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Advancing Local Anchor Procurement Strategies:
Early Findings and Next Steps for the Field

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Overview

Universities and hospitals are major economic forces in many American cities. Despite this reality, few, if any, regional economic development strategies are built around these stable and rooted “anchor” institutions, and fewer strategies still seek to harness these institutions’ economic power to create opportunities for low-income people.

Through their hiring, purchasing and other activities, anchors generate billions of dollars in economic activity with the potential to benefit low-income people directly. Through its Integration Initiative, Living Cities has partnered with several cities seeking to work with anchors to realize these potential benefits. A key learning from this work has been that, in order to achieve population-level results for low-income people, anchors cannot act alone but rather must be part of a broader system whose actors align their efforts and investments. At its March 2012 Design Lab, Living Cities convened over 60 leaders from anchor institutions and the nonprofit, philanthropic and government leaders who work with them to explore how actors in regional systems can create this alignment and achieve greater impact.ⁱ

One promising area of work highlighted at the Design Lab was anchor procurement – more specifically, efforts to target anchors’ purchasing towards local businesses that are owned by minorities and women and/or are likely to employ low-income, lower-skilled workers. At the request of Living Cities, we explored the current state of practice around anchor procurement efforts and sought to identify issues that must be addressed for this work to create significant numbers of local jobs. More specifically, we conducted background research and practitioner interviews in October – November 2012 to gather thoughts on the state of local procurement efforts specifically among universities and hospitals (“Eds and Meds”).

The analysis included a review of related research and phone interviews with Living Cities’ staff and key practitioners identified by Living Cities, with a particular focus on cities participating in Living Cities’ Integration Initiative. This report presents our key findings along with potential action steps and examples of promising practices, followed by recommendations to the field for moving forward.

Many of the stakeholders interviewed have engaged in anchor procurement strategies in their communities, believing that such efforts will lead to job creation for low-income residents. The thinking holds that by increasing the amount of purchasing that Eds and Meds conduct with local businesses, these local firms will grow and hire more workers. Given the mix of “non-mission-related” goods and services these anchors are inclined to purchase locally – primarily janitorial, maintenance, food service, and construction services – there may be significant opportunities for lower-skilled workers to access these jobs, making this approach a promising one for increasing economic opportunity for these residents.

Anchors and their partners in the public and nonprofit sectors have made some meaningful advances in this work. Some “early adopters” have managed to allocate significant portions of their “spend” in support of local and minority- and women- owned businesses, institutionalize a focus on this type of procurement and link this activity to other strategies to create economic opportunity for low-income people (e.g., workforce development). On the whole, however, this work remains

limited to a set of trailblazing institutions and has been slow to impact large numbers of low-income people. Moreover, not all interviewees were convinced that local procurement strategies really can create jobs at meaningful scale (as opposed to moving existing jobs from one location to another). Despite these issues, the interviews did reveal a number of key findings that are relevant to the field overall and that can help inform future efforts. Furthermore, they revealed a set of questions and systemic issues which, if addressed, could help to address some of the challenges with which the field is currently “stuck” and move this work forward.

Methodology

Over the course of October and November 2012, we reviewed background materials and conducted interviews with thirteen stakeholders. The interviews sought to understand how practitioners were thinking about key issues related to local procurement strategies for anchor institutions, identify what they see as the challenges and opportunities for the work, and determine what action steps were needed to move the field forward. Interviews included three members of Living Cities’ staff and four practitioners taking part in Living Cities’ Integration Initiative (TII) in Detroit, Cleveland, Baltimore, and the Twin Cities. All of these sites are currently engaged in local anchor procurement strategies. Two interviewees represented anchor institutions in non-TII sites that also have local procurement strategies (Washington University in St. Louis and University of Pennsylvania). Finally, four interviews were conducted with key national practitioners who work on these issues: the Initiative for a Competitive Inner City, U3 Ventures, NextStreet, and Mt. Auburn Associates. All but one interviewee participated in Living Cities’ March 2012 Anchor Institutions Design Lab.

Key Findings

1. Definitions of “local” are shifting to include a greater emphasis on geography in addition to diversity, with the ability of local businesses to compete for local contracts driving these geographic definitions.

How “local” comes to be defined can lead to varying results. For example, if “local” is defined as anchors only buying from businesses in one distressed neighborhood, the impact on jobs for low-income residents in that neighborhood and for the neighborhood’s economy could be quite high. However, if “local” is defined as an anchor buying from businesses located throughout the metropolitan region, using this strategy to connect low-income residents to jobs might be harder to assess without some thoughtful metrics.

