

REPORTING ON

# ***WHAT WORKS FOR CITIES***

## Anchor Institutions and Food Systems: A Recipe for Economic Growth

Anchor institutions, including hospitals, universities and other organizations, wield significant power in the economic development of their communities.

An anchor's impact is often evident throughout its local and regional economies and can span many industries. But anchors can also have a profound impact on a particular portion of the economy, transforming an entire sector's workforce, supply chain and production.



## ANCHOR INSTITUTION STRATEGIC FRAMEWORK:



- **Direct:** Anchor's own business activities
- **Leader:** Lead a joint effort with other organizations
- **Collaborator:** Use resources and influence in collaboration with a broad range of stakeholders to identify and serve anchor and community needs

Anchors that commit themselves to generating shared value within a strategically chosen industry can create compelling gains, both for themselves and for their communities.

In many cases, a city's food cluster—the nexus of industries representing a food system—serves as an ideal candidate for concerted anchor activities. Nationally, food clusters grew by 7% between 2003 and 2010, and are expected to grow another 9% by 2020.<sup>1</sup> The jobs within food industries tend to be a good match for inner city workers' skills and education levels, and positions in specialized food manufacturing, alcohol production and wholesale can pay up to \$50,000 to \$70,000 a year.<sup>2</sup>

Anchors already have a large effect on their local food systems through procurement: Hospitals and universities spent an estimated \$11 billion on food services in 2010.<sup>3</sup> In addition, anchors' research expertise and ability to

provide technical assistance and advocacy makes them ideal partners to producers and processors within the food system. Hospitals, in particular, should be natural advocates for sound nutrition and healthy eating, while many public universities already play important roles in creating robust food systems. During the past six years, the number of educational institutions granting culinary degrees has increased by 29%, and the number of graduates has grown by 66%.<sup>4</sup>

Through its work in Boston, Detroit, Baltimore and Providence, Rhode Island, the Initiative for a Competitive Inner City (ICIC) has gained a unique perspective on the relationship between anchors and food systems, along with a profound appreciation of the ability of the former to catalyze growth in the latter. Here, we present an examination of the potential for anchors to provide leadership in their cities to grow their local food systems and to create value for themselves and their communities.

## Creating Value through the Food System

Why should anchors move to aggressively support and grow their cities' food systems? The key lies in anchors' abilities to work with their communities to create shared value, a concept elucidated by Initiative for a Competitive Inner City Co-founder and Harvard Business School Professor Michael E. Porter in a 2011 *Harvard Business Review* article.

Shared value, writes Porter, consists of "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions of the communities in which it operates. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success."

Creating shared value is in the best interests of both anchor institutions and their community partners. Porter continues: "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."<sup>5</sup>

<sup>1</sup> ICIC and Karp Resources, *Anchor Institutions and the Food Cluster in Baltimore*, p. 22

<sup>2</sup> ICIC, Karp Resources, and Next Street, *Designing an Inner City Food Cluster Strategy*, Fact Base Presentation, October 2011, p. 73

<sup>3</sup> ICIC and Karp Resources, *Anchor Institutions and the Food Cluster in Baltimore*, p. 15

<sup>4</sup> National Center for Education Statistics

<sup>5</sup> Porter, Michael E., and Mark R. Kramer, "Creating Shared Value," *Harvard Business Review*, January-February 2011, p. 64, 66.



“ SHARED VALUE IS NOT SOCIAL RESPONSIBILITY, PHILANTHROPY, OR EVEN SUSTAINABILITY, BUT A NEW WAY TO ACHIEVE ECONOMIC SUCCESS. ”

MICHAEL E. PORTER, ICIC FOUNDER AND CHAIRMAN

Anchors and their communities can create shared value by acknowledging their inter-dependencies and working to capitalize upon them.

Anchors create shared value through their actions in a number of different roles:

- Provider of Core Products and Services
- Workforce Developer
- Purchaser
- Real Estate Developer
- Cluster Anchor

### PROVIDER OF CORE PRODUCTS AND SERVICES

Perhaps the easiest way for anchors to create shared value within the food system is by simply pursuing their missions. Public universities have a long history of food innovation, using their research capabilities to make advances in both production techniques and new foods.

