

Guide to Starting a Shared Service Alliance

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BACKGROUND

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. 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 the [Multi-Suite Agency Guide](#) on our website for information on the steps involved in applying the Shared Services framework to a multi-site organization.

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 management structure that allows providers to pay attention to providing high quality teaching and learning (pedagogical leadership), while simultaneously making sure that business and administrative tasks are performed well (business leadership). In a Shared Services

Alliance, multiple ECE sites pool needs and share resources in order to create both sustainable operations and quality programming.

What is a Shared Services Alliance?

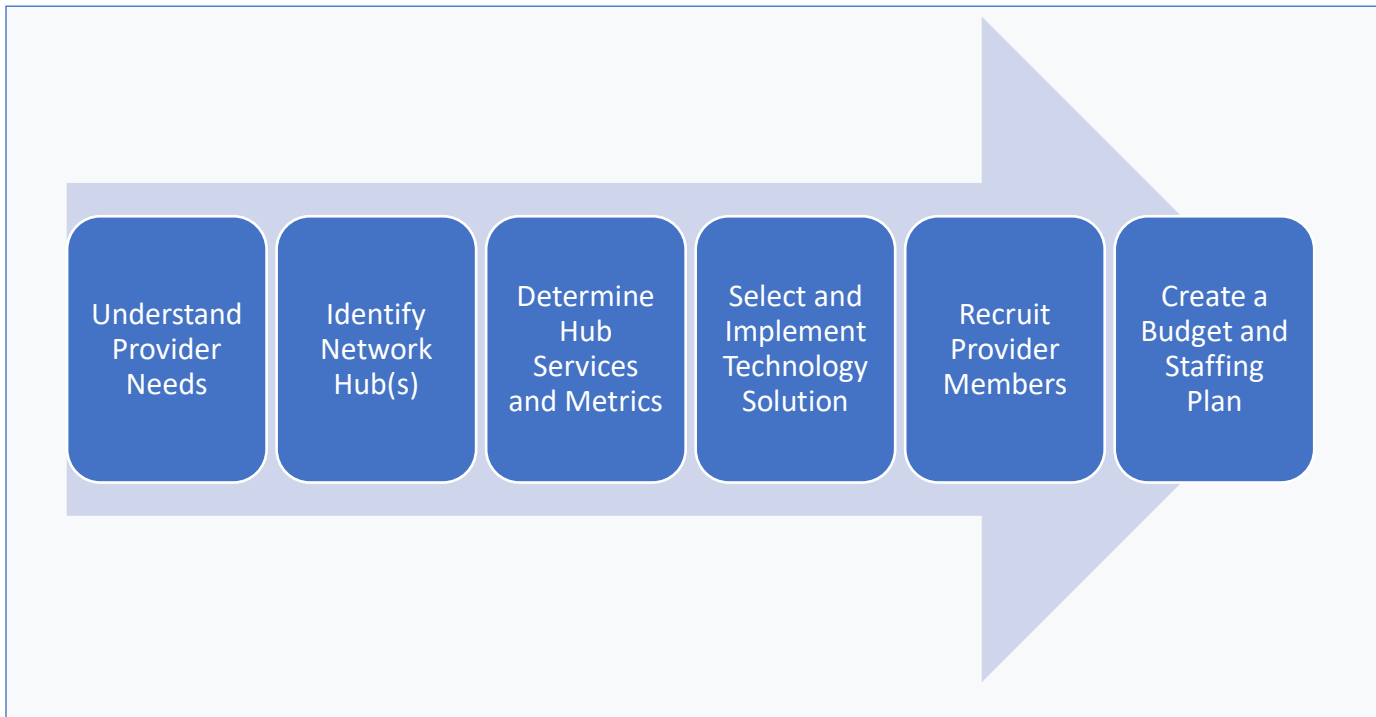
A Shared Services Alliance is an organization comprised of multiple center- or home-based ECE programs (members) that have agreed to share specific costs and resources via a collaborative governance structure. The design of each Shared Services Alliance is unique to its participants, but all share the goal of strengthening both 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 intermediary organization such as a Resource and Referral agency, non-profit social services provider or entity with a central administrative office. While Shared Services Alliances may be planned and launched with private and public funding, the long-term goal is to ensure sustainability via a mix of stable third-party funding and fees paid by provider members. To ensure that the fees members pay for participating in an Alliance are more than offset by the savings/revenue generated, shared services must be delivered in a cost-effective way. Network Hubs can offer a range of shared services to their members, such as: marketing + enrollment; tuition collection; automation + technology support; accounting + tax preparation support; comprehensive services; quality assurance + improvement; coaching/PD/Scholarships; child assessments + screening; and more. Network Hubs can also help raise third party funding needed to help support shared services as well as to boost provider compensation and professional qualifications via negotiating for subsidy slot contracts or enabling participation in federal and state programs like Head Start/Early Head Start, PreK and more.

