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Leif Dormsjo arranged for placement with the Boston Public Schools, reporting to the Chief Financial Officer, John McDonough. He focused on the school system's food service program. Over the last two years, the food service operation has suffered significant deficits on account of dropping participation, poor accountability systems, and aging equipment. Working with the program managers to identify specific areas in need of improvement, Mr. Dormsjo developed policy and operational recommendations for boosting participation, benchmarking performance, and overhauling production and serving activities. In addition to recommending in-house program enhancements, he collaborated with the procurement office to develop a request for proposals (RFP) for consulting bids to improve the attractiveness, variety, and nutritional quality of meal offerings.

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## MEMORANDUM

**To:** John McDonough, Chief Financial Officer, Boston Public Schools  
**From:** Leif Dormsjo, Rappaport Public Policy Fellow  
**Re:** Reform of Food Service Operation  
**Date:** August 6, 2004

### Summary

Over the last two fiscal years, the Boston Public Schools' (BPS) food service operation has recorded a sizable budgetary deficit. Lower than desired participation in the USDA- sponsored meal programs (National School Lunch Program, School Breakfast Program) from middle and high school students, declining productivity at the system's central food facility, and poor accountability controls have contributed to the financial problems.

Based on analysis of the operation's performance, interviews with BPS staff, site visits to the processing facility and school dining locations, and best practice research, I recommend that the following steps be taken:

- To increase meal participation at all school levels, but with particular focus in the secondary school program, the Department should develop plans for the marketing and merchandising of food products. As part of a strategic plan, the Department should identify ways to enhance menu offerings, packaging and presentation, commodity utilization, customer service, media outreach, and branding.
- In order to boost the effectiveness of the food service, the Department should overhaul its administrative and operational design. Changes to organizational structure, employee expectations and responsibilities, internal communications, and performance management methods will make the operation more responsive and efficient.
- The Department should incorporate more functional, real-time tracking tools into day-to-day management of the operation. New and/or improved reporting and monitoring systems

should integrate purchasing, inventory, sales, expense, transportation, and staffing information.

- The Department should revise and codify standard operating procedures so managers and employees will have a common understanding of goals, guidelines, and responsibilities.

The major obstacles to reforming the food service are managerial inertia and labor resistance. The managers of the food service have developed a passive attitude to the challenges of running a self-sufficient business. Greater intervention from the Chief Operating Officer or installation of a new leadership team may be required. Moreover, unionized workers have a deep-seated fear that any operational changes will be done at their expense. It will be important to gain allies on the City Council who can articulate the long-term benefits of restoring solvency and spurring growth.

## Discussion

The Food and Nutrition Service Department of the Boston Public Schools participates in the National School Lunch and School Breakfast programs. It provides breakfasts and lunches in 129 school buildings throughout the district and after-school snacks to students in 160 programs both within schools and in nearby agencies and churches. The Department also administers the Summer Food Service program for the city and provides breakfast, lunch, and snacks to over 200 sites.

Less than optimal data control and management systems, aging equipment and plant, and changing student meal preferences have impacted the Department's ability to support its core mission: the delivery of attractive meals to students in a safe, consistent, and financially sound manner. Over the last two fiscal years, the Department has operated in deficit, with last year's shortfall standing at \$1.3 million. The percentage of students participating in the lunch program has reached a 10-year low. Limited production and storage space at the central facility require the school system to outsource roughly 20 percent of meals from outside vendors.

The purpose of this memorandum is to provide the basic recommendations for improving the accountability, efficiency, and quality of the food service operation.

## Findings and Recommendations

### **Finding #1: Many of the school system's barriers to meal participation are related to marketing and merchandising.**

Relative to other school systems of its size, BPS provides its students with fewer meal options. Greater participation in the feeding program in the older age groups is in part tied to the lack of variety in attractive food choices. Moreover, the presentation of food and serving design of the dining locations isn't customer-friendly.

The school system has not overcome social "stigma" issues associated with the meal program so it is exposed to market penetration from external competition, namely fundraising food sales, private canteen trucks parked outside school sites, and other off-campus dining alternatives.