Hospitals have incredible potential to be strong advocates for healthy eating and to promote healthy communities. The Cleveland Clinic, for example, hosts three farmers' markets. The Clinic's Go! Foods For You program helps participants learn to make better food choices by assessing their eating habits, providing recipes and cooking demonstration videos and offering coaching via e-mail. These initiatives are aimed at decreasing obesity rates within the Clinic's communities, leading to better health outcomes for the Clinic's patients.

Culinary institutions have a unique set of opportunities, given their mission to prepare students to become successful in a variety of food-related businesses. Johnson & Wales University, with campuses in Providence, Charlotte, Denver and Miami, and approximately 17,230 students, has become a leader not just in its industry but also in the cities it calls home. As Johnson & Wales students graduate, they go on to contribute tremendous energy and skills to their local food systems.

It is not a coincidence that two of the cities in which Johnson & Wales has been located—Providence and Charleston, S.C. (now consolidated with the Charlotte campus)—have been named among the top five cities for food by national publications. “We are probably the largest supplier in the country of people in the food service and hospitality industry,” says Ken Levy, Johnson & Wales' senior vice president for special projects. “And we've had an extraordinary impact on the food scene. Providence became a great place to go eat. It already had a history of low-cost Italian food, and many of our graduates stayed in the area and improved the culinary environment vastly.”

Johnson & Wales continues to strengthen its local food system with a number of innovative initiatives. By launching its Food Innovation Nexus, Johnson & Wales is aiming to leverage its research abilities and push its expertise out into the wider food system. The center, opened in January 2014, is a not-for-profit initially funded by the university. Levy says the center will “work with the medical community and the food community to come up with products that meet the needs of both groups.” That might mean formulating so-called “functional foods” designed to confer specific health benefits or helping an entrepreneur fine-tune his or her offerings. The center is located within walking distance of at least three impressive sources of potential talent: Johnson & Wales, University of Rhode Island and Brown University.

### WORKFORCE DEVELOPER

Anchors create shared value as workforce developers when they assume a leadership role in building a pipeline of qualified workers in a given community, industry or both.

Johnson & Wales is crucial to workforce development in the food system because it trains students to be successful in culinary endeavors. In 2012, nearly 2,000 Johnson & Wales students from the Providence campus completed internships in the culinary or hospitality industry.

Anchors with a focus outside the food system can still offer internships in their kitchens and restaurants. Others can help place business, marketing, finance or communications students in internships with area food businesses. The Rhode Island School of Design participates in a partnership with Farm Fresh Rhode Island, the Mathewson Street Church/Heads Up and the Division of Juvenile Correction. These institutions offer a 15-week job readiness program to teenagers from the Division of Juvenile Correction, teaching them the skills necessary to work in a commercial kitchen.



## PURCHASER

A large, ongoing, fairly priced contract from an anchor institution—a so-called “good buyer”—provides a dependable source of revenue to a small, growing food business. Just as important, such a contract can serve as an excellent vote of confidence for companies that are seeking financing to support their businesses.

Anchors that actively seek out suitable local vendors can be rewarded with a more competitive pool of suppliers that is better able to meet the anchors’ needs. The business community benefits from the creation of local jobs, a healthier business environment and, often, improved neighborhood amenities.

Some anchors, as public institutions, are required to award food and foodservice contracts to the lowest bidders. But laws are slowly changing to allow anchors to incorporate local preferences into their bidding process.

IN BALTIMORE, ACADEMIC ANCHORS COLLECTIVELY SPEND ABOUT \$16 TO \$20 MILLION ANNUALLY ON FOOD PRODUCTS, ACCORDING TO RESEARCH FROM ICIC AND KARP RESOURCES, YET ONLY AN ESTIMATED 23% OF THAT IS SOURCED LOCALLY.<sup>6</sup>

Johns Hopkins University has pledged that by 2025, at least 35% of its food purchases will be local, sustainable, humane and fair-trade. Already, 80% of the beef served on its campus is locally produced, as are the bread, rolls and most of the salad greens.

To make it easier to discover local producers, the Johns Hopkins Center for a Livable Future has built an interactive Maryland Food System Map. This extremely detailed document shows the location of farms, food processing and slaughterhouse facilities, supermarkets, restaurants and preserved farmland.

