinic, as described above, has achieved substantial success in extending its healthcare expertise and is continuing to do so. By leveraging its expertise and resources, the Clinic is improving the health of its inner city community.

**ROLE: REAL ESTATE DEVELOPER**

| Shared value for the anchor: | Access to desirable real estate, ability to leverage private development money, reduced time to construction and related savings |
| Shared value for the community: | Appropriate real estate development in distressed areas, ability to leverage private development money for mixed-use projects, enhanced safety |

As real estate developers, anchors can easily become lightning rods. A number of universities have made their campuses and communities more inviting by placing retail space, art galleries and performance spaces at their edges. Other institutions have gone further, showing how anchors can facilitate dramatic real estate improvements.
Making it Work: A few universities have used money from their endowments, which they consider unique sources of patient, long-term capital, to fund neighborhood real estate improvements. Over the last 10 years, the University of Cincinnati has allocated nearly $150 million to finance loans and grants for community development. The University has leveraged its endowment contributions nearly three-to-one through tax-exempt debt, loans from banks and other sources.

Syracuse University has been working to influence real estate development in its neighborhood to build a better link between the University and downtown Syracuse. At first, the goal was simply to improve lighting along a one-and-a-half mile route running from the University through an arts district and a depressed neighborhood known as the Near West Side into downtown Syracuse. Now, the University is spearheading a comprehensive effort to revitalize the Near West Side, attract technology firms to the area and link more than 25 arts venues using landscaping, wireless hot spots, bike paths, outdoor art and free shuttle bus service.

The actual proposal to build the so-called Connective Corridor was a joint effort between students and faculty in the University’s geography, architecture, engineering and design programs. More than 400 students are currently involved in related community projects, sometimes for credit and sometimes volunteers.

For the Near West Side project, students have designed a Website and affordable green homes, researched neighborhood histories, redesigned a park, and raised money. The Near West Side Project has redeveloped two warehouses into mixed-use facilities hosting a green technology incubator, a culinary center and a live-work space for artists. The Project participates in Syracuse’s $1 Home Program, which lets nonprofits acquire tax-delinquent properties for a dollar. These steps, along with an artist recruitment program, are designed to convince more University graduates to stay in Syracuse.

The University’s efforts were boosted by the forgiveness of a $13.8 million loan to the University by the State of New York, with the condition that repayments be instead invested in the Near West Side. To date, a total of $56 million has been committed, with financial participation from New York State, the city of Syracuse, businesses and foundations.

To create shared value, anchors need to extend programs aimed at increasing spending with minority- and women-owned firms to include locally based suppliers. Anchors can help local firms compete by unbundling large contracts or requiring prime contractors to use local subcontractors. They can also encourage local firms to partner with each other or with larger vendors and can provide business advice and mentorship.

Anchors can also use their clout to make it easier for local firms to work with them. Detroit’s Henry Ford Health System pays small local vendors a month in advance and purchases supplies for some of them at prices they couldn’t achieve on their own.

Making it Work: In 2010, the University of Pennsylvania spent approximately $100 million—roughly 12% of its total spending and double the amount it spent in 1999—with local and diverse businesses. Partnering with the Pennsylvania Minority Business Center, Penn identified local and diverse vendors and helped prepare them to do business with the University. These vendors also meet with Penn purchasing managers to learn about upcoming needs.

Penn was especially aggressive in its efforts with Telrose Corp., a local and minority-owned office supply company. Telrose, then a three-person delivery company, was a subcontractor to Office Depot. Penn persuaded Office Depot to prepare Telrose to become the prime contractor, with Office Depot as its supplier. Over 10 years, Telrose will increase its share of the contract from $300,000 to $50 million. Telrose now has 22 employees, 70% of whom live in West Philadelphia.

