# Opportunities Exchange

# SHARED SERVICES ALLIANCE START-UP GUIDE

*October, 2023*

## HOW TO USE THIS GUIDE

**T**he process of starting a Shared Services Alliance (SSA) can seem daunting, and those interested in starting or helping to launch one often reach out to ask: "What should we do first?" We've created this guide to serve as a roadmap and general guide for potential Alliance stakeholders to help organize your thinking as you begin your design work and implementation planning.

The steps for SSA design and implementation planning laid out in this guide tend to have a natural flow (as presented) but they are not necessarily linear. Recognizing that every community is different, the work to launch an Alliance typically involves the following key steps, which are outlined in this guide:

**1.** **Understanding your local child care sector and provider needs**
*What problem(s) are you trying to solve?*

**2.** **Creating your theory of change**
*How will you solve the identified problem(s) and what will change as a result?*

**3.** **Selecting your Alliance Hub**
*Who is prepared to lead this change?*

**4.** **Identifying technology & tools**
*How will you empower your provider members to achieve measurable change?*

**5.** **Developing an implementation and sustainability plan**
*What specific steps will you take to make it all happen?*

**6.** **Recruiting members and launching the work**
*How will you reach the ideal provider participants?*

You may choose where and how to start based on assets and strengths in your community and among your stakeholders. We recommend setting aside at least 6 months for initial planning and development, but it may take longer to launch depending on the complexity of your work, how much infrastructure for change exists in your community, and the need for and availability of start-up funding.

While there are common components and strategies that successful SSAs have used, there is *not* one right way to succeed. This guide is designed to prompt you to think critically, thoughtfully analyze system(s), get specific about the problems you seek to solve, and apply the right strategies to address long-standing sustainability and capacity challenges in the child care sector.

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## What are Shared Services?

Shared Services Alliances (SSAs) have the potential to play a role in reshaping the traditional business model of the child care industry so that sustainability is possible. In most communities child care providers operate in isolation, at the margins of profitability, facing numerous challenges including: limited resources, staffing shortages, setting rates based on what working families can pay rather than what is needed to cover operational costs or better wages, and more. Shared Services offer a powerful set of strategies and solutions to address these persistent sustainability challenges—if providers are willing to test out new ways of working together and doing business.

Delivering sustainable, high quality, early care and education (ECE) requires that providers have the ability to perform both pedagogical and business/administrative tasks well. Most ECE providers found the profession through a love for working with children, a desire to work at home with their own children, or both. Many did not enter into the profession with training in business administration and, unfortunately, most quality improvement efforts in the last decade have focused on standards related to teaching and learning and health and safety, at the expense of supporting child care business owners and workers to develop the business understanding and skills needed to ensure sustainability.

Shared Services is a framework or management structure that allows providers to pay attention to providing high quality teaching and learning (pedagogical leadership), while simultaneously making sure that business and administrative tasks are performed well (business leadership). In a Shared Services Alliance, multiple ECE sites pool needs and share resources in order to create both sustainable operations and quality programming. This pooling of resources provides access to a wider array of tools, services, and expertise than providers can access as individual operators. This approach to management can not only result in cost savings for the provider through improved operational efficiencies, but also increase revenue through improved business systems and staffing.

### ECONOMIES OF SCALE + ECONOMIES OF EXPERTISE

One of the core ways that Shared Service Alliances support providers is by capitalizing on economies of scale and economies of expertise. Economies of scale accrue via bulk purchasing to reduce costs, allowing SSA members to reinvest dollars saved into salaries and benefits, and contract negotiation for bundled seats that Alliance members will fill. Economies of expertise give SSA members access to the power of collective knowledge through connections
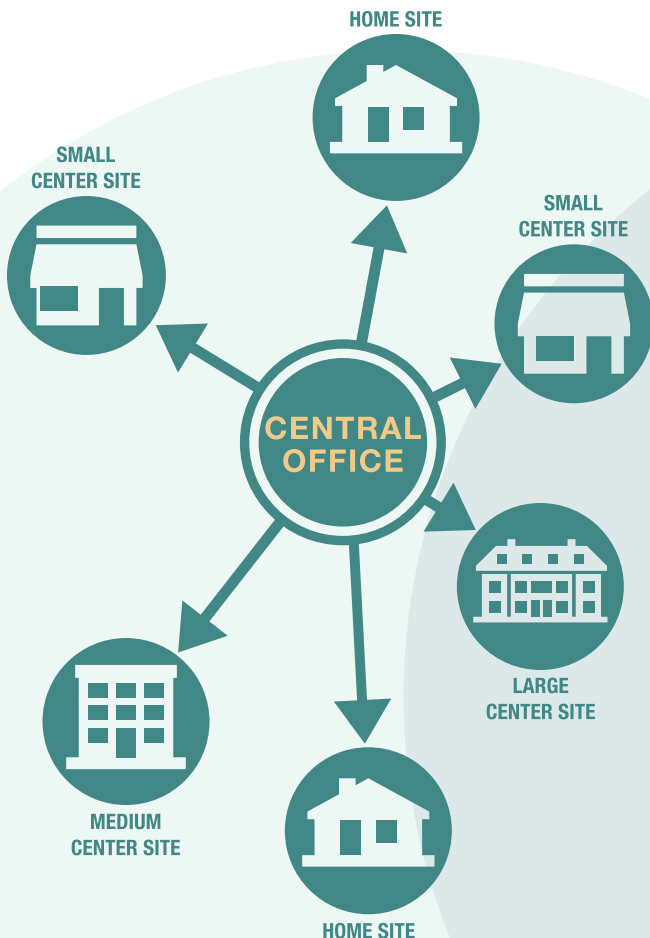
to experts they may be unable to individually identify or employ, such as benefits brokers, bookkeepers, and CPAs, again resulting in reduced costs and better outcomes for the business owner and her staff.
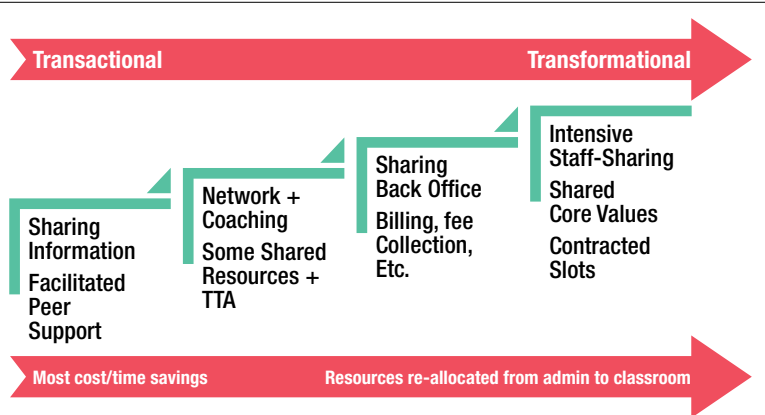
We want to emphasize the importance of designing your Alliance from the outset with truly transformational services and support in mind. For years the early care and education sector has supported collaborative efforts, training and technical assistance, and coaching for improvement, and yet we have made minimal progress toward increasing program business sustainability, boosting wages, providing staff benefits, or protecting provider wellbeing. We assert that true progress requires SSAs committed to moving beyond the traditional approach to coaching and collaboration toward true shared administrative and back office support that offers member providers a real increase in profits, as illustrated in the diagram at left.

Many Alliances that have developed in the last 3-5 years have created service tiers that allow providers to join the Alliance for free at the more "communicate and collaborate" end of the spectrum, and also offer increasingly intensive levels of service (often at a marginal cost to the members) as member providers become more comfortable working as a Alliance via a different business model. We encourage new Alliances to think critically about community needs and how to reach and build trust with providers, while also maintaining a focus on transformation and new ways of doing business.

## Shared Services: A Range of Approaches



**Transactional** → **Transformational**

Sharing Information
Facilitated Peer Support

Network + Coaching
Some Shared Resources + TTA

Sharing Back Office
Billing, fee Collection, Etc.

Intensive Staff-Sharing
Shared Core Values
Contracted Slots

Most cost/time savings → Resources re-allocated from admin to classroom

## Core Beliefs & Mindsets of Shared Services Leaders

We have found that the most successful SSA leaders have a few core beliefs and mindsets in common from the start:

1. **They are oriented toward innovation and change** and understand how to help others develop a vision for new ways of doing business in the child care sector. They are willing to experiment and empower providers to try new things. They are able to work through provider discomfort or confusion at moving away from the unprofitable—but comfortable—status quo. A growth mindset, willingness to try, fail, and try again, and a belief that our profession deserves more than incremental progress is key to true Alliance leadership.