Anchors that outsource food purchases and food services can still incorporate a preference for local vendors. Broad-line distributors such as Sysco and US Foods are well aware of their customers’ growing preference for locally sourced foods. Because there are only a few of these distributors, and anchors often share one or more as

suppliers, it makes sense for anchors to approach them jointly, leveraging their combined market power. Anchors can work with their distributors to find local producers that would fit into the distributors’ supply chains, offer those producers technical assistance and, if necessary, modify their own specifications.

In 2008, Yale University brought its foodservices operation in-house in an effort to improve both sustainability and labor relations. The university spends about \$12 million a year on food, and now devotes about 40% of that to local, sustainable products. The university’s food budget hasn’t changed since it started running food services itself. That’s partly because less food now goes to waste, and the university serves more plant-based foods. Menus are developed from scratch and, despite the volume demands, the school’s kitchens do a lot of scratch cooking. The students are happier with the offerings because the food is tastier, according to Rafi Taherian, executive director of Yale Dining. And he adds that the employees are more satisfied because they’re making better use of their culinary skills.

Taherian doesn’t know if it’s possible to source much more of Yale’s food locally. He says there is no soy or wheat grown in the area that is local to Yale, and the issue of scale is often a defining one. When Taherian buys beans, he needs to buy 800 pounds at a time, so he can’t buy from someone who’s picking beans by hand. He needs a supplier with a harvester—by definition, a larger operation. Even with his distributor acting as an aggregator, Taherian says it’s become very hard for him to increase the amount he buys from small, local farmers.

## REAL ESTATE DEVELOPER

As real-estate developers, anchors can create shared value by catalyzing real estate development in distressed areas. In return, they’re often able to leverage private development money, reduce construction time and provide a safer and more attractive environment for their students, customers, patients and the larger community.<sup>7</sup>

The University of Pennsylvania’s decades-long effort to redevelop its neighborhood is perhaps the best-known of these initiatives. The revitalization of downtown Providence, led by Johnson & Wales, has no doubt played a role in the food-related accolades the city has received.

<sup>6</sup> ICIC and Karp Resources, *Anchor Institutions and the Food Cluster in Baltimore*, p. 6.

<sup>7</sup> ICIC, *Inner City Insights*, “Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value,” volume 1, issue 2, p. 4.



# Defining the Food System

The food system describes all of the economic activity that must be coordinated to put food on our plates.



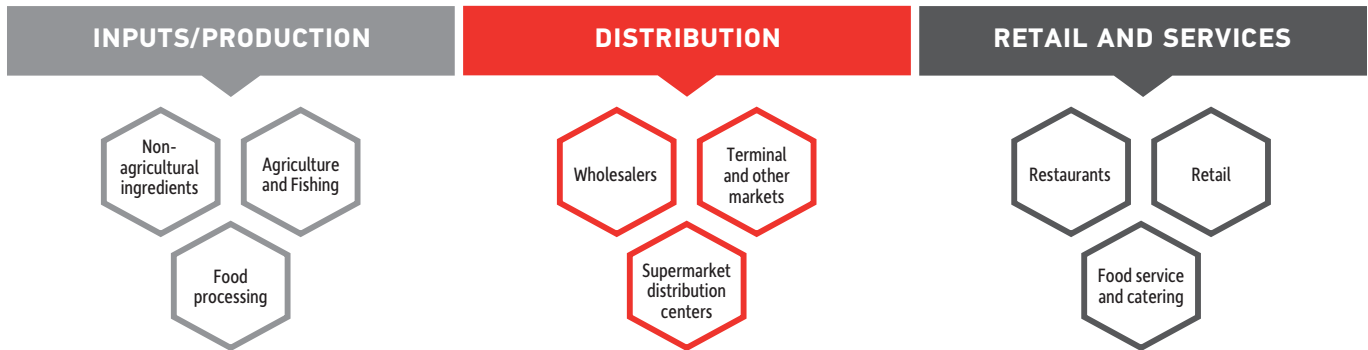
Agriculture and fishing, the production of non-agricultural ingredients such as vitamins and additives, food processing