Building Capacity: The Cleveland Foundation brought together The Cleveland Clinic, Case Western Reserve University, University Hospitals and other local anchors to create the Evergreen Cooperative Development Fund, which helps seed environmentally friendly worker-owned cooperatives in industries that lack suitable local suppliers.
Once a cooperative becomes profitable, it will return 10% of its earnings to the development fund to help seed new ventures. Evergreen Commercial Laundry, which aims to clean 12 million pounds of linens a year, was the first company launched out of Evergreen. The next was Ohio Cooperative Solar, created at the suggestion of the Cleveland Clinic. Ohio Cooperative Solar now counts all three anchors, as well as the City of Cleveland and the Cleveland Housing Network, as customers. The Cooperative Development Fund is currently working on plans for more than a dozen different businesses.

**ROLE: EMPLOYER**

| Shared value for the anchor: | More success in hiring, better employee retention, more engaged employees, more satisfied customers and students thanks to the ability to live locally |
| Shared value for the community: | Local, accessible jobs with opportunities for advancement, increased demand for local goods and services, increased dollars spent in the community |

Despite anchors’ influential roles as inner-city employers, too often, inner city residents are under-represented as employees at anchor institutions. Given that two-thirds of jobs at hospitals and one-third of jobs at colleges and universities require less than a bachelor’s degree, anchors should be able to capitalize on local talent. To do this, anchors should target specific positions most likely to be filled by local residents and map the possibilities for career advancement for each. They can then set realistic goals for the numbers of local applicants to be interviewed and hired, and partner with community groups for qualified referrals.

**Making it Work:** Boston’s Brigham and Women’s Hospital makes forgivable tuition loans of up to $10,000 to employees pursuing training in high-need fields. Since 2007, loans have been granted to 68 employees, who stay an extra two to four years with the hospital. In 2006, Brigham began offering career coaching classes. To make it easier for employees to attend, classes are scheduled around shift changes. Managers bill a separate fund for the time employees spend in training, ensuring that employees don’t have to use paid time off, nor do departments take a financial hit.

As a workforce developer or cluster anchor, anchors must collaborate with those traditionally thought of as competitors, as well as with stakeholders such as business groups, advocacy organizations and other not-for-profit groups. Often, this has been accomplished with another not-for-profit playing the role of convener and facilitator, as the Kresge, W.K. Kellogg and Hudson-Webber foundations did in Detroit and as the Boston Foundation did in its city.

**ROLE: WORKFORCE DEVELOPER**

| Shared value for the anchor: | A stronger applicant pool, committed employees, improved employee retention |
| Shared value for the community: | Access to appropriate local jobs; job training and opportunities for advancement |

Workforce development requires anchors to play more of a leadership role with other anchors, businesses, schools and community organizations to build a pipeline of local residents with the qualifications and willingness to be hired into local institutions and businesses. Once anchors identify the jobs that need to be filled and the education and training needed for these positions, anchors can match them against the community’s education and job training system. If there are gaps, anchors can then partner with other employers and organizations on focused education and training initiatives targeted to preparing inner city students and other residents for the jobs with the anchors. These could include curriculum design, new degree and certification programs, new methods of recruitment, and better linkages between schools and community colleges for both entry-level and more advanced positions.

**Making it Work:** The Boston Foundation brought together three anchors—Beth Israel Deaconess Medical Center/New England Baptist Hospital, Boston Medical Center and Partners HealthCare—and challenged them to use foundation money, combined with their own significant matching funds, to radically improve their workforce development efforts. With a combined $14.5 million pledged to the so-called Allied Health Initiative, the results have been dramatic.
Beth Israel initially intended to use its funding to help some employees prepare for better-paying jobs such as research administrators, surgical technologists and nurses. But it discovered that many of its staff didn’t have the educational foundation to begin the required certification programs. In response, Beth Israel began offering pre-college courses in cooperation with a local community college. So far, 392 employees have met one-on-one with a career counselor to discuss the hospital’s offerings, 248 have taken a pre-college level course and 120 have progressed to college-level work in English, math or reading.

Despite significant staff cuts, Boston Medical Center used its Allied Health funding to greatly improve the abilities and perception of its central processing department staff. Some 44 members of the department began certification training, and within three years all but three had achieved certification. Twenty-one staffers have been promoted. The hospital also restructured its existing curricula to give current employees more exposure to radiology and to allow current radiology employees to gain experience in advanced modalities such as mammography and MRI technology.