2. **They firmly believe that strong pedagogy and strong business practices/ systems hold equal weight.** Effective Alliance leaders understand that we must nurture the growth and development of children and also ensure the financial viability and stability of child care programs and the child care workforce—and they are knowledgeable about how to do both.

3. **They understand and believe in the power of the Iron Triangle of Early Childhood Finance.** Shared Service leaders must internalize the power of the Iron Triangle of ECE finance, which asserts that to be financially viable child care programs must 1) ensure that tuition and fees (plus available third party funding) cover the full cost of care; 2) that programs are fully enrolled; 3) that all revenue is collected in full and on time. Alliances that organize support around ensuring providers are able to address these three critical metrics are likely to see early success and build trust with members by helping them realize increased profitability through participation.

# Roles in a Shared Services Alliance (SSA)

## THE ALLIANCE HUB

An Alliance Hub is an entity that provides or secures Shared Services for Alliance members. The Hub could be a large center, another type of intermediary organization such as a Resource and Referral agency, a non-profit social services provider, or an entity with a central administrative office. Some communities begin their planning process with an obvious Alliance Hub in mind while others need time to determine the right organization. Factors to consider when selecting a Hub are detailed later in this guide.

Alliance Hubs can offer a range of Shared Services to their members, such as marketing and enrollment; tuition collection; automation and technology support; accounting and tax preparation support; Human Resources and staffing supports; comprehensive health and mental health services for children and families enrolled at member programs; quality assurance and improvement; coaching/professional development/scholarships; child assessments and screening; and more. Alliance Hubs can also raise third-party funding needed to help support Shared Services as well as to boost provider compensation and professional qualifications. Alliance Hubs can also negotiate for, and help administer, subsidy slot contracts or participation in federal and state programs like Head Start/Early Head Start, PreK, and more.

## THE ALLIANCE DESIGN TEAM

As you begin to plan your SSA we recommend bringing together a design team/planning team made up of child care systems leaders (nonprofits that work with child care providers, Child Care Resource and Referral agencies, etc.), child care providers themselves, and funders/representatives of those funding the planning work and policymakers. If you include child care providers in the planning team, we recommend offering stipends to honor their time and participation (remember that work on community teams is typically done in addition to the work of caring for children). By curating a comprehensive and inclusive design team, Alliance leaders have the opportunity to foster community ownership of the SSA from the start and to make sure that identified challenges, services and solutions are agreed upon as priorities for potential Alliance members and customers.

## THE ALLIANCE MEMBER PROVIDERS

The child care providers and business owners who join the Alliance are pivotal to the SSA's success. While on the more transactional end of the services spectrum it's easy to think of an Alliance as "doing for" or "providing for" members, when an Alliance is living up to its full transformational potential the risks and the rewards of SSA's services and strategies are shared. In short, when participating providers succeed, the Alliance succeeds. We strongly believe child care provider members should be viewed as full partners in the Alliance, and recommend focusing recruitment efforts (at least initially) on providers willing and ready to test new approaches to managing their programs. More on provider recruitment is discussed later in this guide.

## A WORD ABOUT FEES

While SSAs may be planned and launched with private and public funding, the long-term goal is to ensure sustainability via a mix of stable third-party funding and fees paid by provider members. To ensure that the fees members pay for participating in an Alliance are more than offset by the savings/revenue generated, Shared Services must be delivered in a cost-effective way. Many Alliances choose to offer Tier 1 services (more on the communicate and collaborate end of the transformational spectrum) to providers for free, moving toward charging a nominal fee for more intensive services such as staffing services/substitute pools. Fees are also regularly titrated based on program size, with the recognition that a large center has access to more potential revenue and has more ability to pay a small fee for service than a small home based provider that serves fewer children.

# Common Shared Services & Problems They Address

Later in this guide we will discuss how to select the services to offer as part of your Alliance. Below is a list of common SSA strategies and services to consider:

**AUTOMATION**

Child Care Management Software (CCMS) and other business software (such as Quickbooks or payroll automation) can support and streamline core business processes for providers, saving time and labor costs currently spent on administrative tasks. CCMS support is likely the most important service an Alliance can offer, and typically includes the following:

- Automates billing, invoicing, and fee collection to save time, reduce errors, increase efficiency, and collect payment in full and on time.
- Supports marketing, enrollment, and waitlist management to help providers manage their "front door" and stay full.
- Automates business processes and people management.
- Keeps child, family and staff documentation organized and supports licensing compliance.
- Produces a host of data dashboards and reports that empower providers to better manage their programs.

**POOLED HUMAN RESOURCE SUPPORTS**

Most providers do not have access to Human Resources expertise. The Alliance Hub can help providers address staffing and retention challenges by, managing recruitment and screening processes, providing access to cost effective employee benefits, supporting development and implementation of a competitive and equitable salary scale, and more. Typical services and benefits:

- Creation of HR standards for member providers and supporting provider members to implement standards at the program level, including: sample employee manuals, job descriptions, benefits summaries, timekeeping systems, and sample salary scales based on the cost of living in the community.
- Staffing services such as recruitment, interviewing, and recommending staff to member provider programs.
- Substitute pool management.
- Health benefits management including **health reimbursement arrangement** (HRA) administration, access to a benefits broker, and/or access to an Affordable Care Act health navigator to help participating providers and their staff identify and enroll in affordable health insurance plans.
- Retirement benefit management including access to financial planners and support to help providers set up retirement plans for themselves and their employees.

**POOLED BUSINESS SERVICES**

Centralized business supports that allow the Alliance Hub to act as the back office for Alliance members can be a game-changer for many providers. These services focus on taking tasks off the plate of the program owner or director, allowing her to focus on day-to-day work with children and staff and longer term quality improvement initiatives. Services typically include:

- Automated business management tools (payroll, timekeeping, etc.).
- Data dashboards or automated reports to support management of the Iron Triangle and inform business decisions.
- Centralized bookkeeping support.
- Tax preparation services and ongoing access to a CPA.
- Payroll processing on behalf of members.
- Assistance finding and securing liability or business insurance.
- Hands-on support to create a program budget and budget management support.

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Providers who get the most out of membership in an SSA are those able to conceptualize their work and business differently and learn new ways of working—which almost always requires training, Technical Assistance, and coaching. Alliances with a focus in this area tend to offer two kinds of coaching:

- Iron Triangle (business) coaching focused on increasing the provider member's comfort with running a business and understanding the basics of financial management. This includes helping providers learn how to use business management tools, track Iron Triangle metrics, and more.
- Pedagogical coaching focused on helping providers improve their instructional practices and overall program quality. While this coaching is frequently already available in many communities, some Alliances incorporate it into their coaching work to help members connect the dots between strong teaching and learning and strong business practices.

SUBSIDY AND PUBLIC FUNDS MANAGEMENT

Navigating the maze of requirements for public funds is often an enormous burden for child care providers. As a result, many opt out of participation in public subsidy, leaving revenue sources on the table (and families without access to an affordable slot). Other providers may participate but wind up losing hours of time to documentation, reporting, budget reconciliation and collections. SSAs perform this work for member providers, more efficiently managing public funds and saving providers frustration, time, and money. Services often include:

- Serving as the Child and Adult Care Food Program (CACFP) sponsor for Alliance members.
- Supporting child care subsidy billing on behalf of member providers.
- Serving as a Hub to blend/braid funds from multiple public sources and negotiate and manage contracted slots for member providers who qualify for these programs (often Head Start, Early Head Start, and local or state-funded public Pre-K programs).

## Time to Get Started:

Now that you have a general understanding of what a Shared Services Alliance is and can do for child care providers, the rest of this guide is available to walk you through the steps to design an Alliance and build an implementation plan. As you prepare to dive in, we recommend taking some time to pause and reflect on the following questions. These questions are also great to use in a first meeting with your design team as you help everyone get oriented to shared services work.

**TIP:** Hosting a design team meeting? Feel free to use and customize this **Shared Services 101 slide deck** to guide your conversation.

