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# Getting Started: Shared Services Starter Kit

## Getting Started with Shared Services

### Background

A Shared Services Alliance in the Early Care and Education (ECE) industry is a community-based partnership model comprised of centers and/or family child care homes working together to share costs and deliver services in a more streamlined and efficient way. By participating in an Alliance, ECE businesses become stronger, more accountable, more financially sound and efficient, and better equipped to offer affordable, high-quality services for children and their families.

Alliances offer a range of services and purchasing options to their members, including shared purchasing options and group discounts. Alliances can also forge collaborative strategies for a range of management and program supports.

### Getting Started

The purpose of this guide is to provide potential Alliance sponsors with a general outline of the work required to develop an Alliance. Each community, and each group looking to start an Alliance, is different. In general, however, the required steps for a potential Alliance sponsor to get started are:

- Identification of the goals of the Shared Services Alliance
- Self assessment to determine likelihood of success as an Alliance sponsor
- Establishment of an Advisory Council of key ECE stakeholders
- Research to determine key issues facing child care providers, and which services potential Alliance participants would find most compelling
- Establishment of an Implementation Committee of knowledgeable, interested ECE providers
- Analysis of potential Alliance services and who might provide them, including organizations outside the ECE community
- Identification of an Alliance structure most likely to be effective
- Identification of funders who would be willing to fund startup and ongoing Alliance costs
- Determination of membership criteria, including quality measurement
- Development of a business plan and financial projections for the Alliance to provide services in a way that is financially sustainable with modest grant support

The amount of time required to start an Alliance varies based on the many factors that make each community unique. In general, you should plan on a range of 6 – 12 months from the time that a decision is made to pursue Alliance development until the Alliance is launched.

### **Set Alliance Goals – What do I hope to accomplish?**

The first step in creating a Shared Services Alliance is to articulate your goals. What do you want to accomplish as an Alliance sponsor? Some possible examples may include:

- Help ECE providers save money on purchasing
- Help ECE providers find valuable services and products that are unavailable or underutilized, e.g. affordable health insurance or accounting services
- Help ECE providers become more effective business managers
- Raise the level of quality in ECE programs in the community
- Create a learning/sharing community among ECE providers
- Help ECE providers restructure administration to reinvest freed resources in staff wages and benefits

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 organization with an ongoing source of revenue. An Alliance will not be a moneymaker for the sponsoring organization. Ideally, an established Alliance will 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. 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 providers improve their financial sustainability and quality.

### **Self-Assess – Could I be a successful sponsor?**

Once you have articulated what you hope to accomplish, you need to determine whether serving as an Alliance sponsor is an appropriate role for your organization. Successful Alliance sponsors will have most or all of the following characteristics:

- *Leadership and market credibility* – Is a 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

### **Set up an Advisory Council – Who can help guarantee success?**

Establishing an Advisory Council early in the planning phase is helpful. The Council should include key ECE stakeholders in your community. The purpose of the Advisory Council is to provide an occasional venue for idea development, as well as a means of building critical support and buy-in among those who will be important to the success of your Alliance. Consider inviting opinion leaders and decision makers who will have good ideas, whose support you will need as you move forward, and whose interests you will want to take into account. In addition, it is a good idea to include potential Alliance detractors, in order to keep them informed and understand their concerns.

Advisory Council members 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 your organization
- Strong ECE provider and thought leader

### **Research – What issues do providers face, and what services would be attractive?**

The research phase is critical to understanding what offerings will be most attractive to ECE businesses, and which organizations are capable of providing them. It is also important to determine what funders, child care administrators and other key decision-makers would find useful or important in an Alliance. The research phase also offers opportunities to generate interest in an Alliance among potential participants.

A combination of research tools may be useful, including the following:

- **Surveys** – Surveys are useful to quickly gather comparable information from many people. For example, a simple online survey can be conducted early in the process to generate interest in Shared Services, and perhaps invite providers to participate in a focus group. This type of simple survey to a large number of providers can be easily conducted and analyzed using a website such as Survey Monkey. You will need to have correct email addresses for providers, and providers need to be comfortable either clicking on a link or pasting a link into their web browser in order to get to the survey site. Once they get to the survey site, taking it is easy and self-explanatory.

A longer, more complex and detailed survey is better suited to a Word (or similar) document, delivered and returned by email via a document attachment, and analyzed by hand. For example, this type of survey would be

appropriate to gather complex details from a small number of providers about their organization, management practices, interests and capabilities.

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. (For an example of a provider survey, see [www.opportunities-exchange.org](http://www.opportunities-exchange.org).)

- **Focus Groups** – Focus groups can provide an effective way for people who share common interests – such as a group of family care providers, or a group of child care providers in a particular geographic area – to explore ideas together. This is a good forum in which to discuss the challenges providers are facing, have them hear a description of Shared Services, 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.
- **Individual Interviews** – There is no substitute for the level of detail and depth of exploration that can be gained in individual interviews. These discussions allow a subject to be explored in more depth than can be covered in a survey or even a focus group. In addition, it allows the respondent to speak freely and confidentially about sensitive subjects. Individual interviews can be conducted on the phone or in person and are best done by a neutral party (i.e. not staff from the potential Alliance sponsor.)