GETTING STARTED: OVERVIEW

Recognizing that every group and every community are different, the work to develop an Alliance usually involves the steps listed in the graphic below. As you move through these steps, you will be building all of the elements in a “Business Plan”; a document that will help you share the work with organizational leaders, funders, policy makers, and other ECE stakeholders.



While all of these steps are necessary, they can occur in parallel and/or in a different order. Experience has shown that identifying a Hub is a critical step early in the process. 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. It is likely to take at least 6 – 12 months from the time that a decision is made to pursue Alliance development and funding is secured, 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. UNDERSTAND ECE PROVIDER NEEDS

The first step is to understand the key and common issues in the local ECE community.

- Are there too few high-quality child care “slots” available?
- Is slot availability uneven – with ample supply for preschoolers but supply gaps among more costly services for infants and toddlers?
- Are too many ECE providers, especially of high quality, closing?
- Are providers concerned about reporting/administrative burdens, particularly associated with higher levels of quality?
- Is there a lack of sufficiently qualified staff and/or high staff turnover, driven by poor compensation and benefits?
- Do providers lack capacity in business and administrative practices that could help increase revenues and reduce costs?
- What are the root causes of these pressing problems?

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 that providers face for which Shared Services can provide a solution, and begin to explore what specific needs could be addressed. Likewise, there may be other issues such as rates best addressed via advocacy for policy refinements; those activities can take place simultaneously with development of Shared Services, but are not addressed here.

As part of understanding provider needs and SSA goals, it is important to assess how well providers employ the financial management principles of the [Iron Triangle of ECE Finance](#). What are providers’ typical vacancy rates, the level of bad debt, and the gap between costs and revenues per slot? 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.

There are a variety of ways to learn about the needs of providers, including structured interviews and online surveys. Conducting a broad survey early in the process can generate interest in Shared Services, and perhaps invite providers to participate in further steps.

[Download a copy of Provider Needs Survey from the website](#)

A few tips for effective surveys:

- Make it short. The easier the survey is to take, the more likely a high response rate.
- Make the questions very clear and easy to understand, preferably with a rating scale.
- Minimize the number of open-ended questions, since they can be time-consuming to analyze.

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.”

Based on the data gathered through 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:

Overall Goal

- Reduce stress on center directors by enabling access to a team of experts in both business and pedagogical leadership, so that they are better able to provide sustainable, high-quality early care and education services

Program Quality Goals

- More relevant/higher quality professional development
- Consistent, sustained support for classroom teachers, e.g. coaching and mentoring from site directors or embedded, shared staff
- More qualified and consistent staff and substitutes, including substitutes for paid planning time for teachers
- Opportunities for peer learning and leadership via a Community of Practice within and among staff participating in the Alliance
- Successful participation in quality improvement endeavors such as a state Quality Rating and Improvement System (QRIS) or Head Start/Early Head Start

Business and Financial Goals

- Access to skilled financial management services
- Improve fiscal health by increasing revenues and reducing costs
- Improve and simplify regulatory and standards compliance
- Access valuable services typically unavailable without size and scale, e.g., facilities management, Human Resources and employee benefits, and accounting services
- Improve wages and benefits by shifting spending from administration to classroom staff