## Key Questions to Ask As You Get Started

1. What problem(s) have we noticed in our child care community that made us interested in Shared Services?
2. What are we trying to solve with Shared Service strategies?
3. What kinds of services are we most curious about investigating to solve our challenges?
4. How much capacity do we need to build to effectively offer Shared Services?
5. Where might funding come from to build the needed infrastructure?
6. What existing resources and assets might be available to address these issues?
7. Who is our ideal member provider? Why? (*Example: Do you want to focus on family child care, centers, or both? In what languages should services be offered? Is there a geographic region or neighborhood that is a priority for you?*)

# Understanding Your Early Childhood Education Landscape & Provider Needs

Understanding what providers might need, want, and value from a Shared Service Alliance is essential to any Alliance's success and sustainability. We recommend that you take the time to use multiple data sources to inform your understanding of the root causes of child care sector challenges as well as how child care business owners view and experience the problems around which you think your Alliance will organize.

## Tools to Support You In This Section

- **Sample interview protocol and questions for interviews with child care providers and child care systems partners.**
  *(Courtesy of **Luminary Evaluation**).*

**PROVIDER AND STAKEHOLDER INPUT**

It's critical to take the time up front to engage with providers and stakeholders in your child care community to understand how they conceptualize challenges. This can be done through interviews as well as surveys, and we provide resources for how to approach fact finding in the toolbox at the start of this section.

## Understanding Your Provider Community's Perspective

Ask providers questions aimed at helping your team understand:

- How do child care providers feel about the state of the child care sector?
- How are they experiencing their roles as business owners and care providers?
- How do providers describe their biggest challenges?
- Do they believe these challenges are solvable or do they appear resigned to the status quo?

- What areas do they identify as needing assistance?
- What services generate the most interest?
- Are the services identified by providers likely to address their identified challenges?
- What do providers see as their strengths and/or what do they feel hopeful about?

**TIP:** It can be tempting for new Alliance design teams to skip this step, but we strongly encourage you to build time to solicit provider and stakeholder input because without it you will be missing insight into the root causes of some of the challenges you're trying to solve, and also missing an early opportunity to engage providers and get them curious about and interested in joining your Alliance. Give yourself at least a month to seek out this input.

**QUALITATIVE ANALYSIS OF YOUR ECE LANDSCAPE**

In addition to eliciting direct provider input, we recommend analyzing any available objective data points that can help you see the strengths and gaps in your local child care system. When combined with the qualitative data collected by talking directly with providers and system partners, these quantitative data points can help you tell a powerful story about the need for Shared Services and identify the highest potential strategies to test through your Alliance.

## Understanding Your Local ECE System's Health

Gather and analyze data that can help you understand:

- How many licensed providers do you have locally? What are their demographics?
- What is your local slot capacity vs. the local demand and need for child care?
- Are providers fully enrolled? If not what ages, hours, and locations do they have available spaces?
- Do providers have waiting lists? For what ages, hours, and locations?
- How long do most child care providers stay in business? What are the turnover trends in the last couple of years?
- Are regulatory or quality rating system requirements burdensome or costly for providers?

- Are programs tracking workforce turnover data? If so, what positions are most likely to experience high turnover?
- How many programs are experiencing chronic understaffing and what impact are staff shortages having on program operations and overall supply?
- How much does the average provider (by license type) charge? Is this in line with the typical market price in your community, or do they feel pressure to under-charge?
- Do providers know their cost of care (by age of child) or has there been a cost of care study? If so, how does the likely cost align with provider tuition?

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After you've collected enough information from providers and secondary data sources to have a sense of what is happening in your local early care and education ecosystem, it's time to make sense of your findings, look for the root causes of your greatest challenges, and use the data set to identify the priorities for your SSA.

There are many protocols available to support groups in discussing data and defining problems of practice. The steps below are **adapted from the National School Reform Faculty's data protocol**—feel free to use, adapt, or seek out your own.

- **Ask yourself what parts of the data (qualitative and quantitative) catch your attention.**
  - ◗ Make note of what you see and what pops out.
  - ◗ Look for patterns and trends.
  - ◗ Look for things that surprise you or seem unexpected.

- **What does this information tell you? What does it NOT tell you?**
  - ◗ Pay close attention to what providers say they need, and what they believe an Alliance can deliver. We have noticed that there is sometimes an incongruence between what child care providers will identify as their biggest problem, and what they identify as something they'd want from an Alliance. For example, providers may identify that staffing is their greatest challenge, but may also indicate they're most interested in lower-impact SSA services like bulk purchasing because they don't believe that the staffing problem is possible to solve.
  - ◗ Don't be afraid to aim high and set goals around solving previously intractable problems—what providers DON'T say tells you a lot about what they believe, and where they may have just given up hope.
  - ◗ Generate possible explanations for what you see.
  - ◗ Think about what you can infer from what you've collected.

- **Look for bright spots**
  - ◗ Identify areas of resilience, innovation, or recent growth that you can celebrate in your findings.
  - ◗ Look for assets that already exist in your community that can and should be connected to the work of the Alliance. Most communities already have some business and quality supports in place; think about how you can build on or connect to those.

- **Identify your problems of practice/problem statements, the things your SSA will work to change.**
  - ◗ Based on what the data show, name the problems you're facing with as much specificity of language as possible.
  - ◗ A problem statement might read something like: "In XYZ County, the number of child care providers has decreased from 200 in 2018 to 150 at the end of 2022, reducing the supply of available child care slots in our community by 25%. New providers are struggling to enter the profession citing high costs and barriers to entry, and existing providers struggle to keep their doors open due to high costs, high staff turnover and inability to pay a living wage, confusing state and local regulations, and lack of business management support and skills."

Your problem statement is essentially a summary of the most pressing issues in your data set and will serve as the north star for the rest of your planning process. The services and strategies you set forth in your design should connect directly to solving the problem statement. With clarity of understanding around your provider's needs and your problem statement clearly defined, you're ready to take the next step–developing your theory of change, metrics, and service menu.

# Creating Your Theory of Change—
# the Road Map to Your North Star

**WHY A THEORY OF CHANGE MATTERS**

A Theory of Change is a project roadmap that helps you clarify what you are trying to accomplish and the steps needed to get there. The most effective Alliances and Alliances have a laser focus on:

- Provider outcomes,
- Services needed to achieve those outcomes, and
- A way to collect data to measure progress (or lack thereof).

This progression is articulated in the Theory of Change, which creates a structure for measuring progress at the individual provider level and a context for assessing patterns and trends identified in aggregated data. The example below makes these linkages clear, underscoring that services and Alliance actions (strategies) are designed to influence specific provider skills and practices (targets) in pursuit of the ultimate goals (outcomes).

| STRATEGIES | Training | Coaching | CCMS | Accounting Software | Knowledge Hub | Access to Financial Services |
|---|---|---|---|---|---|---|
| TARGETS | Admin Time | Enrollment | Bad Debt | Business Knowledge | Access to Tech | Provider Connection | QRS, Subsidy, CACFP Participation |
| OUTCOMES | Income | Automation | Data Access | Data Driven Decision Making |

## Tools to Support You In This Section

**THEORY OF CHANGE OVERVIEW**
- **Sample Theory of Change** from Wisconsin Early Education Shared Services Alliance
- Theory of Change in Shared Services **planning template**

**SERVICE PLANNING—**
**CHOOSING YOUR SERVICE MENU**
- **Sample service** menu by strategy
- Deep dive in **HR services in a SSA**
- Watch & learn: SSA strategies to **improve wages**, **benefits**, **staff retention**, and **retirement planning**

**MEASUREMENT—**
**CHOOSING TARGETS AND OUTCOMES**
- **Sample Iron Triangle Business Metrics**
- **Suggested Alliance Metrics**
- **Indicators Planning Sheet**

You should use the data collected during the needs assessment/problem identification phase of your work to develop outcomes, targets, and strategies; and you should be able to make a clear connection between work to accomplish your theory of change and the problem your Alliance seeks to address. As you develop your Theory of Change, think about:

- **STRATEGIES**
  What are the services or products offered to provider members, either directly by your Alliance or via subcontractors? The strategies you select should connect directly to the problem the Alliance is trying to solve.

- **TARGETS**
  What are the short-term changes that you expect to measure among provider members in order to assess the impact of those services and products?

- **OUTCOMES**
  What are the long-term impacts for provider members as a result of joining the Alliance? The outcomes should connect directly to the services you offer and the problem you are trying to solve.

**DEVELOPING YOUR STRATEGIES—CHOOSING YOUR SERVICE MENU**

As you identify the services your Alliance will offer, think strategically about what services are most likely to solve the problem you want to address. As you do this, it's important to focus on a mix of services that are both attainable and impactful. You'll want and need some early wins to build confidence and trust among members. However, to create long-term change in the bottom line and financial sustainability for your members you will need to implement services

that have a high impact–particularly revenue strategies related to ensuring programs are fully enrolled and that every dollar is collected in full and on time.