Nationally, procurement strategies have tended to define anchor procurement goals in terms of diversity rather than geography, with the result that anchors now have more established protocols for sourcing and hiring to advance supplier diversity goals. However, recent efforts have seen some movement towards a focus on concentrating procurement locally instead of or in addition to increasing supplier diversity.

In general, anchors that have adopted a geographic focus are mostly located in distressed areas, have had outside pressure to adopt this focus (coming from local foundations or community

advocates), and/or have been compelled to do so through some kind of “stick” such as a Community Benefits Agreementⁱⁱ, issues related to payments in lieu of taxes, or some other issue impacting the anchor’s relationship with the community.

All of those interviewed reported that they were advancing local procurement strategies based on a geographic target area, though all expressed a need for a “tiered” approach to ensure that the businesses they target have the capacity (capital, equipment, management expertise, etc.) to service the anchors. While many indicated they had a specific neighborhood as a priority, they have realized that they cannot necessarily locate, cultivate, or attract qualified businesses within that footprint, so they have had to modify their geography to include a larger area. This has sometimes gone all the way from citywide, to county, to region, or even state. However, if they were forced to expand their geography, practitioners reported that they were making sure that these businesses were women- or minority- owned. This was particularly true for those who had been focused on revitalizing a neighborhood or a part of the city. For these practitioners, the focus on women and minority-owned businesses is serving as a type of proxy for connecting low-income residents to potential job opportunities.

In thinking about this tiered approach, one interviewee spoke about a “five bells” strategy for identifying local: “Is the firm in our targeted geography and will it help revitalize our target area? Is it minority owned? Can it grow and hire more workers? Is it creating new jobs? Will it help us address ‘leakage’ issues – that is, money going to non-city firms?” Hitting on any or all of these “bells” would better position a firm for a local procurement contract.

All of the interviewees reported that the ability of local firms to successfully compete for contracts was what was driving the definition of local. Several sites reported that they did a preliminary assessment of local firms to compete in this space before settling on a targeted geography while others reported having to expand their geography after the fact to meet the needs of the anchors.

Finally, it is important to note that there seemed to be a tension involved in balancing the preference for local businesses versus women or minority-owned firms. Some of the interviewees felt that they would capture minority-owned businesses as a result of their geographic focus simply because they believed there were more minority-owned businesses within their target areas. Only Baltimore reported leading first with a focus on minority-owned businesses and second with geography to ensure that the firms they were supporting in their procurement efforts were minority-led. The goals of creating jobs versus leveling the playing field for minority- and women-owned businesses need not stand in mutual opposition, but more clarity as to how these goals can best be advanced simultaneously could be helpful.

2. To date, strategies to boost local anchor procurement have focused on getting anchors to increase their local “spend,” but a new potential focus – job creation – may be emerging.

Nationally, local anchor procurement strategies to date seem to be primarily focused on increasing local spending as a means of creating economic opportunity for residents. Several interviewees suggested that job creation is one of their goals, and that local spend serves as the best available proxy for that goal. Others, however, were more skeptical, noting that the amount of local spending that would need to occur before it led to job creation was significant enough to make a job creation

goal, for the moment, unrealistic. The numbers seem at once daunting and promising: one site reported that \$200,000 in local procurement was needed for every additional job created – but by that formula, if one only captured 5% of \$4 billion in procurement activity (the combined annual purchasing power of three anchors in central Detroit), that would create 1,000 local jobs – not an insignificant number.

One exception to the use of local spend as a proxy is in the area of construction, where there appears to be both precedence and a system in place to track minority- and women-owned suppliers as well as the number of minorities and women hired by these suppliers for construction contracts.

Among the sites that participated in these interviews, it seems that there is an evolution in thinking about impact underway and that the anchors were becoming more invested in issues such as job creation and long-term systems change. Many reported that they initially focused on spend goals – indeed, for many, just cracking this nut would result in a significant re-allocation of revenues into an impoverished business community. Yet over time, the majority of The Integration Initiative sites indicated that they had begun to consider other impacts such as jobs created. In most cases, this shift in outcomes seems to be coming from pressure by outsiders involved in these efforts – in particular foundations and to a lesser extent, community groups – rather than any move by the anchors themselves.

A number of the interviewees expressed concerns about tracking local hiring/ jobs because they were not yet clear if these strategies were, indeed, creating new jobs or simply “moving the jobs around” from the suburbs to the city or from one geography to another. Because of this concern, a few sites are beginning to think about out how to “grow their pie” rather than simply reallocate the pie to achieve a more sustainable jobs creation goal. However, it was not yet clear how exactly to translate this notion into a concrete job creation strategy.

