

Guide to Developing a Shared Services Alliance

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The process of starting a Shared Services Alliance can seem daunting. Those interested in starting an Alliance, or helping one to launch, often ask: What should be done first? How long does it take? Who should get involved? How can one ensure long-term sustainability? The purpose of this guide is to provide potential Alliance stakeholders – Hub organizations, early care and education (ECE) providers, funders, and intermediary organizations – with a general outline of the work required to develop an Alliance.

What is Shared Services?

Delivering sustainable, high quality early care and education (ECE) requires that providers have the capacity to do both Pedagogical and Business/Administrative tasks well. Shared Services is a framework or organizational structure that allows providers to pay attention to providing high quality teaching and learning (pedagogical leadership), while at the same time making sure the business and administrative tasks that support a high quality approach are performed well (business leadership). In a Shared Services Alliance, multiple ECE sites pool needs and share resources – including staff, information, skills and funds – in order to improve the long-term capacity to provide high quality care.

This Startup Kit is primarily focused on Alliances that include a network of smaller, independent ECE programs or home-based providers. However, the Shared Services framework can also help a multi-site early care and education corporation (non-profit or proprietary) strengthen program quality and sustainability. See this [Multi-Site Guide to Shared Services](#) for information on the steps involved in applying the Shared Services framework to a multi-site organization.

What is a Shared Services Alliance?

A Shared Services Alliance is an organization comprised of multiple center- or home-based ECE programs (members) that have agreed to share specific costs and resources via a collaborative governance structure. The design of each Shared Services Alliance is unique to its participants, but all share the goal of strengthening business and pedagogical leadership across participating sites, by creating structures that enable sharing of staff, information and resources.

What is an Alliance Hub and what does it do?

An Alliance Hub is an entity that provides one or more Shared Services to the Alliance members. The Hub could be a large center, another type of organization such as a Resource and Referral agency, or a central administrative office. Alliance Hubs generally charge membership or contract fees, and/or receive grant support, for providing these services. Alliance Hubs can offer a range of shared services to their members, such as:

- Business Leadership
 - Bookkeeping, billing and fee collection
 - Enrollment management
 - Marketing support

- Fundraising and fund development
- Data collection and grant reporting
- Staff recruitment and substitute pool
- Janitorial and maintenance services
- Joint purchasing
- Pedagogical Leadership
 - Reflective supervision for classroom teachers and other support staff, including paid time “off the floor”
 - “Floating” teachers or permanent substitutes, shared among Alliance members, to cover staff planning and reflection time as well as staff call-outs
 - Job-embedded professional development, including communities of practice to enable peer learning among teachers, caregivers and site supervisors
 - Site-based quality support staff, such as mentor teachers, to assist with QRIS, accreditation, Head Start performance standards, and/or licensing compliance

Getting Started: Overview

While every group and every community is different, the work to develop an Alliance usually involves the following steps (with more detail about each step described further down):

1. Understand the needs of local Early Care and Education (ECE) providers.
2. Identify one or more organizations that could provide some or all of the needed services as a Shared Services Hub.
3. Identify interested and likely Alliance members.
4. Identify the services to be provided by the Hub(s).
5. Identify key areas of agreement that will need to be addressed in a Memorandum of Understanding between the Hub(s) and Members.
6. Develop an Alliance business plan and financial projections.
7. Identify funders to support Alliance startup and ongoing operating expenses until the Alliance achieves sustainability.

While all of these steps are necessary, they can occur in parallel and/or in a different order. Based on OppEx experience, it is critical early in the process to identify one or more potential Hubs. It is also important to involve potential funders in Alliance development early on, in order to maximize their understanding of and commitment to the strategy.

The amount of time required to start an Alliance varies based on the many factors that make each community unique. Based on OppEx experience, it is likely to take at least 6 – 12 months from the time that a decision is made to pursue Alliance development until the Alliance is launched. Depending on who is involved, and the extent of services offered, the business planning process and launch could take much longer.

Startup Steps

1. Understand the ECE community’s needs.

- What key issues/challenges are most commonly identified by centers or homes that could potentially participate in a Shared Services Alliance? Which of these services might be shared among sites?