In addition, the Department is not taking full advantage of commodity resources. Internal estimates suggest that the Department declines the utilization of roughly \$500,000 worth of USDA commodity donations, mainly due to complications with packaging.

**Recommendation #1: Enhancement of the school system’s marketing and merchandising can be achieved with a mixture of operational, policy, and communications decisions.**

Additional meal choices, changes to meal offerings (such as substituting nonfat chocolate milk for low fat chocolate milk), introduction of non-traditional items (ethnic foods) at certain schools, and increased focus on customer service training are avenues for increased revenues and cost-efficiency. The Department may want to experiment by expanding a la carte service. Design modifications at dining locations that allow for food courts, grab-and-go carts, and specialized lines will improve convenience and boost sales.

Other school districts in the country have taken a much harder line with competitive foods. School administrators may find that health concerns associated with non-school foods sold to students necessitate restrictions. Moreover, closed campus policies, not only address food-borne risks, can discourage truancy and guard against off-campus safety concerns.

The school system should use existing resources to generate better packaging, develop “branded” products, foster greater media outreach (mailings, flyers, and electronic messaging), and expand catering opportunities.

**Finding #2: The Department has a dedicated and hard-working staff, but the lack of clear guidance handicaps their performance.**

On-site managers and workers are often conflicted by food service directives and the school principals’ expectations and wishes. The historic separation of food service activities from the broader school administration can create problems when dealing with utilities, repair and maintenance, custodial service, field trip planning, daily attendance projections, and non-school food sales.

The Department is currently in the process of reorganizing its field coordinators from geographic assignments to school level assignments. While this change may allow for greater specialization, it is unclear if this adjustment will improve time-management and increase contact with on-site managers and staff. Without regular and deliberate professional development, many on-site managers will not receive complete training and rich feedback. Field coordinators, covering large districts and often busied with emergency tasks, require adequate time to support on-site activities, such as menu planning, inventory management, data collection and reporting, and personnel matters.

**Recommendation #2: Overall performance in critical service areas will benefit from more formal management structure.**

It may be advisable to increase authority of the principals to make strategic management decisions about the food service operation within local schools. With a greater stake in the management of the cafeterias and satellite locations, principals would have an interest in the financial health of the feeding program. Moreover, principals would have incentive to run the service efficiently, trimming overhead costs and reducing waste, which are often the result of poor planning and communication. At the very least, in order to generate a more complete picture of site-specific performance, it makes sense to develop manager evaluations completed by both principals and food service administrators.

The Department needs to develop a more transparent and well-defined reporting structure. For instance, check-in times might need to be established for point-of-sale tallies, requests for special delivery, and maintenance problems. Such a communication plan, assisted by email messaging, would

allow field coordinators to budget and prioritize their time more effectively, rather than reacting to issues as they arise. Improved daily reporting frees the mid-level managers to spend more time with less experienced on-site staff.

Depending on enrollment, there may be some benefits associated with piloting a dual manager structure for schools within a certain geographic radius. Offering stipends to dual managers may be more cost-effective than paying the additional salary and benefits for newly-hired staff. These dual managers would have to prove their mastery of food service before such a step could be taken.

**Finding #3: With the existing information systems, the Department can't support on-going data management requirements.**

The Department maintains separate systems for its purchasing, inventory, sales, expense, transportation, and staffing information. With a few exceptions, these systems are not configured to produce regular, integrated management reports. Most importantly, the Department can't generate a monthly profit/loss statement for each school site. In addition, significant labor resources in the Department are dedicated to the clerical work needed to support many of the legacy systems when more dynamic PC-based alternatives are available.

Collaboration with the Office of Information Systems (OIS) has helped to identify some of the data management limitations, but a concrete plan with specific time schedules, cost estimates, and labor requirements has not been developed.

**Recommendation #3: The Department must incorporate more functional, real-time tracking tools into the day-to-day management of the operation.**

The managers of the food service operation need the power to make data-driven decisions on a daily, weekly, and monthly basis. Cost overruns, low meal counts, inventory shortages, cash imbalances, and other operational problems need to be identified immediately, if not before they impact the program.