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

2. IDENTIFY ONE OR MORE HUB(S)

No matter which services providers document as most important for the Hub to deliver, a successful Alliance needs one or more organizations that can provide those services. There can be more than one Hub; for example, one might provide business leadership services while another may be more skilled at pedagogical (teaching and learning) leadership. A Hub can also be located outside the local community, if services are accessed remotely. 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 for the Hub will be needed. Ongoing third-party funding may be required for some services as well (e.g., comprehensive services for high-need children and families, more intensive professional development, subsidies to keep infant and toddler care affordable, etc.).

It is critical to focus first on which organizations have the capacity to be a Hub. One approach is to look at ECE organizations and identify the one(s) that have key strengths in pedagogical and/or in business leadership. Some potential examples include:

- A large successful child care program that has achieved quality and sustainability through good management and economies of scale
- A Resource & Referral agency or other child care intermediary organization that has experience with functions such as child care subsidy billing, professional development and mentoring, USDA food program management, etc.

Another approach is to look at organizations strong in administrative and business practices, not in the ECE field but which have a vested interest in building capacity in the ECE sector.

Examples include:

- A back-office or property management organization 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
- A human services agency whose mission “connects” to ECE (e.g., early intervention services, adult education agencies, etc.)

Organizations thinking of becoming a Hub should do some self-assessment to determine the degree of fit.

[Download a copy of **Characteristics of Successful Hubs** from the website](#)

Successful Network 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 an Alliance 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

A Hub should NOT expect to generate profit for their organization by operating an Alliance. The Hub is a legal and administrative structure that enables services at scale, so that participating providers 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 providers build capacity to offer sustainable, high quality care.

Identifying a successful Alliance Hub

There are many factors and characteristics that successful Alliance Hubs share. The singular most important factor, however, is a Hub organization’s ability to **lead change**. Change is defined as the ability to **transform, alter, or switch**. Organizations that lead change are organizations that embrace change.

Here are some questions to help you evaluate a potential Hub agency:

Track Record

- Does the organization regularly explore new ways to achieve its mission?
- Does the organization frequently design new programs, services, and projects?
- Is there an internal focus on infrastructure change and improvements?
- How frequently is technology upgraded and are internal systems modified within the organization to support efficiency and effectiveness?
- How often is the phrase “because that’s how we have always done it” used as an answer to the question “why?”

Mission Match

- How would serving as a Shared Service Hub help achieve organizational mission?

The more readily that leadership and staff see the connection between the mission and the reason for a change, the more quickly they jump into the change process with both feet.

Trust

- What is the evidence that the organization has the trust of child care providers that will allow providers to feel safe and supported in making changes within their businesses?
- How do you know that staff within the organization have trust in leadership that the Alliance framework is a viable means for providers to improve their sustainability?
- How will the organization assure staff that they will receive the training, resources, systems, and supports they need to perform their Shared Service Alliance Hub work effectively?
- How will the Hub organization ensure that staff know they will be supported in making modifications, rather than blamed for mistakes?
- How do staff know that the timing of Alliance implementation and the delivery of services is reasonable?

Embedded within the above questions and considerations are key characteristics that the organization needs to lead change: expertise within the organization; culture of support (from the Board and staff leadership) for change, experimentation, and automation; and, strong communication to connect the Network to the organizational mission.

3. DETERMINE HUB SERVICES AND METRICS

Select services to be shared. What can be centralized? What is best de-centralized?

In planning the initial services to be shared, it is important to focus on a mix of services that are both **attainable** and **impactful**. Having some “early wins” will build confidence and trust among members of the Alliance. However, the Hub should also implement services that will have a high impact – particularly revenue strategies such as collections and enrollment. By demonstrating the power and potential of Shared Services strategies, the Alliance will be able to retain and recruit new members and move toward sustainability more quickly.