Promising Practice – Connecting Anchor Procurement to Job Creation

Early on, Baltimore brought workforce-training providers to the table as they developed their local procurement strategies. This has led them to select catering and food preparation as their lead industry cluster for local procurement. While early analysis of anchor purchasing revealed food catering and preparation as an area of high spend for the Baltimore’s Eds and Meds, it was the realization that one of their key partners – St. Vincent de Paul – offered a training program in food service and could provide skilled workers for these efforts that helped to sell that focus. According to their TII leads, this has saved St. Vincent de Paul significant time figuring out job placements for their graduates as John Hopkins has been able to connect that program directly with one of their large vendors, Aramark, and required them to hire these trainees as part of their service contract. Practitioners seeking to advance job creation goals through local procurement strategies should consider partnering with industry training programs to proactively match trainees with local vendors.

Finally, one interviewee raised the question of whether spend or jobs created should even be the

metrics for impact at all. For them, the impact needed to be more about permanently impacting the purchasing systems to make local procurement not an “add-on” or “nice to have,” but rather standard practice in how day-to-day business is done. This approach would lead to a more sustainable and resilient system but would require significant institutional changes in policies, practices, systems, and habits among all the players – anchors, local vendors, and city government. Yet in order to achieve this type of institutional change, greater clarity is needed about the goals of anchor procurement work and the overall benefits to the anchors. Ultimately, the field’s ability to harness anchor procurement for the benefit of low-income people depends on a clear definition of the “end-game” and alignment of its efforts accordingly.

3. “Non-mission-related” service industries are best positioned for local procurement strategies.

There is great clarity and consensus within the research and among the interviewees that services outside of an institution’s core mission are best suited for local procurement strategies. Table 1 provides a summary of the services identified.

Table 1. Most Promising Service Industries for Local Procurement

Catering/ Food Service	Laundry Services
Printing/ Marketing Collateral	Waste and Recycling
IT/ Data Processing	Pest Control
Translators and Interpreters	Janitorial
Construction*	Window Washing
Architecture	Snow Removal
Maintenance	Landscaping

** In particular, those areas requiring less sophisticated skill sets – i.e. roofers vs. electricians*

Practitioners reported that it is easier to carry out local procurement for services rather than goods because, for many Eds and Meds in particular, the goods they require are specialized, very cost-sensitive, and/or manufactured by a small number of global suppliers (i.e. medical equipment). The exceptions to this were for goods such as office supplies, appliances, and food, which don’t share these characteristics.

With perhaps the exception of architecture, all of the services identified tend to be lower-skilled occupations that may also lend themselves to local sourcing. While it is encouraging to know that local procurement opportunities align well with jobs that have limited skill requirements, making them good candidates for entry-level job placements, it should be noted that many of these jobs may not offer family-supporting wages. Practitioners interested in growing long-term economic opportunity for low-income residents should also consider the possible career pathways for these jobs to ensure that low-income residents have the opportunity to build their skills and increase their wages over time.

4. There currently seem to be four primary strategies in play for achieving local

procurement goals.

These strategies are:

- **Buying directly from local firms:** In this case, the anchor negotiates directly with a local vendor to provide a needed service. This strategy was actually seen as the most difficult to achieve, requiring a “high touch” by the anchor to address capacity issues of the local vendor and only available to local businesses of sufficient capacity (typically over \$1 million annual revenue).
- **Requiring large contractors to use local sub-contractors:** This strategy is easiest for the anchors but it is seen as just shifting the burden and cost of handling the capacity issues of local vendors onto the large contractors. Given the pressure among Eds and Meds for cost-savings, this may make this strategy difficult – anchors want their vendors to deliver more at a lower cost, yet this strategy brings additional costs to the large vendors of working with these local suppliers. This strategy raises issues about who is ultimately responsible for building the capacity of local vendors – an issue discussed in more detail below.
- **Splitting up large contracts:** In some cases, it was reported that anchors were splitting up their procurement contracts into a series of smaller contracts. While this strategy opens up opportunities for local vendors to bid on small contracts it also requires a “high-touch” approach by the anchor and a level of complexity in coordination that may not be sustainable.
- **Bringing national vendors to locate locally:** This was seen as the strongest short-term opportunity and generally preferred by hospitals that tend to work with large, national vendors. This strategy also addresses the “leakage” issue but people were concerned about whether this strategy actually creates new jobs or simply re-allocates those jobs from one location to another.