Individual interviews are particularly important for exploring organizations that are willing and able to provide potential Alliance services. In addition, an in-person interview of a key provider gives you the opportunity to observe them and their program “in action.”

### **Set up an Implementation Committee – Which providers can help make it work?**

During the research phase, you are likely to find some providers who are particularly enthusiastic about the Alliance's potential and/or have skills and resources that could help establish or grow an Alliance. It makes sense to ask them to serve on an Implementation Committee, to help you think through how you structure the Alliance, what products and services you offer, what is acceptable membership pricing, and other key decisions needed to launch the Alliance.

If you intend to establish an Alliance that will include providers with different characteristics – such as center directors and family child care providers, or

providers from different locations, or both for-profit and nonprofit providers – it will be important to ensure that you have representation from each of these groups.

Consider these providers to be your “ears on the ground”, so make sure and choose those who are knowledgeable about the needs of the community. As charter members with first access to Alliance services, Implementation Committee members will be likely messengers, communicating with others about their Alliance experiences. So look for providers that others consider role models and leaders and whose endorsement of the Alliance will help generate trust and interest among a broader group of providers.

### **Analyze Potential Alliance Services – What to deliver and how?**

The next step is to identify which services to provide, based on attractiveness to potential members and who has the capability to deliver the services. These services must then be analyzed to determine their potential costs and staffing requirements. This analysis requires looking at different ways to provide the services. For instance, they could be provided through a central hub, through a network of centers, 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.

### **Choose an Alliance Structure – What should it look like?**

At this point, the research on the interests of child care providers and the analysis of potential Alliance services are brought together to develop a range of potential scenarios for how the Alliance might be structured. In some cases it will make sense for a single hub to offer a wide range of services, either as a menu (where Alliance participants may select the services they need) or as a complete package. In other cases it will make sense for more than one organization to serve as an Alliance hub.

For example, in Philadelphia one organization sponsors “Shared Services on the web” (via a customized version of the ECE Shared Resources web platform [www.ecesharedresources.net](http://www.ecesharedresources.net)), and another takes responsibility for “Shared Services in depth” (which includes shared fiscal management and other administrative supports.) For each scenario, a rough estimate of potential income and expenses should be developed. The scenarios should be reviewed with all relevant stakeholders.

### **Identify Funders – Who will provide financial support?**

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 launching the web portal and implementing information-sharing systems.

Ongoing funding support may also be necessary, depending on the services your Alliance offers and the degree to which the cost of those services can be offset by other cost savings, or by membership fees. For example, Alliances that include supports such as comprehensive health/mental health/social services generally need to secure additional third party funding to support these costs.

Funding sources should be explored primarily with local funders and businesses that understand your market and will be responsive to the business 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. Existing and developing Alliances have gained support from local and regional foundations with an interest in early childhood and education, community foundations, local churches, private contributions, and government grants.

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 what existing resources 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.

### **Set membership criteria – What are the requirements to join the Alliance?**

You may want to limit membership to those providers who meet certain criteria. Perhaps the Alliance will only support centers, and not family child care providers, at least in the first year or two. Or perhaps you will want to limit it to a metropolitan area, instead of statewide. Any limitation to membership should be carefully thought through as to its effect – both positive and negative – on the mission of the Alliance.

This is especially true in the case of a quality requirement for membership. While Alliance members retain individual autonomy, they are also linked to one another in several important ways. A key role that an Alliance plays is product differentiation; that is, Alliance members are perceived as different from other providers in the market *because they are part of a larger whole*. From a marketing perspective, providers who participate in an Alliance can be perceived as having a common “brand” that makes them unique or different. The most important differentiating factor is higher quality.

To that end, it is helpful to select a tool or measure that articulates the difference – to consumers, funders and the general public -- simply and 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 will have to be used. Examples of these measurements include:

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

Whichever quality measure you choose to use, make sure that it is perceived as fair, and is as inclusive as possible of those providers who have demonstrated a commitment to quality improvement, even if they have yet to achieve their quality goals.

### **Develop a Business and Financial Plan – How will this work?**

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 the staff that will be launching the Alliance 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 [www.opportunities-exchange.org](http://www.opportunities-exchange.org) for examples)

### **More Resources and Examples**

There are many resources as well as examples of models and approaches to creating a Shared Services Alliance, at Early Learning Ventures, a website ([www.earlylearningventures.org](http://www.earlylearningventures.org)) sponsored by the David and Laura Merage Foundation that is devoted to expanding Shared Services throughout the early childhood field. In addition, the Opportunities Exchange website ([www.opportunities-exchange.org](http://www.opportunities-exchange.org)) includes examples of many of the documents and tools described above.