Often providers can feel skeptical about allowing a new Alliance to fully access the details of their program, especially when it comes to finances and management practices. However, these are also often the areas with the greatest potential for change and transformation. Your Alliance may need to plan for a balance of lower-impact trust-building services, combined with high-impact/high-trust strategies, in order to meet providers where they're at initially and help them build a vision for a new way of operating their businesses.

Many Alliances have successfully developed tiers or levels of services that strategically increase the level of trust, risk, and reward required for providers to participate. For an excellent example of what this may look like, **check out the way the Wisconsin Early Education Shared Services Alliance has structured its services**.

At Opportunities Exchange we believe that both pedagogical and business leadership services must exist in a community to ensure provider financial sustainability and quality programming.

In many communities, quality pedagogical support already exists but business support is less common. However, some Alliances have elected to include both, either directly or through close partnerships. We will note that we **strongly** encourage Alliances that consider offering pedagogical support services to identify what is **missing** in the current coaching and quality improvement marketplace and to work to fill those gaps. Given that the availability of quality improvement coaching has increased exponentially in the last decade, and providers in most parts of the country already have access to this kind of support, it may be that an Alliance offering of these services would be redundant. Yet in nearly every community and state, the field continues to lag in business development and sustainability strategies.

Alliances have many options regarding the type of services they will deliver/secure, as well as the varied levels of service intensity they will offer. For example, one Alliance focused on building business savvy among members may offer access to an automated Child Care Management Software paired with basic business training and coaching. Another Alliance with the same goal may pair these same services with ongoing coaching around sound business practices and also offer a complete suite of business back-office services for those that, even with coaching, choose not to perform these functions themselves. What you choose to offer members should revolve around 1) what providers in your community most need; 2) what you have the resources to build and offer; and 3) what you have the resources to sustain over time.

On the following pages is a list of services designed to help you select services your Alliance will offer connected to address the problems in your Theory of Change. While not exhaustive, the list is a comprehensive starting point for planning. For each service type, we have indicated the child care business problem of practice that these strategies are most typically able to target and improve.

**You do NOT need to offer all these services to call yourself a Shared Services Alliance.** In fact, we recommend thinking critically and strategically choosing **to offer the few and mighty services that will make the largest impact** on the bottom line for the providers you seek to support.

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| BACK OFFICE BUSINESS SERVICES | |
|---|---|
| **TARGETS:** • Saving providers time<br>• Managing the Iron Triangle (full enrollment, full fee collection, revenue that covers per-child cost)<br>• Improving profitability and sustainability of the business | **Will We Deliver?**<br>(Yes, No, Unsure) |
| Assist providers in accessing and using automated business management software<br>(Child Care Management Software; QuickBooks; Gusto; others) to do the following:<br>• Help with recordkeeping, ideally centralizing and automating paperwork to the maximum extent possible.<br>• Help to manage enrollment, including recruiting and enrolling families, tracking and reporting attendance, establishing enrollment benchmarks, ideally using CCMS to automate these functions.<br>• Help with accounts receivable, by automating (where possible) invoicing and collecting tuition, third-party billing, tracking/managing bad debt, etc. | |
| Partner with technology vendors to offer support for on-boarding and/or deeper use of technology tools. | |
| Help providers complete forms and applications required for funding, regulation, and/or other routine administrative tasks. | |
| Offer Iron Triangle financial coaching linked to automation to provider members. | |
| Provide financial reports to provider members and their boards. | |
| Establish business metrics and coach providers around meeting metrics. | |
| Collaborative fundraising for member providers (events, proposals, solicitations). | |
| Support or broker contracts for facility repair and maintenance. | |
| Enable bulk purchasing of goods and services. | |
| Offer or broker shared transportation and/or fleet management services. | |
| Assist providers in managing child care subsidy program, including eligibility and enrollment, tracking attendance, reporting/invoicing, reconciling subsidy payments, and more. | |
| Serve as the Head Start grantee, delegate, or community partner; contract with Alliance providers for slots. | |
| Serve as public PreK grantee or community partner; contract with Alliance providers for slots. | |
| Serve as public subsidy contractor; subcontract with the Alliance's providers for slots. | |
| Other: | |

| HUMAN RESOURCES SERVICES | | |
|---|---|---|
| **TARGETS:** • Saving providers time<br>• Increasing staff wages | • Offering employee benefits<br>• Solving for hiring and retention challenges | **Will We Deliver?**<br>(Yes, No, Unsure) |
| Ensure salary scales are available and implemented in all sites (paired with budgeting and revenue support to implement the scales). | | |
| Help sites secure employee benefits (this may include working with a navigator to help staff access the ACA, help creating retirement plans, and more). | | |
| Staffing services, including helping sites recruit, orient, and train ECE teachers. | | |
| Human Resources support, including payroll management, HR policy, and administration support. | | |
| Risk management support, including planning and comprehensive insurance coverage for members. | | |
| Offer substitute pool/relief squad for professional development and planning time. | | |
| Other: | | |

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| PEDAGOGICAL SERVICES | |
|---|---|
| **TARGET:** • Improving the quality of ECE programming & instruction | **Will We Deliver?**<br>(Yes, No, Unsure) |
| Assist providers with licensing/QRIS, including centralize support for gathering, maintaining and reporting required documentation (ideally, via maximizing the power of CCMS technology). | |
| Assist providers with meeting NAFCC/NAEYC accreditation standards, including paying fees and purchasing materials, gathering required documentation, etc. | |
| Assist providers to comply with public PreK program standards and reporting requirements. | |
| Assist providers to comply with Head Start/Early Head Start standards and reporting requirements. | |
| Provide professional development/training to providers, ideally on site and linked to Alliance core values and goals. | |
| Provide pedagogical coaching to providers, ideally as part of daily practice and including regular classroom observations aimed at building skills. | |
| Offer providers access to comprehensive services (health/mental health/family support. | |
| Assist providers in choosing/implementing/adapting a curriculum. | |
| Assist providers in completing and using data from authentic child assessments. | |
| Offer career counseling to support credential/educational degree attainment. | |
| Offer providers credential/degree scholarships. | |
| Create and lead peer Communities of Practice. | |
| Other: | |

## A WORD ABOUT AUTOMATION

Harnessing the power of technology is key to successful implementation of sustainable Shared Services, and Child Care Management Software plays a pivotal role. We offer guidance on how to select technology solutions in section 5 of this guide, and we strongly encourage you to think carefully about how technology can help your Alliance reach the desired outcomes. Through automation, routine administrative tasks such as enrollment, scheduling, attendance tracking, and billing can be streamlined. This not only reduces the time burden on providers but can also strengthen fiscal management, which ultimately helps boost income. Effective use of technology is also key to scaling HR services and other staffing supports. Think about all this as you map out your strategies for your Theory of Change.

## DEVELOPING YOUR OUTCOMES AND TARGETS—FIGURING OUT WHAT TO MEASURE

Once you select strategies (services) you will need to identify long-term outcomes (what will be different a year or more from launching your Alliance) and short-term targets (small measures of change that let you know if strategies are working or not).

Make sure that your plan includes a way to collect baseline data and measure impact over time. Tracking financial information connected to the Iron Triangle—such as enrollments/ vacancies, bad debt, and cost/revenue per slot—is critical to Alliance success. It's important you have and can effectively communicate these results so that:

- Member providers have a clear understanding of how the Alliance is improving their financial position and are therefore willing to pay a membership fee and/or costs associated with membership requirements (such as a Child Care Management Software licensing fee).
- Member providers feel empowered with the information they need to make strategic investments in their classrooms.
- Alliance leadership can make the case to funders and policymakers to invest in the growth of Shared Services in the ECE sector.
- Alliance leaders can see what strategies are working, and what strategies are not, and can adjust accordingly.

## Opportunities Exchange

## Outcomes vs. Targets—What's the Difference?

While both outcomes and targets have to do with measurement, the outcomes you select will typically be wider in scope and take longer to achieve, whereas targets will focus more on measuring the activity it takes to achieve that outcome:

● **SAMPLE OUTCOMES:**
Providers in ABC Alliance will have greater business resiliency. They will:

◗ Operate financially sound, sustainable, businesses.
◗ Invest in their employees so that they are sustainably staffed.
◗ Feel connected to a valuable Alliance and see themselves as long-term members.
◗ Opt into quality improvement supports provided by XYZ Agency.

