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Exchange

Shared Services Startup Kit

Guide to Developing a Shared Services Alliance

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The process of starting a Shared Services Alliance can seem daunting. Potential Alliances often ask: What should I do first? How long does it take? Who should get involved? While every group and every market is different, the work to develop an Alliance usually involves the following steps:

- Research to determine which services potential Alliance members (centers and homes) would find most compelling, which providers would be most likely to join the Alliance, and which tasks could most appropriately be shared
- Identification of one or more potential Hub organizations, including the possibility of organizations outside the ECE community
- Clarification of membership criteria and Alliance mission
- Identification of an appropriate Alliance legal and governance structure
- Identification of funders to support Alliance startup and ongoing costs
- Development of an Alliance business plan and financial projections

What is Shared Services?

Shared Services is a framework that allows multiple early care and education sites to pool needs and share resources – including staff, information, skills and funds – in order to improve the capacity to provide high quality care.

This Startup Kit is primarily focused on helping small, independent child development programs form an Alliance. 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 a membership organization, or a multi-site ECE organization, through which Shared Services are provided. **Alliance members** are center and/or home-based ECE providers who receive Shared Services through their membership, or as part of a multi-site ECE organization. The design of each Shared Services Alliance is unique to its participants, but all share the goal of strengthening business and pedagogical (teaching and learning) 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 offer a range of shared services and purchasing options to their members, such as:

- Bookkeeping, billing and fee collection
- Enrollment management
- Marketing support
- Professional development
- Quality support staff – mentor teachers, assistance with QRIS or accreditation or Head Start performance standards or licensing compliance
- Fundraising and fund development
- Data collection and grant reporting
- Staff recruitment and substitute pool
- Shared ‘floating’ teachers (sometimes hired as permanent substitutes to be shared among classrooms and/or sites)
- Janitorial and maintenance services
- Joint purchasing

Getting Started

The purpose of this guide is to provide potential Alliance participants, both hub organizations and other members, with a general outline of the work required to develop an Alliance. Each group looking to start an Alliance is different, but generally the following steps are required:

1. Identify Alliance goals
2. Identify interested and likely partners
3. Identify one or more hub organizations to provide centralized services
4. Identify potential services to offer Alliance participants
5. Establish Steering Committee to lead Alliance development and business planning
6. Agree on an Alliance services, structure, governance and membership model most likely to be effective
7. Develop financial projections of revenue and cost and determine funding needed for launch
8. Identify funder(s) willing to fund startup and ongoing Alliance costs
9. Develop a business plan

The amount of time required to start an Alliance varies based on the many factors that make each community unique. Based on experience to date, you should plan that it will 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.

1. Identify Alliance Goals

The first step in creating a Shared Services Alliance is to articulate your goals. What do you want to accomplish that you 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 them to access 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 your goals will help you determine which strategies to pursue, and how to prioritize what to pursue initially vs. over the longer term.

One caveat: An entity that is considering serving as an Alliance hub should NOT expect that a Shared Services Alliance will provide the Hub organization with an ongoing source of 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. Ideally, an established 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 what services are offered and how the Alliance is structured, it may also be necessary to secure ongoing third party funding for some aspects of Alliance operations (e.g. comprehensive services for high-need children and families, more intensive professional development, etc.) Because of the work and funding required to develop an Alliance, you should only pursue this strategy if your overall objective is mission-related: to help participating centers and homes build capacity to provide sustainable, high quality care, including increased wages, benefits and working conditions for the teachers who work in their classrooms.

2. Identify Interested and Likely Partners

The key to starting an alliance is to understand that it is essentially a partnership. As such, you will want to identify people and organizations that share your interests (for example, the desire to improve quality of care) and values (for example, the importance of employee job satisfaction). It is often helpful to begin with organizations you already know and work with, perhaps through a community organization, learning circle, or ECE support network.

Who can you see yourself collaborating with? Sometimes it makes sense to “start small” – that is, you could begin with a partnership of 2-3 providers working on a limited number of shared resources, and gradually expand the partnership/Alliance as you develop experience and confidence.

A common misperception is to assume that ECE providers in your geographic vicinity 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, both now and as the Alliance grows. A key role that an Alliance can play is to demonstrate – to consumers 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:

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

3. Identify one or more Hubs

Identifying one or more Hubs might take place simultaneous with Step #4 below, “Identify potential services.” This is because, no matter which services are important to providers, a successful Alliance needs an organization that can provide those services. So it is helpful 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 your 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 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, outside the ECE field, with strong expertise in billing, accounting, maintenance, HR, and related administrative functions.