Terminal markets and other markets, wholesalers, supermarket distribution centers



Food service and catering businesses, restaurants, retailers from supermarkets to gourmet shops



In the early 1990s, Johnson & Wales purchased the burned-out Outlet Company building and used the land for its new campus and restored and rehabilitated various other buildings downtown. It created a 2.8-acre urban coastal greenway along the Providence/Cranston coastline and provided the site for the Save the Bay headquarters and education center. In Providence, says Adina Astor, a director at advisory firm Next Street, which is focused on small business and economic development, “Johnson & Wales invested a significant amount in a city that was facing a lot of challenges.” And, she says, “That’s true in all the cities they’ve been in. They’ve been very heavy in their level of investment.”

## CLUSTER ANCHOR

Large institutions can act as anchors not just for their neighborhoods but for entire industries. An active anchor, by collaborating with other institutions and private businesses, can attract talent, funding and entrepreneurs, helping to drive innovation and the commercialization of new ideas.

Entrepreneurship centers within universities are a logical place to start. Johnson & Wales’s entrepreneurship center has recently started looking anew at how it might lead in the food business space. Centers for entrepreneurship at the Chicago Booth School of Business and Babson College have also taken an active interest in their food systems.

Universities, hospitals and other anchors are also logical choices as conveners within the food system. They already host numerous symposia in areas of academic and economic interest, and these could be expanded strategically to include food systems. When Allan Tear, a Rhode Island Innovation fellow, set out to determine if the city of Providence had the resources and assets to become a national leader in food innovation, he discovered that the leaders of the city’s 20 most prominent food startups didn’t even know each other. He set out to change that, but this is a role that could be fulfilled by motivated anchors. Anchors should be active in bringing participants in the food system together and helping to facilitate relationships among them.



## Conclusion

All anchors have the potential to catalyze growth and innovation within their local food systems and, at the same time, increase local economic growth. As a training ground for culinary professionals, Johnson & Wales has been particularly influential in this respect, participating not only in the physical redevelopment of its city but in redefining the boundaries and functionality of the food system in Providence.

Yet all anchors—even those without a food-related mission—play important roles within their cities' food systems.

FOR ANCHORS, THE NEXT STEP IS TO TRANSFORM THEIR ACTIVITIES INTO STRATEGIC INITIATIVES THAT WILL HAVE MEASURABLE PAYOFFS FOR THEIR INSTITUTIONS, THEIR CUSTOMERS AND THEIR COMMUNITIES.

By taking food services in-house and reconsidering the capabilities of local producers, Yale University has created significant shared value. It has created important business opportunities for new vendors, is serving healthier, sustainably produced meals and is providing better career opportunities for its own food services staff.

Anchors that focus on expanding their local food systems will be encouraging a more vibrant business community, discovering new and more suitable vendors and improving their prospects for innovation. Together with their neighbors, anchors will be building stronger communities and providing job opportunities, career ladders and inspiration for individuals who need them the most.

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## ABOUT ICIC

ICIC is a national, not-for-profit organization founded in 1994 by Harvard Business School professor Michael E. Porter. ICIC's mission is to promote economic prosperity in America's inner cities through private sector engagement that leads to jobs, income and wealth creation for local residents.

ICIC and Next Street partner through a unique strategic alliance to deliver the knowledge and the know-how to achieve sustainable economic and job growth. ICIC's one-of-a-kind research and industry cluster analysis inform long-term strategies that make the most of local assets. Next Street provides the hands-on advice and access to financing that cities and institutions need to expand and create jobs. Together, ICIC and Next Street have advised some of the country's leading anchors on how to spark local economic development and create jobs, while improving their supply chains, identifying budget savings, and creating a better community for their employees.

## ACKNOWLEDGEMENTS

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ICIC launched the ***What Works for Cities*** campaign to engage city stakeholders and address some of the nation's greatest urban economic and business development challenges. Through reports, webinars, convenings and case studies, ***What Works for Cities*** brings to light initiatives that are successfully growing industry clusters, strengthening business environments and supporting the growth of individual firms. Learn more at [whatworksforcities.com](http://whatworksforcities.com).

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. [WWW.ICIC.ORG](http://WWW.ICIC.ORG)



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