Based on provider needs, context, and the expertise of the Hub and its partner organizations and consultants, the Hub must select the specific services to be provided as part of the Alliance. Opportunities Exchange believes that BOTH pedagogical and business leadership services need to be provided in order to ensure provider financial sustainability and quality programming.

A critical element in building an Alliance is implementing a common child care management software system (CCMS) across all members of the network. The CCMS will facilitate data sharing, efficient and effective business supports, and enable the Alliance to achieve scale.

Utilization of the selected CCMS should be considered a non-negotiable practice for all Alliance members.

Technology plays a critical role in delivering Shared Services, making it possible to effectively scale tasks such as: marketing programs and managing waitlists; enrolling families quickly and efficiently; tracking and reporting attendance; generating invoices; collecting fees; recruiting, orienting, and training staff; conducting authentic assessment and tracking child progress; facilitating parent communication and tracking parent engagement; tracking and coding expenses; and, preparing annual parent tax reports.

Beyond the two fundamentals of automation and meeting both business and pedagogical leadership needs, Hubs have myriad options regarding service delivery. You will note on the table below that some functions are listed more than once - with varying levels of intensity. For instance, an Alliance may offer on-boarding support for automation coupled with basic business training. Another Alliance may pair this with deeper, on-going coaching around business practices or a complete suite of business back-office services.

While not exhaustive, the following list is comprehensive and can serve as a strong foundation for your planning.

[Download a copy of this Service Menu on the website](#)

SPECIFIC SERVICE	DELIVER? (Yes, No, Unsure)
Pedagogical Services	
Assist providers with licensing/QRIS, including centralize support for gathering, maintaining and reporting required documentation	
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/fam 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	
Offer substitute pool/relief squad for professional development + planning time	
Create and lead peer Communities of Practice	

Business Services	
Enable bulk purchasing of goods and services	
Offer or broker shared transportation and/or fleet management services	
Help complete forms and applications required for funding, regulation and/or other routine administrative tasks	
Help sites manage enrollment, including: recruit and enroll families, track and report attendance to various funders, establish benchmarks, address gaps, and more.	
Help with recordkeeping, ideally centralizing and automating paperwork to the maximum extent possible	
Help with accounts receivable, including (where appropriate) invoicing + collecting tuition, managing third party billing, tracking/managing bad debt,	
Assist providers in managing child care subsidy program, including: eligibility and enrollment, tracking attendance, reporting/invoicing, reconciling subsidy payments	
Assist providers to access CACFP funding, including serving as the CACFP program administrator for network providers when possible.	
Serve as the Head Start grantee, delegate or community partner; contract with network providers for slots	
Serve as public PreK grantee or community partner; contract with network providers for slots	
Serve as public subsidy contractor; subcontract with network provider for slots	
Ensure salary scales are available and implemented in all sites	
Help sites securing employee benefits (this may include access to a navigator to help staff access the ACA)	
Staffing Services, including helping sites recruit, orient and train ECE teachers	
Support Human Resources, including payroll management, HR policy and administration support	
Support risk management, ensuring planning + comprehensive insurance coverage for members	
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	
Partner with technology vendors to offer support for on-boarding and/or deeper use of technology tools	
Collaborative fundraising for member providers (events, proposals, solicitations)	
Support or broker contracts for facility repair and maintenance	
Other:	

Metrics: What data will be collected? How will success be measured?

Once you select the services you will provide, you need to identify one or more expected outcomes that you hope to achieve. **The Hub must design a way to collect baseline data in order to understand the change/impact of the Alliance.** Tracking financial information such as enrollment rates, bad debt, and cost/revenue per slot, is critical to the ultimate success of the

Alliance. Ensuring that you not only have this information but can effectively communicate these results is important for several reasons:

- Member providers will have a clear understanding of how the Alliance is improving their financial position, and therefore more accepting of the need to pay a membership fee to the Hub and/or company that licenses the CCMS they use
- Members will be empowered to make strategic investments in classrooms – including increased teacher compensation
- Positive financial results make a strong case for funders and policy makers to invest in and incentivize the growth of Shared Services in the ECE sector
- Evaluation data informs our work; when we know what works and what doesn't, we can make smart decisions about where to put our efforts

The sample table below can be used to identify services, outcomes, and metrics:

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	Maximize revenue associated with full enrollment	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	Percentage of personnel budget spend on admin staff vs classroom staff vs non-classroom support staff	Personnel budget coded by role and classroom

Sample Business Metrics for A Shared Services Alliance
What do we want to measure for center provider members?