- Are centers, homes, or both types of providers more likely to participate in an Alliance, and what are their typical staffing needs?
- How do local ECE programs fare vis-à-vis the “Iron Triangle” measures? What is the average vacancy rate by age? The typical level of bad debt? The gap between per-child costs and available revenues?
- To what degree do most centers/homes use an automated child management system, and which one(s) are most common?

The first step is to understand the key and common issues in the ECE community. Are there too few high quality child care “slots” available? Are too many providers, especially of high quality, closing? Is there lack of sufficient qualified staff? Do providers lack training in business and administrative practices that could help increase revenues and reduce costs? What are the root causes of these issues? While communities often cite too-low subsidy and/or private tuition rates as the key source of problems, the reality is often more complicated.

It is important to sort out those capacity issues among ECE providers for which Shared Services can provide a solution, and begin to explore what specific needs could be addressed. Likewise, there may be other issues best addressed via advocacy for policy refinements; those activities can take place simultaneously with development of Shared Services, but are not addressed here.

One potential tool to identify needs is to conduct a survey. This is not necessary, but can be helpful in obtaining information from a large group. A simple online survey (such as through Survey Monkey) early in the process can generate interest in Shared Services, and perhaps invite providers to participate in a further step. A few tips for effective surveys: 1) Make it short. The easier the survey is to take, the more likely a high response rate. 2) Make the questions very clear and easy to understand, especially with a rating scale. 3) Minimize the number of open-ended questions, since they can be time-consuming to analyze. 4) Make sure someone takes the survey as a test to catch mistakes in how questions are asked.

Based on the needs assessment, what are the goals of the Alliance? What are the desired outcomes that providers could not achieve by acting alone? Some possible examples may include:

- Raise the quality of teaching and learning through:
 - More/better professional development
 - Regular support for classroom teachers, e.g. coaching and mentoring from site directors or embedded, shared staff
 - More qualified staff and substitutes
 - Sharing ideas and resources with other programs
- Reduce stress on center directors, site managers and home-based providers by enabling access to a team of experts in both business and pedagogical leadership
- Create a Community of Practice within and among staff participating in the Alliance
- Improve business management to strengthen revenues, improve compliance, boost efficiency and free up time and funding that can be reinvested in teaching and learning
- Find valuable services and products that are unaffordable or underutilized, e.g. facilities management, Human Resources and employee benefits, accounting services
- Improve wages and benefits
- Save money on purchasing

Articulating clear goals will help determine which strategies to pursue, and how to prioritize what to pursue initially vs. over the longer term.

As part of understanding needs and goals, it is important to assess how programs fare on “Iron Triangle” measures – what are providers’ typical vacancy rates, the level of bad debt, and the gap between costs and available revenues? These are key financial and operational levers that can make the difference between viable and non-viable businesses, and which Shared Services can help address.

2. Identify one or more Hubs.

- Focus on organizations that already have the key skills to perform these services for other organizations and could serve as trusted leaders, e.g.:
 - Fiscal management skills and ability to administer an automated child management system for multiple locations
 - Fund development skills and/or trust among local funders
 - Staff with unique skills in pedagogical leadership
- There can be more than one Hub; for example, one organization may be able to provide back-office financial and administrative services (business leadership), while other organizations may be more skilled at helping build quality in the classroom (pedagogical leadership).
- In some cases, the Hub organization can be located outside the local community, if services are available through a virtual/online connection.

No matter which services are important to providers, a successful Alliance needs an organization that can provide those services. So it is critical to focus first on which organizations have the capacity to be a Hub. One way to approach this question is to look at the organizations working in the ECE field in the community, and identify the one(s) that have key strengths – on the pedagogical (teaching and learning) side, on the business and administration side, or both. Another approach is to look at organizations that are strong in administrative and business practices, who may not be in the ECE field but who have interest in building capacity among nonprofits and/or small businesses. Some potential examples include:

- A large child care center with a strong administrative capacity, or a strong professional development function, or both
- A multi-site child care organization that has already centralized several functions among its centers and/or family child care homes
- A CCR&R or other child care intermediary organization that has strong experience with functions such as child care billing, professional development and mentoring, USDA food program management, etc.
- A back-office or property management organization, not necessarily in the ECE field, with strong expertise in billing, accounting, maintenance, HR, and related administrative functions
- A community or family foundation with a deep connection to the local ECE community and a willingness to play a deeper role in operations