● **SAMPLE TARGETS:**
◗ Business services
  ■ # providers that regularly benchmark enrollment and keep classrooms fill
  ■ # providers that lower or eliminate bad debt
  ■ # of providers that increase monthly revenue
◗ ABC Alliance service use
  ■ $ saved by providers through use of services
◗ Providers feeling supported
  ■ # providers reporting they feel engaged in a community of support that is valuable to them
  ■ % of members that enroll year over year

The table below outlines information and data sources you might want to consider. We recommend using a similar table to map out the baseline data you'll need to collect and how you will collect it for each service you're offering. Feel free to use the tool available here: **Indicators Planning Sheet**

| SPECIFIC SERVICE | EXPECTED OUTCOME (What will the positive impact be for members?) | BASELINE DATA NEEDED TO DOCUMENT OUTCOME | ONGOING DATA NEEDED TO DOCUMENT OUTCOME | DATA COLLECTION TOOL(S) |
|---|---|---|---|---|
| Manage accounts receivable | Decreased amount and rate of bad debt | Total bad debt; bad debt as percentage of annual revenue | Total bad debt; sources of bad debt; bad debt as percentage of annual revenue | CCMS reports; accounting reports for revenue sources that are invoiced outside of CCMS (e.g. public subsidy) |
| Track enrollment, by classroom | Higher revenue associated with keeping all slots full every day | Enrollment, by classroom, in each site when project launches | Enrollment, by classroom, in each site, at various points in time | Enrollment tracking dashboard based on CCMS and automated check-in/check-out |
| Track expenses, by category & classroom | Decreased administrative expense, freeing up $ to boost teacher compensation | Percentage of personnel budget spent on admin staff vs classroom staff vs non-classroom support staff when project launches | Percentage of personnel budget spend on admin staff vs classroom staff vs non-classroom support staff at various points in time | Personnel budget coded by role and classroom |

While metrics are best connected to specific outcomes, there are several metrics that an Alliance may use in the aggregate (across all providers) to guide its own work as well as to understand the overall business health and sustainability of Alliance members. The list below can help guide your thinking. Additional sample metrics are offered in the toolkit at the start of this section (**page 10**).

**SAMPLE BUSINESS METRICS FOR A SHARED SERVICES ALLIANCE**

Our Alliance is designed to support provider members in achieving business sustainability through: 1) managing via the Iron Triangle of ECE Finance; 2) leveraging business automation; and, 3) implementing best Human Resources practices. Services offered by our Alliance are focused on achieving these outcomes, and data are collected to measure impact.

## Opportunities Exchange
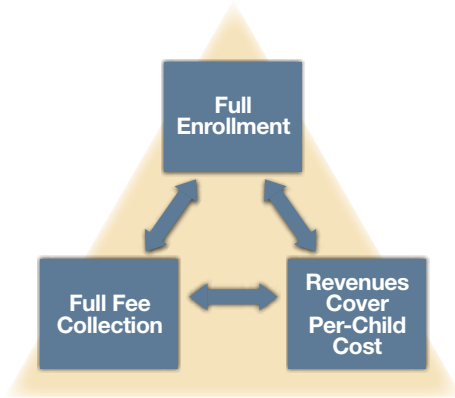
### Fill every seat

- Last month's average enrollment at our centers was 89% of staffed capacity
- The lowest enrolled center was at 80% and the highest was at 98%
- Enrollment has averaged up over the past year from an average enrollment among members of 77% in August 2022
- Today's vacant seats across all members total 30 and include 2 infant/toddler seats and 28 slots for preschoolers

### Collect all revenue, on time

- The average amount of bad debt (as a percentage of total revenue invoiced) is 3% across all provider members
- None of the members have bad debt that is older than 30 days

### Access to and analysis of financial data

- 75% of provider members completed cost of care per child calculations for the past year
- 100% of provider members increased private pay tuition last year
- 100% of provider members have a current operating budget that is used to compare to monthly actual revenue and expense figures
- 80% of provider members have at least 3 months of cash on hand
- The average amount of cash on hand has trended upward over the past 12 months
- 100% of provider members have at least three sources of revenue (private tuition; public tuition program; parent fees; CACFP; private donations)

**BUSINESS AUTOMATION**

- 100% of provider members utilize the Child Care Management Software (CCMS) licensed and supported by our Alliance
- 100% utilize electronic billing and fee collection via CCMS
- 100% utilize at least 3 other key functions/features of the CCMS—such as parent engagement, child recordkeeping, staff recordkeeping, staff timekeeping, subsidy integration, payroll integration, accounting software integration, reporting, etc.
- 100% utilize an automated timekeeping system

**STAFFING & COMPENSATION METRICS**

- 100% of provider members have updated HR manuals, job descriptions, salary scales and benefits summaries
- 100% of provider members have teacher turnover rates of less than 30%; the average over the past 12 months was 26%
- Personnel cost as a percentage of total program expenses average 70% across provider members; with a range from 62 to 75%
- 100% of member centers are able to track personnel expenses by job category (see definitions below), and benchmark the percentage of personnel budget spent on administrative staff, non-classroom support staff, and staff assigned to classrooms
- The percentage of personnel budget spent on classroom teachers averages at least 70% across provider members
- 100% of provider members offer—or ensure availability of—all of the following level/type of benefits
  - PTO—vacation and sick pay
  - Health insurance via the Affordable Care Act Marketplace and supplemental resources such as Health Savings Accounts or Health Reimbursement Accounts for out-of-pocket medical expenses
  - Dental, vision, or life insurance
  - Wellness services
  - Paid time out of the classroom for planning/reflective practice (for educators)
- 80% of provider members also offer employer contribution to "qualified" retirement account

**Classroom staff**—includes classroom teachers, assistant teachers, and substitutes. Additionally, the % to time other staff work directly in classrooms and are counted against ratios could also be coded as classroom staff (e.g. a Teacher Director or an Educational Coordinator who covers for teachers a portion of the time.)

**Non-classroom support staff**—includes positions such as educational coordinator, infant-toddler coordinator, family support worker, nurse, cook, bus driver, etc.

**Administrative staff**—includes positions such as the site director, assistant director, receptionist, bookkeeper, human resources generalist, HR director, facilities worker, etc. Basically, any administrative or supervisory staff that are not assigned to specific classrooms or serving as non-classroom support staff should be categorized as administrative.

# Selecting Your Alliance Hub

After you clarify what services the Alliance will offer, you are ready to select an organization to serve as the Alliance Hub. While some Alliances start planning with the Hub already identified, it can be helpful to determine the services list first and go through a process of selecting the partner organization most prepared to offer support at your identified scale and depth.

There can be more than one Hub identified. Some Alliances choose to share leadership across organizations with one organization offering business leadership services and another focusing on pedagogy. Many different kinds of organizations have successfully served as Alliance Hubs. We've seen all of the following succeed in the role:

- A large, successful, child care program that has achieved quality and sustainability through good management and economies of scale.
- A resource and referral agency or other child care intermediary organization that has experience with functions such as child care subsidy billing, professional development, mentoring, food program management, etc.
- A local non-profit with experience in ECE, such as a United Way.
- A back-office or property management organization with strong expertise in billing, accounting, maintenance, HR, and related administrative functions.
- A community or family foundation with strong connection to the local ECE community and a willingness to play a deeper role in operations.
- A human services agency whose mission "connects" to ECE (e.g., early intervention services, adult education agencies, etc.).

A Hub should NOT expect to generate profit for their organization by operating an Alliance. The Hub is a legal and administrative structure that enables services at scale so that participating providers can share the cost of both business and pedagogical leadership and generate savings (in both time and money) that can be reinvested into classrooms. Because of the investment and funding required, becoming a Hub should only occur if the overall objective is mission-related: to help participating providers build their capacity to offer sustainable, high quality care.

We have observed that, regardless of previous experience, successful Hubs have most or all of the following key characteristics:

- **Mission Driven**
  Wants to work with other ECE organizations and sees this as part of their mission rather than as an opportunity for increased funding.
- **Leadership and Market Credibility**
  Trusted leader in the community, or able to quickly build trust among providers and funders.
- **Access to Providers**
  Knows the provider community well and has the capacity to reach and successfully engage providers in the Alliance.