IRON TRIANGLE METRICS

Fill every seat

- Overall enrollment as a percentage of staffed capacity
- Enrollment as a percentage of staffed capacity by classroom (age)

Collect all revenue, on time

- Uncollected family fees
- Inaccurate collections from government subsidy
- Time required to manage fee collection, subsidy paperwork and reconciliation

Appropriate per child cost

- Cost per child by classroom (age)
- Revenue per child by classroom (age)

STAFFING & COMPENSATION METRICS

- Personnel cost as a percentage of total program budget
- Personnel cost by position type: % administration, % program (teaching, non-teaching)
- Staff wages and benefits package relative to competition
- Percentage of payroll spent on benefits
- Level/type of benefits
 - PTO – vacation and sick pay
 - Insurances – health, dental, vision, life, etc.
 - Employer contribution to “qualified” retirement account
 - Time out of the classroom for planning/reflective practice
- Staff turnover rate

SUSTAINABILITY METRICS

- Gross revenue growth
- Funding portfolio
 - Sources of public and private earned revenue – tuition, Head Start, Child and Adult Care Food Program, etc.
 - Corporate and philanthropic grants, individual donations, fundraising events
 - Tax credits
- Days/Months of Cash on Hand
- Debt to Equity Ratio
- Operating Margin - expenses as % of total revenue

4. IDENTIFY A TECHNOLOGY SOLUTION

Review and select a child care management software system (CCMS).

Alliances that seek to improve the financial position of providers will need to offer business leadership that reduces the cost of operations, increases revenue, and allows increased investment in teacher compensation and other quality measures. This can only be achieved by operating efficiently and effectively through the use of business automation and data sharing tools.

Since the majority of ECE programs do not use child care management systems (or fully use CCMS), there is tremendous opportunity to achieve significant results in short order. The use of automation reduces provider time spent collecting and reporting data, increases the accuracy of data collected and reported, and ensures the availability of timely, accurate and useful data for informed business decisions.

There are several affordable off-the-shelf child care management systems that can meet provider and Hub technology needs. Opportunities Exchange has worked to understand the child care management software landscape, and to build relationships with software vendors who are interested in meeting the technology and data needs of Shared Service Alliances. We have advised vendors about improved functionality for Alliances, and we have assisted organizations that were planning an Alliance to conduct a thorough vetting process to select a suitable software product.

[Download the following resources from the website:](#)

CCMS: Frequently Asked Questions

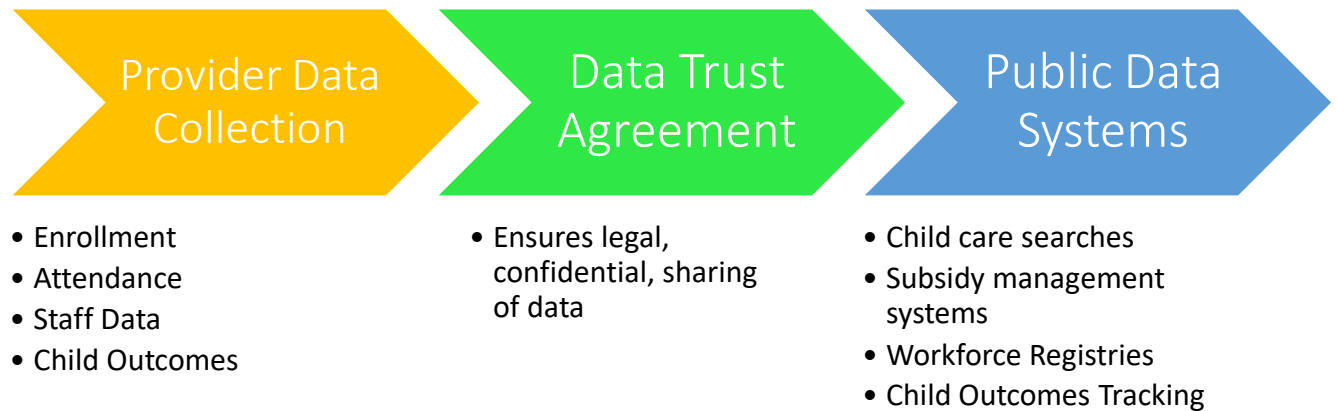
Child Care Management Software: What you Need to Know