Organizations thinking of becoming a Hub should do some self-assessment to determine the degree of fit (see [Characteristics of a Successful Shared Services Hub](#)). Successful Alliance Hubs will have most or all of the following 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 out to and successfully engage providers in a network approach to service delivery
- *Financial reach and stability* – Has sound fiscal management capacity, with dedicated and skilled fiscal management staff and experience with automated information 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 organization is stable enough to launch a new endeavor that may not pay for itself in the short term

One caveat: An entity that is considering serving as an Alliance Hub should NOT expect that a Shared Services Alliance will provide a net increase in revenue. The purpose of an Alliance Hub is to create a legal and administrative structure that enables services at scale, so that participating centers and homes 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 work and funding required, becoming a Hub should only occur if the overall objective is mission-related: to help participating centers and homes build capacity to provide sustainable, high quality care.

A successful Alliance will, in time, be self-supporting and able to generate enough revenue to cover costs. However, in the short term, startup funding will be needed. Depending on services offered and Alliance structure, it may also be necessary to secure ongoing third party funding for some aspects of Alliance operations that the individual members/partners were not able to provide on their own (e.g. comprehensive services for high-need children and families, more intensive professional development, etc.). Because of the work and funding required, becoming a Hub should only occur if the overall objective is mission-related: to help participating centers and homes build capacity to provide sustainable, high quality care.

3. Identify interested members.

- Participating centers/homes must be open to operating differently than in the past.
- Trust among Alliance members and between members and the Hub(s) must either be present, or must be established; emphasize the need for sharing of information and data.
- Develop criteria for participation, which may be influenced by funder requirements, such as a demonstrated commitment to high quality.

The key to starting an Alliance is to understand that it is essentially a partnership. As such, it is important to identify people and organizations that share interests (for example, the desire to improve quality of care) and values (for example, the importance of employee job satisfaction), and who are open to changing the way they operate in order to achieve these goals. It is often helpful to begin with organizations familiar with each other and/or the Hub organization(s), perhaps through a community organization, learning circle, or ECE support network. Sometimes it makes sense to start small, such as a partnership of 2-3 providers, and gradually expand the partnership/Alliance as experience and confidence increase.

Because Shared Services is a different operating framework than is typical, potential Alliance members, and their boards, must be open to changing the way they operate. This may include issues such as staffing strategies, sharing data and information with others (the Hub, and other Alliance members), and working on issues collaboratively with other providers. A common misperception is to assume that local ECE providers are competitors, and therefore not viable partners in an Alliance. On the contrary, centers and home-based providers who participate in Alliances quickly learn that fellow providers often share similar needs and resources, and that it is possible – and indeed could be beneficial to everyone – to work together toward common goals.

It is important to define criteria for Alliance membership/partnership, both initially and as the Alliance grows. A key role that an Alliance can play is to demonstrate – to families and funders – how its members differ from other providers *because they are part of a larger whole*. To effectively differentiate by quality, it is important to select a measure that articulates the difference clearly. In states with Quality Rating and Improvement Systems (QRIS), an Alliance can require all members to participate in the QRIS and select a specific star rating as the standard to which all members should aspire. Selecting QRIS as the quality standard often has the additional benefit of ensuring that Alliance members have increased access to technical assistance and funding linked to quality. In states with no QRIS, or where QRIS is voluntary and not widely utilized, other quality measurements can be used, such as:

- Classroom Assessments, based on Environmental Rating Scales (ITERS, ECERS, and FCCERS), CLASS or another standardized tool
- Quality measurements implemented by state or local government ECE agencies
- Accreditation by national organizations, such as NAEYC, or participation in an accreditation facilitation initiative

4. Identify services to be shared.

- Different Hubs can provide separate services.
- Starting small, with one or two Shared Services, is often smart; services can be expanded as experience and confidence increase.

Often done simultaneously with identification of the Hub(s), it is important to focus on those services that a) the Hub(s) can effectively provide, and b) would be attractive/beneficial to the members. Identifying a Hub's potential services is an important first step. However, what a Hub can do must be tempered with what providers want or need, and the degree to which they are willing to change their operating procedures. Technology is usually a key factor, since data and information

will need to be shared. Therefore, part of the equation will involve both hardware and software capabilities and resources among the Hub(s) and members.