While it is reasonable that anchors would pursue the “path of least resistance” and work to advocate for their larger national contractors to sub-contract to local firms, such a strategy may not be in the best interests of the community over the long term to the extent that it leaves more systemic barriers in place which disadvantage small firms (an issue discussed in greater depth later on in this paper). Increasingly, communities are promoting approaches such as “economic gardening”ⁱⁱⁱ that focus on growing local businesses rather than importing outside firms in order to create a more sustainable local economy. Practitioners pursuing local procurement strategies should consider adapting such approaches to increase the capacity of local firms to supply anchors.

Promising Practice – Promoting Local Firms in Procurement Bidding

Starting January 1, 2013, University Hospital in Cleveland, OH will require that for all contracts over \$20,000, procurement officers (POs) get three bids and that one of those bids be from either a local, minority, or women owned business. If a PO does not get at least one bid that meets this criteria, they are required to appear before an Exception Committee and explain why. Practitioners seeking to promote local procurement should consider measures such as this to institutionalize the work, rather than leave it as an option for individual purchasing officers.

5. Anchor procurement strategies to date are primarily motivated by the desire to impact the community and/or their mission, but for these efforts to reach greater scale, a stronger business case must be made.

National trends show that many anchors are motivated in their local procurement efforts by a desire to do good for the community they serve, falling into three general camps:

- **Need to mitigate negative perception of the anchor:** Several interviewees cited “town/gown” issues and issues relating to mitigation of payment in lieu of taxes
- **Mission-based:** Several anchors reported that their local procurement efforts were driven directly by their mission to serve the local community
- **Competitiveness:** Some anchors are coming to this work out of a need to improve the area surrounding them in order to recruit talent (students and faculty), which they must do in order to compete at the national and international levels

Some sites, in particular the Living Cities Integration Initiative sites, while still pursuing local procurement strategies for social reasons, are beginning to make the case that “buying local” also provides significant business benefits, namely: better service, better access to critical goods and services in crisis situations, decreased carbon footprints, no/low shipping costs, and, in some cases, lower overall costs. However, it was clear from the interviews and the review of literature that to date, that the strategic and economic case for local, diverse procurement is not as well understood as it might be. Unfortunately, unless a stronger case can be made for why this approach carries benefits to the core business (e.g., cost savings) or core mission (e.g., improved quality of service for clients) it will be hard to sustain these efforts in an era of cost cutting among anchors, let alone to make them standard practice across the country. For many, the social rationale for these efforts will only go so far as they report that, fundamentally, it is their day-to-day delivery of their services (education, health care) that is their social good to their community. This rationale leaves local procurement as a nice “add-on” to that larger, social good and not central to their business model. A clearer business case can help change that.

National practitioners raised the additional question of how the very definition of “anchor” impacts local sourcing opportunities. While the current focus is primarily on Eds and Meds, national practitioners raised the need to look beyond this category of anchors to include government, utilities, and large employers (school districts, headquarters). For some, hospitals have actually proven to be hard to work with on local procurement given that, in general, about eighty percent of their buying goes to GPO’s – large, national procurement consolidators with long-term relationships, track records, and contracts. Practitioners interested in advancing local procurement efforts should consider how they can work collectively to engage these large national procurement consolidators in a discussion around sourcing a percentage of their goods locally and/or encourage women and minority hiring. One of the interviewees provided an example of how this could be done – noting that a limited number of national accounting firms provide services to most of the nation’s anchors. In selecting their firms, anchors could (as this anchor indicated they were doing) require these firms to achieve local and/or diversity hiring goals at their local branch offices.

Action Steps for Practitioners

Practitioners seeking to promote local procurement would benefit by tailoring their efforts to respond to anchors' business needs while simultaneously creating opportunities for low-income people. Some of the positive impacts of local buying may include: better service because, in many cases, the anchor is a larger client for local businesses; better access to critical goods and services in crisis situations; decreased carbon footprint; low or no added shipping costs, and; even lower overall costs. The field might also benefit from research which uses case studies to quantify some of these benefits. Unless a case can be made for why this approach is more cost-efficient it will be hard to sustain these efforts over time.

6. Practitioners are still feeling out what level of cross-anchor collaboration is optimal.

In some cities, particularly in several of Living Cities' Integration Initiative sites, efforts have been under way to align procurement policies and practices across multiple institutions in the same geographic area, with the hope that this will facilitate greater access to contracting opportunities with these institutions. More commonly, however, individual anchor institutions are carrying out most local procurement efforts on their own.