Additionally, the website <https://www.capterra.com/child-care-software/> is a listing of off-the-shelf child care management software that includes user ratings and reviews as well as a summary of features and the ability to compare up to four products at the same time.

Linking Data: Driving efficiency and system change. Alliances afford small, independent business owners the power of scale. Helping providers harness the power of technology to save time and increase revenue is a critically important first step. Being able to use data to inform decisions, at the provider and Alliance level, is a significant step toward sustainability. Sharing these data with public systems to drive policy and finance reform has the potential to be transformative.

There is a growing awareness in the early childhood education sector that data collected at the provider level can be legally and appropriately shared with public sector systems, including: resource and referral entities to track “real-time” availability of child care openings; child care subsidy systems to reduce error, save time, and ensure more timely payments to providers; child outcome data to track early learning and anchor policy efforts such as Quality Rating and Improvement Systems to actual child outcomes.

The graphic below shows how provider level data can flow into public systems to improve the ECE system:



5. IDENTIFY AND RECRUIT PROVIDER MEMBERS

Alliances come together in many different ways. When a group of providers initiates a Shared Services Alliance, they self-select into the group. In some instances, a third-party entity serves as a catalyst to incubate an Alliance. When this happens, an initial group of providers will be selected to work as the “founding members”. No matter how they enter the Alliance, providers must recognize and embrace the following principles:

- Participating programs must be willing to operate differently than in the past, including a willingness to re-configure and possibly reduce the number of administrative staff positions.
- Trust among and between members and the Hub(s) must be present, or must be quickly established, as members will need to share information and data related to children/families, the organization, and financials, with the Hub for meaningful business leadership to occur.
- Shared values around program and quality issues.

It can be helpful to begin with organizations familiar with each other and/or the Hub organization(s), perhaps through a community organization, or provider network. Sometimes it makes sense to start small, such as a partnership of 3-5 providers, and gradually expand the 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.

Identifying Early Childhood Education providers for a Shared Services Alliance

Many factors and characteristics contribute to the likelihood of a provider experiencing success through membership in an Alliance. The singular most important factor, however, is a provider's **interest in, and willingness and ability to change.**

Change requires **honesty** in assessing where you are now so that you can take steps toward where you want to go.

- Can you be honest with others about the operation of your child care program?
- Are you comfortable sharing data about your program, even data that doesn't reflect positively on you?

Change requires a **vision** for where you want to go.

- Are you ready to acknowledge that the current method of operating your program isn't working?
- Do you believe that there can be a better way?
- Are you committed to providing quality services to children and their families?

Change requires a willingness to make the **hard decisions.**

- In order to support both quality and sustainability, ECE programs must access and use every available resource efficiently and effectively; this can sometimes mean making difficult decisions, including:
 - Terminating services for families who do not pay and are unwilling to work with the provider to address the problem
 - Re-assigning or downsizing staff based on reduced administrative needs
 - Making data driven business decisions that may result in changed relationships, i.e. – selecting a different food vendor, insurance broker, etc., if there are significant savings and other benefits from an alternative

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 rating level 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

Value Proposition

While establishing membership criteria is important, a Hub must also articulate a **value proposition, or explicit benefit to the provider**, in order to interest eligible providers in membership. The value proposition focuses on what services the members receive and what benefits they can be expected to experience thanks to these services.

The graphic below illustrates how an Alliance improves the financial position for a **child care center serving 65 children**.