## Tools to Support You In This Section

- **Sample RFQ questions for selecting your Alliance Hub**

- **Financial Reach and Stability**
  Has sound management capacity, with dedicated and skilled fiscal management staff and experience using technology for billing, data collection, and overall fund management.
- **Access to a Variety of Funding Streams**
  Already has, or is able to tap, multiple funding streams.
- **Innovation**
  Leadership, board, and staff are open to new ideas and approaches, willing to "think outside the box," and experienced in developing promising new approaches to old problems.
- **Commitment to Excellence**
  Leadership, board, and staff are willing to do the internal and external work needed to raise the bar on quality service delivery.
- **Entrepreneurial**
  Leadership embraces an entrepreneurial way of thinking and uses this entrepreneurial energy to effectively engage the staff and board.
- **Risk tolerance**
  Leadership, board, and staff are willing to take risks and the organization is stable enough to launch a new endeavor that may not pay for itself in the short term.

**IDENTIFYING A SUCCESSFUL ALLIANCE HUB**

The single most important contributing factor to a Hub's success is the organization's ability to lead change—to transform, alter, or switch from old ways of thinking about the child care sector and old ways of doing business. There are other characteristics to look for—detailed below—but it is mission critical that the Hub is comfortable with, and excited about, change, growth, and innovation in the sector.

Embedded within the questions below are the leadership characteristics most likely to result in change: expertise within the organization; support (from the Board and staff leadership) for experimentation and automation; and strong communication skills. If you have already selected a Hub, these questions can help sharpen your thinking about how they will step into the role. If you do not yet have a Hub in mind, these questions can help identify organizations to approach.

**TRACK RECORD**
- Does the organization have the internal infrastructure to fully execute the Alliance Theory of Change?
- Does the organization regularly explore new ways to achieve its mission?
- Does the organization have experience designing and implementing new programs, services, and projects?
- Does the organization have experience with a significant change management process internally? How about working with stakeholders externally to solve a long-standing problem?
- Is there an internal focus on infrastructure change and improvements?
- How frequently is technology upgraded and are internal systems modified within the organization to support efficiency and effectiveness?
- How often is the phrase "that's how we've always done it" used as an answer to the question "why?"

**MISSION MATCH**
- How would serving as a Shared Services Hub help achieve the organizational mission?
- How readily do staff and leadership (including the board) see the connection between the mission of the organization and the need for a Shared Service Alliance in your community?

**TRUST**
- What evidence is there to suggest that the organization has capacity to build the trust that will allow providers to feel safe and supported in making changes to their business?

## Opportunities Exchange

- Does organizational leadership believe that an Alliance framework is a viable way for providers to improve their sustainability?
- How will the organization ensure staff receive the training and resources needed to perform Shared Service Alliance work effectively?

Some Alliance design teams choose to go through a formal application process to select a Hub. While you do not have to do this, if you choose to, we recommend including your design team, funders, and at least a couple of child care providers in the selection process. We have drafted a sample set of application questions you can use and adapt to solicit proposals **here**.

### GOVERNANCE STRUCTURE

As you select an Alliance Hub, it's important for all partners to be clear about roles and responsibilities. While the governance structure will be unique to the specific needs and context of your community, we recommend taking time to think collaboratively about policies and develop Memorandums of Understanding to clarify roles regarding launch and ongoing work. Questions to consider include:

- Who will perform what tasks?
- What is the timeline for assigned work?
- What information/data will be shared among partners and how?
- How will decisions be made—through a contract, as a collective, as board members, etc.? And, how will member providers weigh in on decisions?

## Identify Technology Solutions

Alliances that seek to improve the financial position of providers will need to offer business leadership that reduces the cost of operations, increases revenue, and allows increased investment in teacher compensation and other quality measures. This can only be achieved by operating efficiently and effectively through the use of business automation and data-sharing tools, the most important of which is a Child Care Management Software (CCMS).

### WHAT IS CHILD CARE MANAGEMENT SOFTWARE (CCMS)?

CCMS is specifically designed to help child care providers automate their day-to-day operations so that staff have more time to spend with children and are able to monitor and manage their program proactively. CCMS tools will help streamline enrollment and manage a waitlist, track and report daily attendance, generate invoices and collect payment electronically, monitor and manage classroom ratios, manage staff records including professional development certifications and payroll, and communicate with families easily and consistently.

Some CCMS systems include accounting functionality; others can be linked to accounting software like QuickBooks to provide accurate and timely financial reports to inform sound business decisions. In response to COVID-19 pandemic procedures, most CCMS systems now have no-contact sign-in, health check-ins, and communication tools designed to manage unique circumstances that require more intensive health and safety protocols.

Since the majority of ECE programs do not use (or do not fully use) CCMS, there is a tremendous opportunity for SSAs to achieve significant results in short order. The use of automation reduces provider time spent collecting and reporting data, increases the accuracy of data collected and reported, and ensures the availability of timely, accurate, and useful data for informed business decisions.

There are several affordable off-the-shelf Child Care Management Software products that can meet provider and Hub technology needs. As you work to identify and vet potential Child Care Management Software, we recommend checking out **this tool** on the OppEx website, which will help you identify which CCMS features are most important to your Alliance. Armed with this information you can then begin comparing products and participating in demonstrations. We also suggest visiting the website **https://www.capterra.com/child-care-software/** which

### Tools to Support You In This Section

- **Child Care Management Software: What You Need to Know**
- **Child Care Management Software FAQ**
- **Child Care Management Software Selection Tool**
- **Capterra—shortlist of market leaders in child care software**

maintains a list of off-the-shelf CCMS, includes user ratings and reviews, a summary of features, and the ability to compare up to four products at the same time.

As you work to select a CCMS, invite vendors to demonstrate their product to the design team and show specific features that will help implement the strategies outlined in your Theory of Change. Be careful to select a product that can truly help achieve your outcomes vs. selecting one with the strongest marketing pitch. Additionally, consider including providers in the vetting process to get their take on whether the software is user-friendly. Finally, prepare for a demo by drafting "show me" questions for the reports, functions and features that are most important for your Alliance. You can also ask for access to a "sandbox" account to test features and functionality on your own.

### HOW CCMC CAN DRIVE CHANGE

CCMS are powerful tools that alliance Hubs can use to drive change at the individual program level and at the systems level.

#### Program Level Change—Empowering Providers to Understand Their Business

Without a CCMS most child care providers struggle to manage their businesses efficiently and effectively. Providers often use myriad systems, and may in fact use a different system and platform (or in some cases notebook!) for each functional task. Attendance is kept in one place, invoices prepared on paper via a different system, payments are taken manually, wait lists are kept in a binder, and revenue and expenses may be tracked in Quickbooks by some providers … but many do not even track monthly profit and loss at all.

Helping providers get connected with and understand how to fully use a CCMS not only makes it possible to complete all of these tasks, and maintain records and data, in one platform but also simplifies daily, weekly, and monthly administrative tasks. CCMS platforms are able to automate attendance tracking, billing, invoicing, and expense/revenue tracking. Additionally, they often provide a centralized platform for communicating with parents, easy-to-build websites, and online tour scheduling. Even if providers participating in multiple public funding programs and/or QRIS systems need to enter data elsewhere, having a complete and accurate picture of the business as a whole is critical for sound management of that business.
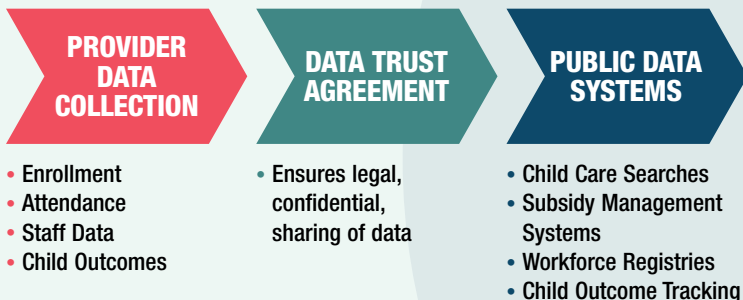
When providers learn to regularly and fully use a CCMS they are able to get a much clearer look at their month-to-month business operations, make data informed decisions about the business, and have the reports they need to see if all classrooms are fully enrolled and all tuition and fees are collected in full and on time—two of the important components of the Iron Triangle. This is vital information for providers, as well as the Alliance leaders and business coaches focused on increasing the financial sustainability of member providers.

#### Systems Level Change—Linking Data to Drive Efficiency

Alliances afford small, independent business owners the power of scale. Helping providers harness the power of technology to save time and increase revenue is a critically important first step. Being able to use data to inform decisions, at the provider and Alliance level, is a significant step toward sustainability. Sharing these data with public systems to drive policy and finance reform has the potential to be transformative.

There is a growing awareness in the early childhood education sector that data collected at the provider level can be legally and appropriately shared with public sector systems, including child care search engines to track "real-time" availability of child care openings; child care subsidy systems to reduce error, save time, and ensure more timely payments to providers; child outcome data to track early learning and inform policy efforts such as Quality Rating and Improvement Systems.