Where there has been cross-anchor collaboration nationally, it has often come from small anchors that have limited staff and buying power and so are more willing to come together to aggregate capacity and cost benefits. However, these anchors typically have a limited amount of spend and so do not necessarily create jobs at the scale that larger anchors might.

The sites that are engaged in collaboration across anchors around procurement identified one primary benefit of this collaboration to date – the opportunity for anchors to learn from each other about how to carry out local procurement strategies. Some additional benefits might also be: access to a common database of local vendors that they alone could not develop or maintain (see discussion of this issue below) and the opportunity to aggregate demand across anchors for some key goods or services and so position themselves for potential cost savings among their suppliers. While all of these benefits are important, they do not yet clearly point to an incremental advantage of collaboration versus just supporting the individual efforts of anchors to buy local.

Practitioners identified a number of challenges they are facing related to cross-anchor collaboration. At the most basic levels are the potential legal issues with such collaborations. A number of the sites reported concerns of allegations of price fixing, collusion, and monopolies – all legal challenges that can be raised among efforts to share information on sourcing and buying. For some, they are able to address these issues by framing their efforts around broader social and economic stability goals for the region and by relying on a neutral partner (typically a foundation) to convene them.

A much larger challenge to collaboration is the need to build trust across what have often been competitor institutions. This takes time and in some cases can only be achieved by focusing collaboration in industries that are non-essential and not in their competitive advantage. Competition was particularly fierce among health care providers and several sites reported that collaboration was easier among a mix of anchors rather than the same type. Finally, a related challenge in some places may be culture of the purchasing offices as staff may not have the incentive to collaborate or to consider local sourcing of their goods and services. Incentives and

education must come from the top levels of leadership within the anchor to make such efforts effective.

These issues and challenges should not be taken to mean that cross-anchor collaboration cannot be valuable. Rather, they suggest that a highly strategic approach is needed when considering how, to what extent, and around what activities practitioners should be seeking collaboration across anchors. Further experimentation around cross-anchor collaboration should yield more learnings about when and for what purposes this approach is most useful.

Action Steps for Practitioners

Practitioners should consider when and how they might best promote collaboration among anchors so as to advance the overall goals of the work without adding additional burdens and/or raising issues of price fixing, etc. Bringing anchors together to share information, learn about national best practices, identify common system challenges, and/or review progress towards the community's local procurement goals, may make the most sense. However, practitioners may need to work individually with anchors to help connect them to local vendors in order to neutralize issues of competition and/or price fixing. In both areas, though, a liaison or convener is needed to either bring the anchors to the table in a neutral setting or to work one-on-one with them to help achieve overall local procurement goals.

7. A more scalable system is needed to complement – or perhaps even replace – more “retail” matchmaking between individual businesses and individual anchors.

All of the interviewees reported challenges identifying local businesses to support the needs of anchors. While many are in the process of developing database tools to capture this information, all expressed concerns about the long-term maintenance of these tools. While many are setting up intermediaries to house and maintain this information, many wondered what role city governments could play in these efforts. There was an interest in seeing if the cities' regular licensing or taxation processes could be leveraged in some way to capture the information sites are currently gathering about small businesses. As one interviewee put it: “Given the amount of resources cities spend on attracting new businesses, it seems logical that some of these resources could be reallocated to supporting the growth of these existing businesses by marketing, promotion and better business-to-business services.” This sentiment again aligns with previously mentioned strategies such as “economic gardening,” where municipalities focus on growing existing businesses rather than simply seeking to attract firms to their communities.

The issue of database management is significant. If the quality of the system cannot be maintained, trust in the system will be jeopardized and usage of the system by the anchor's procurement officers – already a skeptical audience – will be put in question.

To date, each site is in the process of developing or adapting a database to meet their needs. Yet most reported that they were relying on personal “matchmaking” to put together their deals. These operations, while perhaps a useful part of a broader matchmaking system, are not scalable in their current form. A more sustainable, scalable, efficient solution is essential if there is any hope of moving these efforts forward nationally over the long-term.

Action Steps for Practitioners

The field should consider a research project or convening of practitioners and national experts to better understand what local and national efforts are underway to improve access to information about local vendors and to connect anchors to qualified local vendors. This discussion should also address on-going database management issues including updating of vendor information. The field should also explore whether there are standard system needs that might be better addressed through the creation of an industry-wide platform or tool. Based on this analysis, it may be worthwhile for a sub-group of communities to work together to pilot a multi-site database management system for local vendor information.