Partners HealthCare had perhaps the most ambitious plans for its Allied Health funding, striving to use technology and distance learning for pre-college preparation and specialty medical training. To help employees prepare for the courses, Partners developed modules on time management, study habits and online learning. Partners also developed Web-based training for advanced radiology certification and a medical terminology course. Twenty employees successfully completed the radiology training, and 17 made it through the medical terminology sessions. In addition, Partners reached thousands of employees through its workforce development Website, and found that the participants in its distance-learning initiative are more diverse than its employee base taken as a whole. Partners now has online learning tools that are available to other Boston hospitals and to individuals throughout its region.

Just as important, the Allied Health programs changed managers’ attitudes about workforce development throughout Partners and its affiliated institutions. The success of Allied Health, and the attention given to it by senior management, encouraged other departments to ramp up their own workforce development plans.

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<th>ROLE: CLUSTER ANCHOR</th>
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<td><strong>Shared value for the anchor:</strong></td>
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Anchors can have a profound impact on industry clusters, spearheading their growth throughout the region. By collaborating with other institutions and businesses, anchors can attract talent, funding and new companies and help drive innovative research and commercialization. Anchors can help young firms with high growth potential by serving as geographic or virtual incubators.

**Making it Work:** The Cleveland Clinic has become a major catalyst in attracting healthcare-related companies to Cleveland and the region. In April 2010, the Clinic launched the Global Cardiovascular Innovation Center, a technology development consortium that provides grants, product development assistance and low-cost space for promising cardiovascular health-related companies. By partnering with a local nonprofit community development corporation, the Center was able to attract $250 million in funding, including $60 million from Ohio’s Third Frontier initiative. The Center’s goal is to form or attract more than 40 companies to Ohio and create more than 850 new skilled jobs. As of February 2010, the Innovation Center has formed or supported 25 new companies and convinced 12 others to establish new operations in Ohio.

The Clinic has also been working with a group of local stakeholders, under the umbrella of Midtown Cleveland, to establish a Health and Technology Corridor connecting downtown Cleveland with the medical institutions at University Circle. The Clinic encourages companies spun out of the University Circle institutions or young companies moving to Cleveland to locate along this stretch of Euclid Avenue. The Corridor is now home to four anchors, seven business incubators, 75 biomedical companies and 45 technology companies. The collaboration offers a variety of business incubation services, including help commercializing products and raising capital.
Carnegie Mellon University, Pittsburgh University and University of Pittsburgh Medical Center have attracted $33.3 million in state funds to form the Pittsburgh Life Sciences Greenhouse. Together, they’ve helped 13 life sciences companies relocate to the region. With help from various partners and a $2.4 million grant from the Department of Labor, the anchors have trained more than 6,000 people to work in life sciences since 2005.

**ROLE: COMMUNITY INFRASTRUCTURE BUILDER**

| Shared value for the anchor: | Depends greatly on the anchor’s competencies and focus and can include: safer streets, better housing for employees, a better-qualified pool of potential hires, more accessible transportation systems |
| Shared value for the community: | Will vary greatly and can include: reduction in crime, improved physical infrastructure, increased housing values, more jobs, better schools, improved retail environment |

Community Infrastructure Builder may require the most change in anchor practices because it is the role anchors most commonly play today. Anchors respond daily to a constant stream of requests for their “time, treasure and talent” to address the myriad of issues which affect their communities—from requests for faculty expertise and student interns to improve the K-12 educational system, to grants and volunteers for local nonprofits to advocacy with governments for public infrastructure improvements to sponsorships of local events. Traditionally, anchors have built local community capacity by responding to these requests. In the anchor framework presented here, all of the other roles also help to build the community’s capacity to improve its economic, social and environmental sustainability. The key with this last role is for anchors to use these traditional levers of community engagement or relations in a strategic and coordinated manner, to both advance the work in the other roles and to use each anchor’s particular competencies to address any other high-need areas of the community.