The graphic at left shows how provider-level data can flow into public data systems.

**PROVIDER DATA COLLECTION**
- Enrollment
- Attendance
- Staff Data
- Child Outcomes

**DATA TRUST AGREEMENT**
- Ensures legal, confidential, sharing of data

**PUBLIC DATA SYSTEMS**
- Child Care Searches
- Subsidy Management Systems
- Workforce Registries
- Child Outcome Tracking

### A WORD ON TECHNOLOGY ADOPTION …

We frequently hear Alliance leaders express concern that child care providers will not feel

comfortable using technology. This may be true in some cases. (Indeed, your Alliance will need a plan for onboarding providers into the CCMS and providing coaching as they begin to use the software.) However, keep in mind that the **average age of child care providers** nationwide in 2021 was 36. Many of today's child care providers are millennials who grew up using technology and can comfortably learn to use a new platform with appropriate tech support. We have found that the greatest barriers to adoption are not general discomfort with technology but rather time and hardware. To be successful, providers need: 1) time to stop and learn a new system; and, 2) access to a laptop or tablet that can run the CCMS. As you work out a plan to support provider use of a CCMS you may want to take into consideration the following:

- Which providers are your primary focus? Are they more or less comfortable with technology?
- What technology systems do the providers currently use on a regular basis? Facebook? A particular app?
- What languages do your providers speak? Is your chosen platform and customer service team available in the language in which they are most comfortable speaking, writing, and reading?
- How will you help providers carve out the time to participate in training and practice using the CCMS?
- How will you ensure providers have a good source of coaching/tech support as they roll out the CCMS?
- How will you ensure providers have access to the hardware they need to implement CCMS? While these platforms can typically run on a smartphone, providers may need a laptop or tablet to take full advantage of all features.

## Develop an Implementation, Budget, and Sustainability Plan

Once you have finalized your Theory of Change, figured out your service menu, identified an Alliance Hub and selected a technology solution, the final step in your planning process is pulling it all together into an implementation plan. In this step you will do the detailed work to:

- Identify tasks that need to be completed to launch your Alliance (including how you will recruit and onboard members).
- Identify the steps you'll take to develop service offerings.
- Develop a staffing plan.
- Develop an Alliance budget.

Taking the time to map out your implementation plan and timeline is key to ensuring you'll be able to deliver services effectively. This plan should serve as your roadmap for launching work in the first year and should be closely aligned with your Theory of Change. There are many ways to structure an implementation plan. We offer one example in the tools for this section (linked in the toolbox at left) that may offer insight into the kinds of tasks Alliances typically must complete prior to launch.

**STAFFING YOUR ALLIANCE**

One **important word of caution** when establishing an Alliance: the tendency is to create new full-time positions with titles like "Project Manager". Remember that any new positions created must be sustained over time after start-up funding is expended. An alternative is to identify the tasks to be done and then determine the best way to accomplish the work. More often than not, it is **best to use existing or part-time staff**—remembering that business automation tools typically reduce the number of hours it takes to complete a task.

As an example, in one Alliance a participating center's administrative staff person was

### Tools to Support You In This Section

- **Sample budget and staffing plan**
- **Sample implementation grid**
- **Sample sustainability plan**
- **Sample sustainability guide**

# Opportunities Exchange

spending well more than a day a week preparing payroll, using paper time sheets, and calculating wages by hand. The move to electronic check-in/out for employees and a payroll service brought that time down to one hour.

With that said, to succeed you **will** need to have staff who are focused on moving the Alliance work forward. If these staff do not exist in your current organization, and you do have to hire new positions, think carefully about roles/responsibilities and be very intentional in your budgeting and long-term fiscal planning to ensure that the Alliance can sustain itself over time.

## Sample Personnel Scenario for Building an Alliance Budget With Current Staff of Hub Organization

Please note that the allocated percentage of current FTE is just for example purposes and is for start-up only. As Alliance membership grows you will likely need to grow into full-time staffed support, with a plan for how to budget for and financially sustain your team.

- **Alliance Coordinator**
  Responsible for overall project management, including: working with CCMS vendors on plan for start-up and onboarding support for Alliance member centers; serving as key point of contact for members; reviewing and analyzing project data; ensuring alignment between member policies and CCMS and Hub services. Overall project management. Allocated at .20 FTE level of effort.

- **Business Analyst**
  Responsible for strategic business support to members, including: coaching to members regarding Iron Triangle metrics and revenue opportunities (including CACFP); support marketing and enrollment; on-going review of provider data in CCMS; ensure parent handbook and parent contracts are in compliance; help recruit and enroll new families. Allocated at .20 FTE level of effort with an initial cohort of members; allocation to increase as membership grows.

- **Fiscal Clerk**
  Responsible for day-to-day business support to members, including: fiscal functions of centralized administration for Alliance members; Accounts Payable/Accounts Receivable; provider financial reports. Allocated at .20 FTE level of effort with an initial cohort of members; allocation to increase as membership grows.

- **Information Technology Coordinator**
  Responsible for overall technology support, including: assessing member hardware and connectivity needs; pricing options for meeting needs; ordering and installing needed equipment; troubleshooting equipment issues. Allocated at .04 FTE level of effort with an initial cohort of members; allocation to increase as membership grows.

## Budgeting for Your Alliance

**FIGURING OUT YOUR EXPENSES**

Building an Alliance Hub budget involves two key steps. First, the Hub must estimate the **incremental cost to their organization**. This may involve hiring additional staff, adding hours to current staff, hardware and software costs, and more. Typically, there are one-time start-up costs as well as ongoing expenses. Second, the Hub and members must **agree on how those costs will be covered**.

While the cost of creating and supporting a Shared Services Alliance can be subsidized by private funding during the startup phase, unless public contracts are identified, members will ultimately need to support the Alliance's ongoing costs with membership fees. Thus, Alliance leaders should not only craft a strategy for phasing in membership fees over time but also be clear with providers who choose to join that they will—in time—**pay directly** for intensive, individualized Shared Services or ongoing automation licensing fees or general membership fees after private funding expires.

Ideally, when approaching a potential funder for start-up grants, the Alliance will have a business plan that clearly specifies a **pathway to sustainability**. From the financial perspective of the Hub, this is the point at which funding via public contracts and possibly membership fees are supporting the cost of Hub services. From the provider's perspective, this is the point at which the value of the Alliance is more than the cost of membership.

The key to sustainability is **keeping overhead and administration costs at the Hub low** by building on existing staff and infrastructure and by exploiting the full range of opportunities offered by technology and automation. If this goal is achieved, the member providers are more likely to have the resources needed to not only support the cost of the Hub but also invest in their own quality improvements.

**Opportunities Exchange**

One of the most important ingredients in the sustainability pathway is the ability of member agencies to reduce expenses at the program level, particularly the cost of administrative staff. The benefit of a Hub is its ability to perform administrative tasks in less time and with fewer errors than the administrative staff at each individual organization. Through the use of automation tools and economies of scale, the cost of these services is driven considerably down. However, providers who participate in a Shared Services Alliance only benefit financially if the number of administrative or non-classroom staff at their site is reduced. **Failure to reduce administrative costs at each member site will likely cause the Alliance to fail.**

In some cases, ongoing funding may be necessary for Alliances that include supports such as comprehensive health/mental health/social services or deeper pedagogical leadership. In these instances, the Hub is more likely to secure funding on behalf of Alliance members than individual centers seeking funding independently.

Typical sources of funding include local and regional foundations, religious organizations, private contributions, and government grants. Experience suggests that the most likely start-up funders for Shared Services are local foundations and businesses that understand child care markets and will be responsive to the financial and quality improvements that Shared Services offers.

Finally, it is important to underscore that Alliances are partnerships that require behavior change, creating/building trust, and working together in new ways. It is important to have an intentional strategy to address the change process and be able to reframe, refine or reimagine plans as the startup process proceeds.

## Key Factors in an Effective Hub Budget

- The staffing plan is fully aligned with the service menu.
- The staffing plan effectively uses percentages of existing staff at Hub organization.
- Staffing allocation increases in alignment with projected increased membership demand/needs.
- Cost per member is reasonable based on CCMS licensing fees paid by the Hub and services that provider members receive.

**Check out our sample budget if you need help getting started**

**FIGURING OUT YOUR REVENUE AND PLANNING FOR SUSTAINABILITY**

While planning and implementation costs are typically supported through philanthropy, over time provider member fees and on-going funding from a range of third-party sources will ideally lessen the need for fundraising from 'soft' sources like foundations. Alliance sustainability is the goal.