If you are thinking of becoming a Hub, do some self-assessment to determine if you're a good fit. Successful Alliance Hubs will have most or all of the following characteristics:

- *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
- *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

4. Identify Potential Services

Often done simultaneously with Step #3 above (“Identify one or more hubs”), it is important to research what services will be most attractive to potential Alliance partners. A combination of research tools may be useful, including the following:

- Surveys – If you need information from a large group, surveys can be useful. For example, a simple online survey (such as through Survey Monkey) can be conducted early in the process to generate interest in Shared Services, and perhaps invite providers to participate in a focus group.

A few tips for effective surveys: First, make it as short as possible. No one wants to spend a long time filling out a survey, and the easier the survey is to take, the more likely you are to get a high response rate. Second, make the questions very clear and easy to understand, especially if you use any sort of rating scale. Third, minimize the number of open-ended questions you ask, since they can be time-consuming and

difficult to analyze. And finally, make sure you and at least a few others take the survey as a test, before you send it out to providers. Often mistakes in how you've asked the question are only apparent in this step.

- Focus Groups – Focus groups can provide an effective way for a smaller group who share common interests – such as a group of family care providers, or a group of providers in a particular geographic area – to explore ideas together. This is a good forum in which to discuss challenges, have them hear a description and examples of Shared Service Alliances, and then in that context have them react to a list of potential products and services that an Alliance might offer. One caveat: focus groups should be designed and led by an experienced focus group facilitator who is 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.”

5. Establish a Steering Committee

Establishing a Steering Committee to lead Alliance development and business planning is important. The members of the Committee should include representatives from each potential Alliance partner who are empowered to represent the partners' interests in key decisions. The purpose of the committee is to agree on goals, roles and process for working together to plan the Alliance (such as how decisions will be made, expectations for time commitments and confidentiality, etc.), provide the means for building support among partners and with potential funders, and develop the business plan.

In addition to the Alliance partners, the Committee could invite other parties to participate in one or more Committee meetings as appropriate, in order to build support for the Alliance. These invitees could include the following:

- Funders, such as representatives from community foundations, the United Way, or local business contributors
- State and/or local child care administrators (those involved in subsidy administration and program regulation are particularly important)
- Child care provider association leader
- Board member from participant organization(s)
- Strong ECE provider and thought leader

6. Agree on Alliance Services, Structure, and Governance

Determining which services the Alliance will provide, both initially and over the long term, should be based on attractiveness to potential members and capacity to deliver the

services. At the same time, it is necessary to develop a scenario for how the services will be delivered – in other words, how the Alliance will be structured. For instance, services could be provided through a central Hub offering a wide range of services as a menu or “package”; through a network of centers with more than one Hub; by contracting with an external organization, or by some combination of these. The decision of what services to offer and how to deliver them is unique to each Alliance and will evolve from the research described above. The Hub activities must be analyzed to determine potential costs and staffing requirements for the Hub(s), as well as a rough estimate of potential income, and the results reviewed with all relevant stakeholders.

Next, how will the Alliance be governed? It can be helpful to look at examples of existing Shared Service Alliances, available at opportunities-exchange.org. 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 determine how Alliance members will participate in decision-making, i.e. through a contract, as a collective, as Board members of a new entity, etc. And finally, there should be a process for adding additional organizations to the Alliance after its initial launch.

7. 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
- Benefit delivery (e.g. via web, in-person, or both)
- Geography
- Timing
- Membership requirements, including quality criteria
- Membership benefits
- Membership pricing
- 3-year financial projections (see opportunities-exchange.org for examples)

8. Identify Funders

Most Alliances need start-up funding until they attain sustainability (which can take from 1-3 years depending on the circumstances.) Eventually membership fees (perhaps augmented

with other 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 for fiscal management and other quality supports) and technology costs for activities such as implementing automated financial and information-sharing systems.

Ongoing funding may be necessary, depending on the services your Alliance offers, the revenue sources your member centers 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 and developing Alliances have gained support from local and regional foundations, churches, private contributions, and government grants. Experience to date suggests that the most likely funders for Shared Services are local foundations and businesses that understand your 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 start-up 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 be able to have an intentional strategy to address the change process, and be able to reframe, refine or reimagine plans as the startup process proceeds.

More Resources and Examples

The [Opportunities Exchange website](#) includes many tools and resources to help you start a Shared Services Alliance, 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).