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CREATING YOUR THEORY OF CHANGE:
The Road Map to Your North Star

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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**

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			

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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.

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Below 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.

BACK OFFICE BUSINESS SERVICES

	Will We Deliver? (Yes, No, Unsure)
TARGETS: • Saving providers time • Managing the Iron Triangle (full enrollment, full fee collection, revenue that covers per-child cost) • Improving profitability and sustainability of the business	
Assist providers in accessing and using automated business management software (Child Care Management Software; QuickBooks; Gusto; others) to do the following: • Help with recordkeeping, ideally centralizing and automating paperwork to the maximum extent possible. • Help to manage enrollment, including recruiting and enrolling families, tracking and reporting attendance, establishing enrollment benchmarks, ideally using CCMS to automate these functions. • 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

	Will We Deliver? (Yes, No, Unsure)
TARGETS: • Saving providers time • Offering employee benefits • Increasing staff wages • Solving for hiring and retention challenges	
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:	

PEDAGOGICAL SERVICES	
TARGET: • Improving the quality of ECE programming & instruction	**Will We Deliver?** (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). *(See next page for **Outcomes Vs, Targets.**)*

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 enroll-ments/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.

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.

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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.

### IRON TRIANGLE METRICS

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)
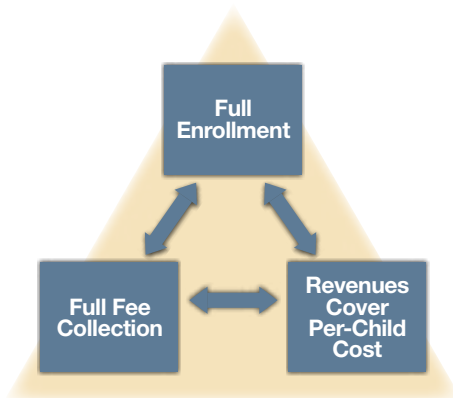
BUSINESS AUTOMATION

- 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.