



# 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.



# Opportunities Exchange

# SHARED SERVICES ALLIANCE START-UP GUIDE

October, 2023

## SHARED SERVICES BACKGROUND

### What are Shared Services?

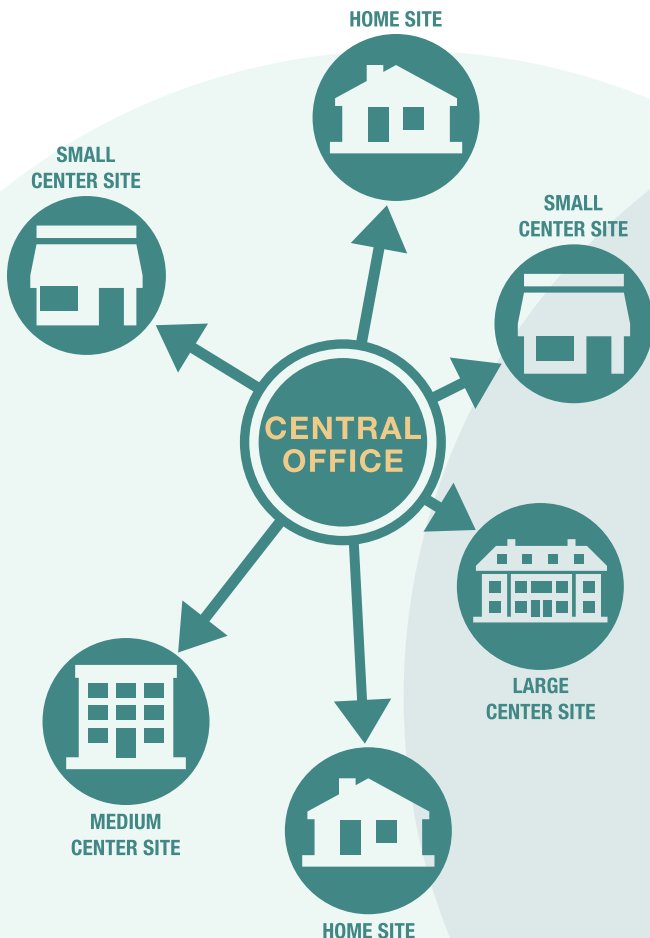
**S**hared Services Alliances (SSAs) have the potential to play a role in reshaping the traditional business model of the child care industry so that sustainability is possible. In most communities child care providers operate in isolation, at the margins of profitability, facing numerous challenges 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





# Opportunities Exchange

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.

## MOVING FROM COLLABORATION TO TRANSFORMATION

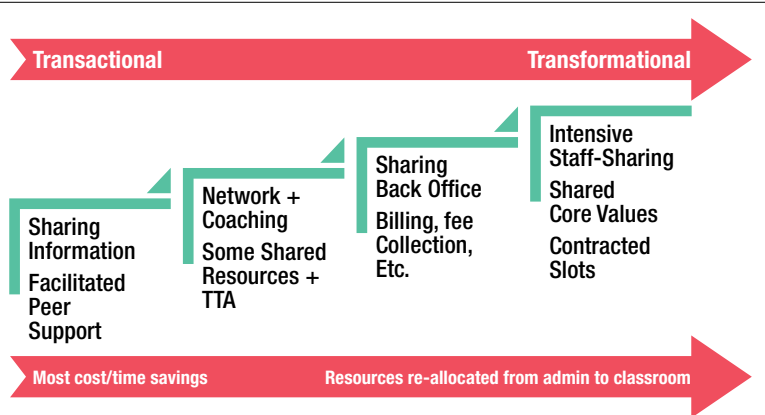
We want to emphasize the importance of designing your Alliance from the outset with truly transformational services and support in mind. For years the early care and education sector

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



## 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.



## COACHING AND TRAINING

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?*)