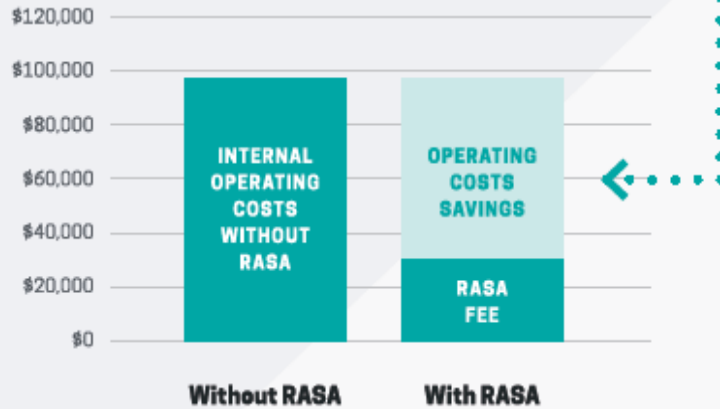
SJCC saved
\$52k
 in direct costs

collections moved from
13%-0%
 in month one, increasing cash flow and preventing financial loss.

408
 labor hours saved

RASA financial benefits realized within two months

St. James Children's Center
 (0 to 100 capacity) Center Self-Study



RASA membership fee varies based on organization size and needs.

St. James Children's Center reinvested their savings into a **new 401k retirement plan** for their staff, **increased medical benefits**, and offered **raises and bonuses to employees**.

CA Human Services operates as the "hub" for RASA, which is supported by Virginia Early Childhood Foundation.

Learn more: cahumanservices.org/innovating-change



4108 E. Parham Road Richmond, VA 23228

[f](https://www.facebook.com/cahumanservices) [i](https://www.instagram.com/cahumanservices) [y](https://www.youtube.com/cahumanservices) cahumanservices.org 804-355-0300

This graphic helps illustrate how business software and back-office services improve provider sustainability:



Marketing

Once the Hub has determined the parameters around provider membership, the Hub will need to create a provider recruitment strategy, based on membership goals and related marketing materials. The Hub will then define the elements of and messaging for the promotional campaign, including: Facebook posts, Email, Newsletters, Website, Informational Sessions. *(Providers may need to see this multiple times before they decide to say yes).* Both the “voice” of the campaign – how the message is delivered – and the benefits of membership – the key message – will need to be considered.

The following screenshots from a Shared Service Alliance Hub clearly articulate the Value Proposition:

Spend more time engaging with teachers, children, and families. Let us tackle the administrative tasks.

As the director of a child care center, your responsibilities are vast. But your resources are likely limited. The Richmond Area Shared Service Alliance, or RASA, enables centers like yours to focus on activities - such as teacher development, family engagement, and center quality — that are essential to your mission...and your passion.

You're the backbone of your organization. But, you're wearing (way) too many hats.

In addition to your educational and leadership responsibilities, being a center director often involves facility management, resolving personnel issues, payment collection, system troubleshooting, and many other administrative tasks. **It's not sustainable!** Directors who are spread too thin experience:



high staff turnover



facilities in disrepair



teachers with limited development opportunities



feeling stressed and totally overwhelmed



Consider it “done” when you bring in RASA:

- ✓ Bill tuition
- ✓ Handle past due payments
- ✓ Run financial reports
- ✓ Process A/P
- ✓ Process A/R
- ✓ Post job announcements
- ✓ Sort resumes
- ✓ Set up interviews
- ✓ Phone screen for new hires
- ✓ Reference checks for staff
- ✓ Background checks
- ✓ Check child files for compliance
- ✓ Run payroll
- ✓ Troubleshoot computer



Retain teachers and counselors

Improve the quality of services and employment continuity. Gain back time from the endless cycle of hiring.



Increase 401k and medical

Keep current employees comfortable and financially secure. Award bonuses for employment longevity.



Offer professional development

Keep your key talent trained, focused, and fully informed with day-to-day and offsite training programs.