Until recently, the managers have not done an adequate job defining what reports are mission-critical. To some extent, conversations with OIS have helped set priorities, but management should not expect technical support specialists to solve their information management problems. The path to sound information management needs to be set, directed, and reinforced by the Department. Half-hearted investment in the development of reporting and monitoring systems will sabotage the reform effort.

**Finding #4: In years past, the Department placed greater emphasis on employee training, evaluation, and feedback; those human resource efforts have not been made first-order priorities over the last two years.**

Prior to the implementation of the point-of-sale system, managers allotted specific time for employee training, evaluation, and feedback. The new point-of-sale system has improved the Department's cash management, auditing functions, and meal planning. But, to a significant extent, the system training requirements have crowded out more general training over the last two years.

In the course of bringing the system on-line, central administrators dedicated a great deal of time to the development of bid specifications, vendor selection, and contract management. To usher in the implementation of the system, field coordinators have concentrated on computing competency – a very time-intensive process.

**Recommendation #4: The Department should prepare a strategic plan for immediate and ongoing staff guidance and skill development.**

To ensure that managers and employees have a functional, on-the-job reference guide for work practices and policies, the Department should recommend, revise, and codify updated standard operating procedures. Attention should be given to developing training schedules, course packets and materials, and testing methods for part- and full-time employees. Best-practice themes and continuous learning can be reinforced through print and electronic newsletters.

Other school districts have instituted formal training programs for manager interns, typically cafeteria and satellite workers looking to gain management experience. These management interns must complete a series of training and testing modules in food safety, nutrition, information systems, human resources, and leadership.

If necessary, it might be appropriate to identify potential changes in internal procedures, School Committee policies, and Massachusetts statutes in relation to the effectiveness and efficiency of the Department.

## **Implementation**

### **Task Force**

Given the recently signed Memorandum of Understanding (MOU) between the Boston Public Schools and Boston City Council, the Department's options for a complete system overhaul are limited. Prior to January 15, 2005, a task force made up of union members, elected leaders, and school officials will report recommendations. It will be important to ensure that those recommendations reflect the management's long-term vision for the operation. In the meantime, the MOU states that no staff reductions (layoffs or hours) can be made.

It will be strategically important to establish a commitment from the task force that the primary purpose of the food service is to feed students in such a way that they are equipped with the energy and alertness to perform in an academic setting. Shifting the focus from employee reservations to student needs will increase the school leadership's leverage in forming new policy and procedures.

### **Management Initiative**

Even though a major restructuring of the food service operation may be complicated by the existence of the task force, restoring financial solvency to the operation in the short-term may be achievable with a concentrated effort. Two options seem most viable: 1. accelerated contracting of management consulting services, or 2. formation of an ad hoc turnaround team.

The first option is attractive because there are proven firms in this field, often willing to guarantee savings. These firms have demonstrable track records in boosting revenues and containing costs for public school food service clients. Close oversight of the contract would be required to ensure the execution of program priorities. The drawbacks with this arrangement relate to the time required to advertise, bid, and select the contractor. Furthermore, the presence of outsiders might jolt the current employees, if management doesn't build a non-threatening, collaborative environment for change to take place.

The second option has the benefit of immediate implementation. The school leadership could form an oversight body, with representatives from operations, finance, human resources and other relevant areas, charged with directing food service reform. Regular weekly meetings could be held

to drive better accountability and operational improvements. The obvious downside is the time-intensive nature of this remedy. Moreover, school leaders may have a harder time pinpointing best-in-class organizational practices as compared to more specialized management consultants.

### **Conclusion**

Within this difficult political environment, the Department can achieve significant efficiencies with internal adjustments to operating procedures and/or assistance from outside consultants for specific tasks. Moreover, now that reform of the food service has been placed in the spotlight, there is an opportunity to make important inroads, especially if the school leaders can build support within the task force and focus the group's efforts on the link between healthy food services and better student academic performance. Hopefully, the recommendations provided in this report can serve as a foundation for those improvements.