8. The limited ability of local vendors to compete successfully for anchor contracts is a bottleneck to these strategies, yet few are focused on addressing the systemic issues that exacerbate this problem.

Interviewees roundly reported that, ultimately, if the local businesses did not have the ability to supply the anchors, efforts to advance local procurement would not be successful. Yet none of the interviewees reported efforts to build the capacity of these businesses beyond what the anchors themselves were offering. Instead, it appears that most are trying to connect anchors to those businesses that already have the ability to deliver and helping these businesses navigate the paperwork and bureaucracy that comes with selling to an anchor. Two results of this approach are that (1) no real pipeline of local businesses appears to be being created, and (2) more systemic barriers to small business’ ability to sell to anchors remain unaddressed.

Table 2 lists some of the capacity building needs for local businesses identified related to anchor procurement.

Table 2. Capacity Building Needs of Businesses for Successful Anchor Procurement

Bonding	Navigating Anchor Procurement Processes
Insurance	Business Networking/ Access to Customers
Legal	Cultural Issues – working with Anchors
Health inspections/ Code Issues	Rent Relief
Management Expertise	Cash flow – accelerated payments

In looking at the capacity issues noted in Table 2 it should be noted that almost half of these are related to the process of working with an anchor – bonding, insurance, cultural issues, cash flow, and navigating the anchor procurement process. This indicates that perhaps the field can increase

the scale of this work by exploring ways to streamline, simplify, or modify current anchor purchasing processes, and/or by creating new mechanisms to help anchors meet their business needs (e.g., insurance) while reducing the burden on the individual small business. For example, small business development organizations could work with anchors to revisit bonding requirements, put in place accelerated payment processes to support the need for cash flow, streamline RFQ processes to make them more transparent, and educate purchasing officers on cultural differences in working with local firms. Local stakeholders could also experiment with the creation of joint bonding or insurance facilities for local firms selling to anchors. If anchors are to buy from local firms at meaningful scale, these systems and processes need to be adjusted in order to level the playing field.

Even with these process and systems adjustments in place, it will likely still be necessary to provide capacity-building assistance to prospective local sellers. Many interviewees raised the question of who should be responsible for the costs of building the capacity of local businesses in general. A few of the interviewees reported that they are developing partnerships to mobilize and align whatever resources may be available, regardless of the source. The Integration Initiative sites in Cleveland and Baltimore, for example, have indicated that they are working with outside providers to provide capacity building. That work is just getting started and it will be interesting to see how their programs develop. Addressing long-term capacity issues/ pipeline development, however, will be essential to creating a robust, sustainable system that grows businesses and generates jobs rather than simply a one-off matchmaking effort that connects the most qualified businesses with additional customers.

Promising Approach – Economic Gardening

Beyond revisiting the overall procurement process itself to make it more accessible to local businesses, communities should also invest in strengthening the capacity of their local businesses so they are able to take advantage of these new customers. One approach to this is the concept of “economic gardening.” Economic gardening rejects the notion of classroom training to help businesses grow and embraces the belief that having the right information, at the right time, and the right team in place are the essential elements to accelerating businesses. This approach connects high growth firms with resources, infrastructure, and information – typically only available to large firms – to help their businesses grow. This approach provides businesses with strategic market analysis, geographic information systems, search engine optimization, and social media marketing. Firms are also provided with “temperament tools” to help them grow balanced management teams. Finally, this approach focuses on intense, quick engagement in real time – helping businesses get the information they need quickly so they can move forward. Practitioners interested in growing business capacities so they can connect to anchor procurement opportunities should consider connecting them to broader small business development approaches such as “economic gardening,” so that they benefit from the full array of resources and supports available in a given place.

9. Building a successful local anchor procurement system requires aligned effort across a “deep bench” of stakeholders.

As the above findings illustrate, communities cannot rely solely on the anchors themselves to develop, deliver, and monitor local anchor procurement strategies. Even the best intentioned Eds and Meds quickly face challenges vis-a-vis the long-term sustainability and institutionalization of such efforts. Without broad engagement with and commitment from actors beyond anchors to address systemic issues outside the anchors’ purview, it will be challenging for these efforts to remain in place over time, and to achieve our hoped-for impact of job creation for low-income people at meaningful scale.