A combination of research tools, in addition to the survey discussed above, may be useful to identify attractive services from the provider's perspective, including the following:

- **Focus Groups** – Focus groups can be effective for a smaller group that shares common interests – such as a group of family care providers, or a group of providers in a particular geographic area – to explore ideas together. When possible, focus groups should be led by a facilitator skilled at managing a group and shepherding a discussion to get the desired information.
- **Site visits** – There is no substitute for the level of detail and depth of exploration that can be gained from a face-to-face discussion at a site visit. This allows issues to be explored in more depth than in surveys or focus groups, respondents can speak freely and confidentially about sensitive subjects, and it provides an opportunity to observe the program and its management “in action.”

A [Shared Services Audit Questionnaire](#) can be a helpful assessment tool during a site visit.

5. Establish the Alliance structure and terms.

The decision of what services to offer and how to deliver them is unique to each Alliance and will evolve from the steps above. The key issues to be addressed in a contract or Memorandum of Understanding between in the Hub and members are:

- Who will perform what tasks?
- What information and data will be shared and how?
- How will decisions be made?
- How will the cost of providing services be covered during startup and ongoing?

Decisions include whether there will be a new entity created and/or whether there will be a “sponsoring organization” (for example, a local community foundation) that will provide the physical and/or financial “home” for the Alliance. [It should be noted that some funders prefer utilizing an existing organization rather than creating a new 501c3, if possible]. Members need to agree on how Alliance members and the Hub(s) will share data and information, and how decisions will be made, e.g. through a contract, as a collective, as Board members of a new entity, etc.

Identifying the cost of providing services involves two steps. First, the Hub(s) need to 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 as well as ongoing costs. Second, the Hub(s) and members must agree on how those costs will be covered. While these costs can often be subsidized by private funding during the startup phase, members should be clear about the expectations of paying for Shared Services after private funding goes away. Key to this agreement will be helping providers to understand the time and cost savings resulting from the Shared Services, and the degree to which those savings more than offset the payment to or revenue-sharing with the Hub(s). And finally, the Hub-member agreement should address the process for adding additional organizations and services to the Alliance after its initial launch.

Caution: When establishing an Alliance structure and crafting a business and financial plan, the tendency is to create new jobs with titles like “Alliance Coordinator” or “Shared Services Manager.” Remember that any new positions created must be sustained over time (after start-up funding is expended) via fees charged to participating centers/homes or ongoing, annual fundraising. An alternative approach is to identify the *tasks* that must be done, and consider which existing staff could most effectively complete these tasks (perhaps by restructuring jobs), or whether a part-time position would work rather than adding additional full-time staff.

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It can be helpful to look at examples of how existing Shared Service Alliances developed agreements, and how they are structured and staffed, on

opportunities-exchange.org. Several examples of Memoranda of Understanding, governance and structure, and organization charts are available in the

“[Shared Services Central](#)” section under “Management Agreements,” “Governance Structure,” and “Job Descriptions and Organization Charts.” Various Alliance profiles are available in the “[Alliances in Action](#)” section of the website.

6. Develop a Business and Financial Plan.

The Business and Financial Plan is a blueprint for management action in launching the Alliance. You will need to think about the experience and skills needed in a management team to successfully launch the Alliance. Even if you work with outside consultants to develop the plan, it is important that staff responsible for the Alliance launch prepare much of the detail. There are two reasons for this. First, having staff prepare the details keeps the consulting costs down. Second and more important, having Alliance management draft the details means that they will be intimately familiar with the road they are about to travel, and they will have ownership over the results.

The Business and Financial Plan should include at least the following elements:

- Operating model, including staffing, roles, responsibilities of partners
- Mode of delivery (e.g. via web, in-person, or both)
- Geographic area served
- Timing (e.g. some services might be phased in over time)
- Membership requirements, including quality criteria
- Membership benefits
- Membership pricing
- 3-year financial projections

The Business Plan does not necessarily need to be a lengthy prose document, as long as it contains the essential elements. The [Philadelphia Early Learning Alliance](#) created a draft Business Plan in PowerPoint format; other examples are on the [Shared Services Central](#) page of the OppEx website.

7. Identify Funders.

Most Alliances need startup funding until they attain sustainability (which can take from 1-3 years depending on the circumstances.) Eventually membership fees (perhaps augmented with third party funds) will support the Alliance, but it takes time to build up the membership to the point where fees offset Alliance costs. Alliance cost drivers typically include personnel (such as an Alliance manager and/or staff) and technology costs for activities such as implementing automated financial and information-sharing systems.