**Possible sources of on-going Alliance revenue include:**
- Subsidy contract for child care slots from the state child care administrative agency;
- Head Start/Early Head Start slot contract;
- Public PreK slot contract;
- Provider member fees for specific intensive and individualized services such as tax preparation and ongoing accounting;
- Contract from the state child care administrative agency for licensing/certification/QRIS training and coaching;
- Contract to provide comprehensive services and/or family supports in participating sites.

**Thinking about Sustainability**

As you think beyond your launch budget and begin to craft a sustainability plan, it's essential to set achievable growth goals for the first 3-5 years of operation, taking into account both the possible expansion of services (especially if you are developing a tiered approach that grows over time) and an increase in member participation.

You will want to develop a fiscal growth model that anticipates the costs associated with growth in service scope, and growth in the number of members, and includes the cost of increased staffing, service-related expenses and fees, and other operational needs.

We recommend that you aim to strike a balance between public grants and contracts, private donors, and member fees. Check our sample **sustainability planner** if you need help organizing your thinking.

# Opportunities Exchange

# Recruiting Members to the Alliance

Alliances recruit members in many ways. Sometimes a group of providers initiates the creation of a Shared Services Alliance and in that instance, they self-select into the group and form the initial cohort. More often than not however a third party entity serves as the catalyst for an Alliance and in that instance founding member providers will need to be selected and recruited.

As you plan for member recruitment, keep in mind that success is most likely when all members of the Alliance embrace and are excited about change. We suggest keeping the following guidelines top of mind when building a recruitment strategy:

- Participating programs/providers must be open to operating differently than they have in the past, including a willingness to change business practices, and possibly reduce administrative positions (in the case of centers) and/or trust someone else with administrative functions for the first time (in the case of family child care).
- Trust among and between members and the Hub must be present or quickly built. To ensure meaningful business leadership and coaching, Alliance members will need to feel safe sharing financial information and enrollment data.
- Provider members and the Hub should share core values around the importance of program quality and business sustainability.

### WHO TO RECRUIT

You will have identified the "ideal provider participant" during Theory of Change development. Now it's time to get even more concrete and think specifically about who, exactly, you want to invite to join the Alliance. It is completely fine to start small. Engaging 3-5 enthusiastic providers is fine. The Alliance can expand as experience and confidence grows.

You may have relationships with providers who are ready to join the Alliance. You may need to market yourself and build new provider relationships via community partners. In either case, remember that success hinges on building capacity and commitment among everyone involved—from Alliance leaders to Alliance members—to change the way they operate.

Many factors and characteristics contribute to the likelihood of a provider experiencing success through membership in an Alliance. As you think about who to recruit for the initial Alliance cohort, it may be worthwhile to spend time in honest conversation with potential members. We have included a sample screening tool you can adapt to meet your needs, including the following questions:

- How comfortable are you sharing data about your program?
- Are any of your current operating procedures particularly challenging? Or not working optimally for you?
- Do you believe there can be a better way to operate the business?
- Are you committed to continuous improvement in your efforts to offer quality services to children and families?
- How comfortable are you—or would you be—using data to make new business decisions? For example, reviewing enrollment trends to revise classroom staffing and size; implementing late fees to help reduce bad debt; and changing to a new food vendor if it was more cost-effective.
- If Shared Services is successful you will likely need fewer administrative staff in your program. How many administrative staff do you currently have and what roles do these individuals play? (Listen deeply for how comfortable the provider might be with the idea of downsizing administration staff in order to shift revenue into raising classroom teacher wages. Also consider the possibility that member providers might have employees who could be tapped as Alliance staff or consultants. Thus, joining an Alliance becomes a growth strategy for staff vs loss of a job.)

As you fine-tune your membership criteria, keep in mind that you will share the risks and rewards of operating your Alliance with the members you choose. If they succeed financially, your Alliance is likely to succeed as well. If member providers continue to struggle financially,

## Tools to Support You In This Section

- **Sample marketing materials & value propositions**
- **Sample provider MOU**
- **Sample provider intake form**

the drain on the whole Alliance could be significant. Take the time to map out who will most benefit from, and resonate with, your Theory of Change.

## Developing your Value Proposition

While establishing membership criteria is important, an Alliance Hub must also clearly articulate a value proposition—the explicit benefits to the member providers—in order to spark interest. Remember that most providers are overloaded and stressed out, so you need messages that resonate with them and speak to key pain points.

A value proposition focuses on what services the members receive and what benefits they can enjoy as a result of joining the Alliance. The screenshots (left) from a Shared Service Alliance Hub clearly articulate the Value Proposition.

Taking the time to get a VERY clear and compelling value proposition that communicates what you will do for providers in easily understandable plain language is extremely important if you want to catch provider attention. We also recommend setting up a simple website (or page on your existing website) that serves as a landing page for providers to learn more about the Alliance. If you plan to offer services in multiple languages don't forget to translate your web materials and value proposition and ensure providers can access information about you in the language in which they most comfortably read.

## Recruiting Members

Once you are clear about the parameters around provider membership and have a compelling value proposition in place, it's time to recruit members. You will need a solid provider recruitment strategy based on membership goals. Providers may need to hear from you and your partners multiple times before agreeing to join the Alliance. Recruitment strategies that we have seen work include:

- Strong web presence with clear information about the Alliance and its value to providers.
- Person-to-person recruitment where Alliance staff and/or partner organizations reach out directly to providers to invite them to join.
- Information sessions hosted by the Alliance Hub and partner organizations to share the value proposition with providers and invite them to get more information or join.
- Social media marketing—Facebook, Instagram, etc.—that drives providers to the website and invites them to join.
- Email blasts and newsletters from the Alliance Hub and partner organizations letting the providers know about the Alliance and its value.

Outreach strategies should be tailored to what makes the most sense for your community, keeping in mind how the people you are trying to reach prefer to communicate and are used to receiving information.

## Onboarding Members to the Alliance

As you think through the recruitment process, you will need a plan for how you will onboard members into the Alliance. This will vary depending on the specific services and strategies you offer.

For example, if you are starting with boosting use of CCMS your onboarding plan and strategy will look different than if you have chosen to focus on standing up a substitute pool for member providers. But no matter where you start, you must have a plan for orienting providers to the new services.

Most Alliances have providers sign a MOU that articulates roles and responsibilities of both the Hub and the members. We have an example in the tools for this section. MOUs can be formal or informal, but we recommend preparing a written document that helps the Alliance Hub and the provider members understand they are beginning a formal partnership with one another.



Spend more time engaging with teachers, children, and families. Let us tackle the administrative tasks.

As the director of a child care center, your responsibilities are vast. But your resources are likely limited. The Richmond Area Shared Service Alliance, or RASA, enables centers like yours to focus on activities - such as teacher development, family engagement, and center quality — that are essential to your mission...and your passion.

You're the backbone of your organization. But, you're wearing (way) too many hats.

In addition to your educational and leadership responsibilities, being a center director often involves facility management, resolving personnel issues, payment collection, system troubleshooting, and many other administrative tasks. It's not sustainable! Directors who are spread too thin experience:

- high staff turnover
- teachers with limited development opportunities
- facilities in disrepair
- feeling stressed and totally overwhelmed

# Pulling it All Together—
# Writing Your Business Plan

Once you have answered the questions outlined in this document, you have the elements needed for a business plan. The plan does not need to be a lengthy document; in fact, Opportunities Exchange recommends using a simple and concise PowerPoint format, coupled with a three year budget, for presenting a business plan. The presentation approach is recommended for several reasons:

- PowerPoint format is ready to share with stakeholders—board of directors, staff, funders, families in participating centers—from whom buy-in is needed.
- Stakeholders are more likely to read and comprehend the plan if it is concise and visual (vs. lengthy narrative format).

As you put your plan together, use the tools you've worked through in this guide as a framework. The plan should:

- clearly articulate the problem you're trying to solve and your vision for what's possible;
- the providers you're focused on and your value proposition to them;
- your Theory of Change and service array;
- your governance structure (who is your Alliance Hub and who is advising);
- the high-level steps of your implementation plan;
- your timeline;
- a three-year budget.

If you have made it this far, you have completed the necessary steps to thoroughly describe your Alliance. Please use the samples provided in the toolbox to guide you in formatting and articulating your plan. Congratulations on reaching this point!

## Tools to Support You In This Section

- **Sample business plan narrative**
- **Sample business plan slides**