Those interviewed all referenced the presence of a “stakeholders table” that regularly convenes to raise and address systems issues and to set and monitor local procurement goals. Each community varied in their mix of stakeholders but Table 3 lays out some of the key players for practitioners to consider for this work:

Table 3. Key Stakeholders in Local Anchor Procurement Efforts

Stakeholder	Role/ Perspective
Anchor Institutions: CEOs, and Purchasing Depts.	Customer, purchasing process reform
City Government	Information systems, incentives, small business systems (licensing, codes, etc.)
Philanthropy	Convener, neutral resource provider for analysis, etc.
Business Support Service Providers	Capacity building for local firms
Workforce Training Providers	Connecting targeted industries with trained workers
Business Associations	Representing targeted small businesses
Information Systems Provider	Develop database to access qualified businesses

Practitioners setting this table should be clear about the roles and responsibilities of each of the stakeholders and make sure each has some “skin in the game” so that the engagement is meaningful to each organization’s bottom line.

Action Steps for Practitioners

Even while working with individual institutions, practitioners should devote special effort to engaging the stakeholders who influence the systems relevant to procurement efforts (e.g., small business development, economic development, philanthropy). If the community’s goal is to create jobs for low-income people, practitioners should be sure to engage community colleges and other workforce training programs early on in discussions to identify the most promising industries for training workers. Local philanthropy can serve as a convener initially, but as efforts progress over time, local stakeholders can invest in their own facilitator to help institutionalize these efforts.

Recommendations to the Field for Moving Forward

Based on the findings from the background materials and interviews, we offer the following thoughts for the field to consider moving forward. These ideas are meant to stimulate discussion and are not meant to reflect one, cohesive strategy.

1. Document the business case for local procurement strategies.

Generally, procurement strategies among anchors, and cross-anchor collaboration on local procurement strategies specifically, are being motivated by social goals rather than by economic or strategic purposes related to the anchor's bottom line. The field should consider investing in a process to better understand the business case for both local procurement and for cross-anchor collaboration on local procurement efforts. Specific benefits may include: better service, better access to critical goods and services in crisis situations, decreased carbon footprints, no/low shipping costs, and, in some cases, lower overall costs. Where possible and appropriate, the articulation of these benefits should be monetized. Addressing this issue could help move local procurement efforts from the margins towards the center of local economic development strategies.

2. Clarify the “end game” of local procurement strategies.

While practitioners are beginning to consider new “end result” goals such as job creation in addition to traditional or “proxy” indicators such as local spend, more thinking and rigor needs to be applied to defining the “end game” of these efforts. Practitioners are particularly struggling with the idea of anchor procurement as a job creation strategy on two fronts. First, they want to know if and how these strategies lead to real net job creation for low-income residents and what types of industries offer better job opportunities or career pathways for these residents. Second, they want to better understand what needs to change to make this approach more than a “nice to have” add-on program and instead, a means to fundamentally re-orient the larger system to support local businesses, local hiring, and local purchasing. The field would benefit from research seeking to answer both of these questions. Such research might also include a “roadmap” and toolkit for executing anchor procurement strategies in communities that connect to job creation goals.

3. Put the spotlight on investing in the keys to creating systems change.

Right now the field is focused primarily on figuring out how to make local procurement happen at all. Practitioners are looking to immediate “deals” and developing a track record in order to prove that local procurement is an effective and feasible strategy. While capturing, documenting, and facilitating cross-site learning from these efforts is important, there is also the need to unlock the keys to take these individual efforts to scale – locally and nationally. From the interviews, the keys seem to lie in ensuring there is trustworthy information about reliable and capable local vendors to meet the anchors’ – or frankly any business’ – supply needs. This means addressing systems challenges in four ways:

- a) **Retooling current procurement systems to give preference to – or at least level the playing field for – local vendors.** As previously discussed, many of the stated capacity issues of local firms are tied to a procurement system that puts them at a disadvantage. How can the

field re-engineer procurement systems to address these barriers while still ensuring that anchors get the high-quality products and services they need at competitive prices?

- b) **Building the capacity of the local vendors themselves:** Currently there is no evidence of a systematic discussion about how to build the pipeline of qualified businesses, yet the very essence of executing a successful “buy local” strategy hangs on this issue. *What should such a system look like? How can it be paid for? Who should be responsible for running it? What is the role of the city, the anchors, the businesses themselves, others? Are new entities (e.g., an intermediary) needed to make it work? What would be the metrics for assessing its success?*
- c) **Developing a system to provide reliable, accurate information about vendors to anchors (including but not limited to Eds and Meds):** A number of the sites have now identified what information needs to be captured, but they have yet to devise a means of collecting, updating, and maintaining this information with which they are satisfied. It might be helpful to convene these trailblazers as well as other national experts to try to figure out how to take what is being learned by these efforts and think through with them how to scale this both in their sites and nationally.
- d) **Identifying the necessary policies, practices, and cultural changes that need to be put in place to ensure the long-term sustainability and resiliency of this work:** Most efforts to date have relied upon the leadership of the institution’s CEO and/or other key actors within the institution. The field should identify the essential policies, practices, metrics, and cultural components that need to be put in place to ensure long-term sustainability. To date, most efforts have not articulated these longer-term components and as such may not necessarily be addressing them in as a systemic fashion as they might. The field should develop the larger frame for this and prompt local efforts to work intentionally to put these pieces in place.