As a community infrastructure builder, each anchor should choose those areas of community need where it has competencies to offer and where its efforts will best complement its other work across the framework. Working collaboratively with other businesses, nonprofit, government and neighborhood partners with similar interests, clear community improvement goals can be set and long-term strategies developed to meet them.

**Making it Work:** In 2007, the Henry Ford Health System established Henry Ford Early College to improve the community’s educational infrastructure and to alleviate some of the hospital’s difficulties in hiring healthcare professionals. Students enroll in Early College in 9th grade, committing to a five-year program through which they will earn a high school diploma, an associate’s degree and certification in one of 10 healthcare-related occupations. The program is free to students who finish in five years.

Classes and clinicals are held at Henry Ford Community College and at the hospital. Once students have chosen a specialty, they shadow professionals in that field and work with patients. Since the program was launched in 2007, more than 150 students have enrolled. The Early College boasts a 97% retention rate. Two-thirds of the students qualify for free or reduced-price lunches.

**Collaboration Between Anchors**

In neighborhoods with multiple anchors, the potential for change is even greater.

The Henry Ford Health System, Wayne State University and Detroit Medical Center control nearly one-half of the real estate in Midtown Detroit. They employ 30,000 people and enroll 32,000 students. Each year, they hire 3,300 people and purchase $1.7 billion in goods and services. Together, the anchors have three goals for their community involvement: to make Midtown a safe, vibrant community in which employees want to live, to maximize local procurement and hiring to leverage third-party investments in Midtown.

The three anchors first teamed up on the so-called 15x15 initiative, which will try to convince 15,000 young people to move to Midtown by 2015. Since then, they’ve leveraged state and philanthropic funds to form the Midtown Partnership, which works on the Live Midtown, Hire Detroit and Buy Detroit initiatives. For Live Midtown, the anchors would like to have 10,000 of their current employees living locally. Hire Detroit strives to hire a third of new employees from the local community. Buy Detroit aims to capture some of the 84% of anchor procurement money that now leaves the city.
To make Midtown more attractive, the anchors jointly run a shuttle bus program and are planning public safety and lighting improvements. In January 2011, the anchors announced cash incentives to persuade employees to live in Midtown, including $2,500 for renters, a $20,000 forgivable loan for homebuyers, and $5,000 in matching funds for big exterior home improvement projects.

**Next Steps**

To create maximum shared value in inner cities, anchors, governments, nonprofits and local businesses must work together. They first need to recognize their own potential and needs as well as those of the other sectors, and then acknowledge the change they can jointly effect. This will enable them to look at their individual and collective business decisions through the lens of shared value.

For anchors, this means coming to terms with the fact that they are interdependent with their communities. They must envision the positive effects they could have on their neighborhoods while improving their own competitiveness. They can then assess their business needs in light of their community’s needs and, using the framework outlined here, develop an explicit community development agenda that leverages their strengths and creates shared value.

The work of city leaders is primarily that of mediation and collaboration. Governments can also facilitate introductions to businesses that are well-suited to work with anchors. Importantly, government has the unique ability to leverage both public and private money to create shared value.

Leaders of not-for-profit organizations can point out opportunities and offer strategic partnerships that leverage their key assets: the ability to attract talent and to convene competing anchors to consider joint interests and their ability to create shared value.

Business leaders can encourage anchors to serve as workforce developers, real estate partners, purchasers of local goods and services or providers of intellectual capital, and can serve as guides to the community’s current capabilities. Where their interests are aligned with those of anchors, business leaders can be key collaborators.

Together, anchors, governments, community groups and businesses have the potential to jump-start business and economic growth, create significant shared value and, in the process, lead the transformation of our inner cities.
ICIC’S MISSION IS TO DRIVE ECONOMIC PROSPERITY IN AMERICA’S INNER CITIES THROUGH PRIVATE SECTOR INVESTMENT TO CREATE JOBS, INCOME AND WEALTH FOR LOCAL RESIDENTS.