

# Anchor Institutions

## The Economic Benefits of Putting Community First



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Making it feasible and enticing for anchor institutions to work consistently and at a larger scale with local businesses requires a better understanding of the system, its players, its incentives, and the policies and procedures currently in place that may limit how anchors can engage community businesses for procurement.

“If you try and keep the money you spend local, it’s a good thing because it benefits the community,” Brian Chapman tells me. Born and raised in Lowell, Massachusetts, and a graduate of Lowell High

School, Brian Chapman is a Lowell guy through and through. He began his career at Clean Harbors, a company that performs environmental cleanup in the Boston area, where he learned both how to clean up old industrial sites and how the federal contracting system works. An entrepreneur at heart, Chapman decided to start his own company, Mill City Environmental, in Lowell, to take advantage of the business opportunities he saw. Mill City Environmental is a licensed, minority-owned, full-service environmental firm incorporated in Massachusetts in 2001. While most of the company’s business comes from the private sector, Chapman has experienced the good things that can happen when entities known as anchor institutions—large community mainstays such as hospitals and universities—hire local companies to take on the work they need done. Chapman’s clients include the local school systems as well as the University of Massachusetts at Lowell, and he knows how important it is to his community’s anchors to keep their business local.

Anchor institutions are loosely defined as “nonprofit institutions that, once established, tend not to move location.”<sup>1</sup> As noted

above, these institutions tend to be universities and hospitals; New England prides itself on having some of the best of both.

Thanks in part to his anchor-institution clients, Chapman has been able to grow his business and now employs 46 people. "I've seen contracts that stipulate local workers need to be hired to do some of the work," he says. "It shows that some organizations, whether it be local government or a university, understand that they have a role to play in the lives of the residents in their community."

Anchor institutions also symbolize stability, as they root themselves in a geographic location and establish strong connections to their surrounding communities. Anchors employ, serve, heal, and educate local residents. It is time for these institutions to fully recognize and proactively commit their power to driving economic growth in their respective communities. This article describes how anchors can engage with local small businesses to identify the challenges that impede local contracting and discuss the key elements and partnerships needed for successful local procurement systems.

Mill City Environmental is exactly the kind of business that could benefit from anchor institutions rethinking the role they play in their communities. A step in the right direction would be to move beyond one-off conversations that lead to small, occasional contracts between an anchor and a local small business. Making it feasible and enticing for anchor institutions to work consistently and at a larger scale with local businesses requires a better understanding of the system, its players, its incentives, and the policies and procedures currently in place that may limit how anchors can engage community businesses for procurement.

When speaking with procurement department staff at anchor institutions, one is struck not only by how much they personally want to keep their business local, but also by how often they report on current policies or systems that make it difficult or even impossible to contract locally to fill their procurement needs. Such barriers include strict risk management policies that encourage institutions to go with larger, more familiar suppliers in an effort to avoid risk, to the detriment of smaller, local suppliers that may be able to provide the same service.

To help combat this problem, the Boston-based organization Interise is convening a collaborative working group to do a "system mapping" exercise with the goal of expanding the number and size of contracts awarded to local women- and minority-owned businesses. Interise helps scale established small businesses, create jobs, and develop local economies. Its StreetWise 'MBA' program puts promising business owners through rigorous training that helps them think more strategically about how to grow their businesses. Often, this search for continued business opportunity growth leads to a search for procurement contracts and government contracting.

What is system mapping? "To change a system one must first understand the system," says Jean Horstman of Interise. "Once a system as a whole is understood, one can shift [its] functions or structure ... with purposeful interventions that may include changes in operations, routines, relationships, resources, policies, and values."

But merely changing procurement systems doesn't address the whole problem. For example, the Initiative for a Competitive Inner City (ICIC) examined a program involving a change in state legis-

lation to encourage more procurement at historically underutilized businesses (HUBs). Their study found that there was one anchor institution, the medical center MD Anderson, that wanted to go above and beyond the new state requirements to contract with local small businesses.<sup>2</sup> However, even though this anchor was able to award procurement in substantial amounts to HUBs, it couldn't meet its ambitious procurement goals with those businesses.<sup>3</sup>

As reported in the case study, "First, MD Anderson has found that few HUBs ... have the capacity to fulfill orders for large volumes of products or services. Second, [HUBs] have a difficult time competing on price with larger national firms. Third, many of MD Anderson's contracts have strict delivery requirements that smaller vendors often have trouble meeting. Finally, few of the local [HUBs] supply the highly specialized products and services that are unique to a large cancer institute, [such as MD Anderson]."<sup>4</sup>

These findings underline the critical importance of including capacity-building organizations in the system-mapping process. With dedicated outreach and linkages in place between small businesses and capacity-building organizations, local business owners can prepare for what anchor institutions will need in the future and, if anchor needs don't match up with their existing offerings, begin to make adjustments in their product or service lines. To avoid financing delays, small-business owners would also have the opportunity to approach lenders with whom they have relationships to discuss additional lines of credit needed for filling future demand.

Most midsized cities are home to anchor institutions, and most of these institutions need to procure items to run their day-to-day operations. It makes sense that local small businesses would look to them as an opportunity for a steady stream of revenue. In spending procurement money closer to home, anchor institutions can contribute to stronger local economies, helping to sustain and grow the communities that support, staff, and rely on them for their services. This is the very definition of a mutually beneficial relationship, and it is something that we hope to see more of in the future as communities determine their strategies for economic development.

Circling back to Lowell and Mill City Environmental, Brian Chapman took a risk by leaving an established job and going into business for himself. As a result of his entrepreneurial efforts and the proactive decisions of his local anchor institutions to hire his small company, Chapman now employs over forty people who live and work in the community, economic growth has expanded in the community, and that growth stays in the community.

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#### Endnotes

<sup>1</sup> "Overview: Anchor Institutions," [community-wealth.org](http://community-wealth.org/strategies/panel/anchors/index.html), <http://community-wealth.org/strategies/panel/anchors/index.html>.

<sup>2</sup> "What Works: Hospital Procurement Strategies That Support Small Businesses," ICIC, <http://icic.org/works-hospital-procurement-strategies-support-small-businesses/>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.