4. Build the capacity of practitioners to advance local anchor procurement strategies.

While the Initiative for a Competitive Inner City, U3 Ventures and others are already capable national actors working on these issues, they, as well as local practitioners, clearly see an added value role to having a neutral convener around these issues. ICIC and U3 Ventures are seen as the knowledge providers on these issues, and a neutral convener would not replicate their efforts or capabilities but would add an additional layer of capacity to support peer-to-peer learning. In addition, a neutral convener could commission additional analyses, such as those noted above, that would push the field. This peer-to-peer network could help sites learn from each other and potentially even provide support to invest in key stakeholders to implement these new ideas.

The notion of local procurement by anchor institutions is not a new one. However, with a few exceptions, work to date has yet to reach the scale, impact or widespread adoption many have hoped for. By analyzing the business case for local procurement work, clarifying its “end game,” orienting efforts and metrics accordingly by addressing the systemic issues which disadvantage small local firms, aligning stakeholders’ efforts to build local firm capacity, accelerating cross-site learning, and working through remaining strategic questions, the field may be able to make real progress in this direction.

Appendix

1. Interviews:

Name	Organization Name
David Barna	Midtown Inc.
Tim Ferguson	NextStreet
Mary Kay Leonard	Initiative for a Competitive Inner City
Eric Muschler	McKnight Foundation
Lisa Prasad	U3 Ventures
Ann Sherrill	Baltimore Neighborhood Collaborative
Beth Siegel	Mt. Auburn Associates
Tony Sorrentino	University of Pennsylvania
Hank Webber	Washington University, St. Louis, MO
Walter Wright	The Cleveland Foundation
Cassandra Benjamin	Living Cities
Alison Gold	Living Cities
Robin Hacke	Living Cities

2. Interview Protocol:

- a) How should “local” impact be measured? At the level of part of a city, the city as whole, or a city and surrounding counties? Should it be measured in terms of percentage of institutional spending, or should it be measured in terms of numbers of jobs – overall or for a particular target population?
- b) What areas of anchor spending are ripest for local procurement? Some candidate areas include food, facilities maintenance, and waste management. What other areas show promise?
- c) What methods are being tried to get cross-institutional working relationships in place with respect to procurement – both relationships among anchors, as well as relationships between anchors and other key actors in a region? How are these mechanisms structured and staffed?

- d) What mechanisms need to be created for collection and exchange of data between institutional buyers and vendors? What progress is being made in different regions with respect to creating new databases or modifying existing databases that will make anchor purchasing needs and vendor supply capabilities more mutually transparent? What institutional actors are taking responsibility for creating and housing these databases – and are new intermediaries needed?
- e) What supports do local businesses need to be fully competitive for contracts with anchors? What efforts are being made – and by whom – in this area (e.g., providing small businesses with help in navigating complex RFP processes, identifying additional capital to support small business expansion)?
- f) LC is in a strategic planning process. What are opportunities for LC to pursue on this issue? What could be its value add? How could LC support networking on these issues among design lab participants?

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ENDNOTES

ⁱ Takeaways from the Design Lab can be found at: <http://www.livingcities.org/blog/?id=29>

ⁱⁱ A Community Benefits Agreement (CBA) is a project-specific agreement between a developer and a broad community coalition that details the project's contributions to the community and ensures community support for the project. Addressing a range of community issues, properly structured CBAs are legally binding and directly enforceable by the signatories. For more information:
<http://www.forworkingfamilies.org/resources/policy-tools-community-benefits-agreements-and-policies>

ⁱⁱⁱ First pioneered in Littleton, Colorado in 1989, economic gardening is based on the premise that local entrepreneurs create the companies that bring new wealth and economic growth to a region in the form of jobs, tax revenues, per capita income, and a vibrant local business sector. Economic gardening seeks to focus on growing and nurturing local businesses rather than recruiting firms from outside the area. For more information: http://growinglocaleconomies.com/economic_gardening