Ongoing funding may be necessary, depending on the services the Alliance offers, the revenue sources members are able to tap, and the degree to which Alliance costs and membership fees can be offset by cost savings in member centers and homes. For example, Alliances that include supports such as comprehensive health/mental health/social services or deeper pedagogical leadership often need to secure additional third party funding beyond what can be generated from membership fees.

Existing Alliances have gained support from local and regional foundations, churches, private contributions, and government grants. Experience suggests that the most likely funders for Shared Services are local foundations and businesses that understand the local market and will be responsive to the financial and quality improvements that Shared Services offers. While a few national funders have helped promote Shared Services, they look for evidence of local funding support, generally only make startup grants in targeted communities, and should not be assumed as a source.

Keep in mind that Shared Services is, at its core, a management framework and not a project. An important component of a Shared Services financing plan is identifying how existing revenues and personnel can be redirected or restructured to support the Alliance. The key to sustainability is keeping overhead and administration costs low by building on existing staff and infrastructure. If this goal is achieved, the Alliance is more likely to have the resources needed to raise teacher wages, purchase employee benefits or invest in intensive staff development and other quality improvements.

Finally, it is important to underscore that the Alliance development process can take a long time, and often takes twists and turns that cannot be predicted in advance. 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.

For some insight into funder perspectives, see "[Community and Local Foundations as Shared Services Incubators or Hubs](#)" from the 2017 Shared Services Conference session.

Resources and Examples

The [Opportunities Exchange website](#) includes many tools and resources to guide startup, as well as profiles of existing Alliances, links to their websites, etc. In addition, Opportunities Exchange shares news and updated information through our [Facebook page](#) and Twitter feed (@OppExforECE).

Four Alliances in particular offer excellent examples of a range of startup process, structure, and membership.

- [State Early Learning Alliance, NH](#)
 - **Launched** informally in 2006; hired staff in 2009
 - **Membership:** 140 members statewide
 - **Hub(s):** Central office for Director and Coaches housed at Early Learning New Hampshire; back-office and other services provided through Great North Property Management
 - **Staffing:** FT Director, PT Coaches in 8 regions
 - **Services:** Web platform, discounts on insurances, heating fuel, financial management, accounting, human resources, legal services, vendor procurement, auditing, cleaning service, and trash removal. Marketing support, facility project bidding and project oversight, 24-hour emergency maintenance hotline, property safety inspections. Some discounts extend to staff and families, saving them each \$1,000+ per year.

- [San Francisco Early Learning Alliance, CA](#)
 - **Launched** in early 2015
 - **Membership:** 6 agencies operating 8 sites
 - **Hub:** Central office, initially housed at the Mimi and Peter Haas Fund
 - **Staffing:** 1 FT Director and 2 FT Data Management and Need and Eligibility Specialists
 - **Services:** Enrollment, data management and reporting, fiscal management, and human resources

- [Battle Creek Shared Services Alliance, MI](#)
 - **Launched** early 2017
 - **Membership:** 3 centers
 - **Hub:** Battle Creek Community Foundation
 - **Staffing:** In-kind staff support of 2 PT directors
 - **Services:** Currently building out a set of business and pedagogical supports

- **Richmond Area Shared Alliance, VA** (Online profile not yet available)
 - **Launched** July 2017
 - **Membership:** 3 centers
 - **Hub:** Commonwealth Autism (non-profit serving special needs children)
 - **Staffing:** Project Coordinator, Fiscal Coordinator, and Technician (all PT)
 - **Services:** Tuition/revenue collection and tracking, Accounts Payable, payroll, audit, financial reporting, IT implementation and support; pedagogical supports in development
 - See the [Richmond startup story](#), describing background, rationale, planning, and logistical details of this promising new Alliance in a low-income community

Additional resources on the [OppEx website](#):

- Profiles of many Shared Service Alliances across the US at [Alliances in Action](#)
- Tools and Resource topics related to startup at [Shared Services Central](#)
- [Shared Services info-graphic](#) and [Shared Services 101](#) presentation
- [Shared Services Podcast](#): short talk on how and why Shared Services benefits the ECE industry