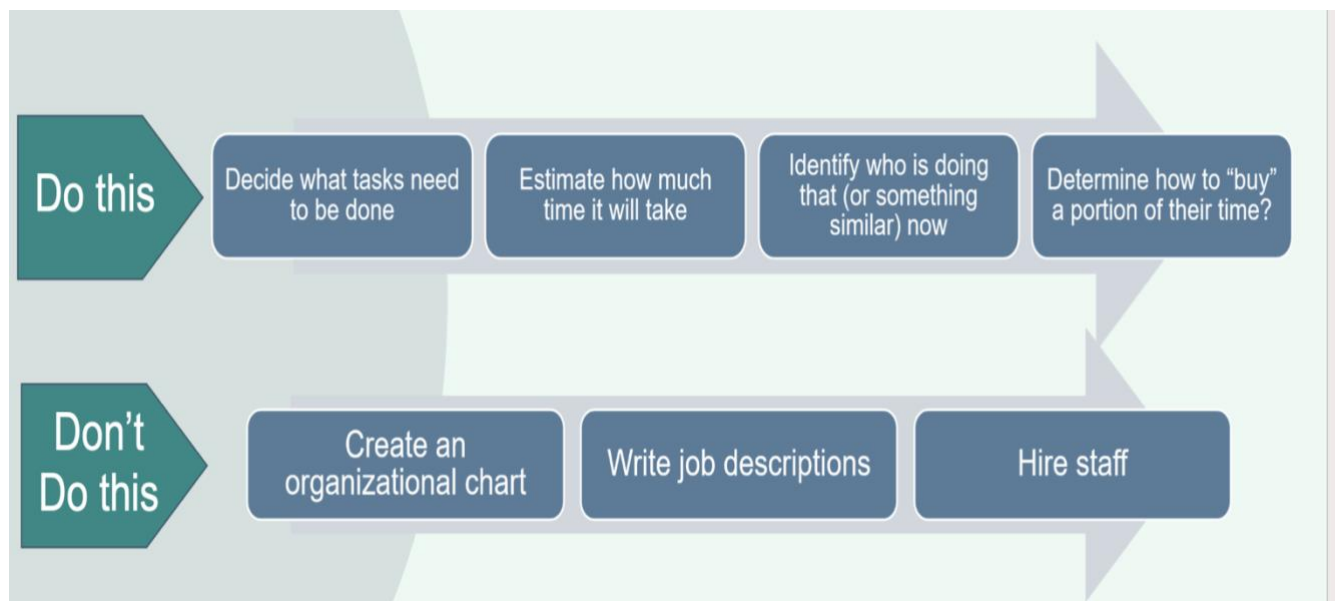
6. DEVELOP A BUDGET AND STAFFING PLAN

Staffing

Once you determine what services will be offered, the next question is, who will actually do the work? One **important word of caution** when establishing an Alliance: the tendency is to create new full-time positions with titles like “Project Manager”. Remember that any new positions created must be sustained over time, after start-up funding is expended.

An alternative is to identify the tasks to be done and then determine the best way to accomplish the work. More often than not, it is **best to using existing or part-time staff** – remembering that business automation tools typically reduce the number of hours it takes to complete a task. (As an example, in one Alliance, a center’s administrative staff person was spending well more than a day a week preparing payroll, using paper time sheets and calculating wages by hand. The move to electronic check-in/out for employees and a payroll service brought that time down to one hour.)

The graphic below illustrates how to approach staffing to keep costs low and maximize efficiencies.



Sample Personnel Scenario for building an Alliance Budget with current staff of Hub organization

(Assumption is an Alliance that begins with 4 of centers serving approximately 240 children)

Alliance Coordinator – CCMS start-up + on-boarding support for Alliance member centers; supervises day-to-day operations of team; single point of contact for members; reviews and analyzes all project data; ensures alignment between member policies and CCMS and Hub services. Overall project management. **Allocated at .20 FTE level of effort.**

Business Analyst – On-going review of provider data in CCMS; provide reports, analysis, and coaching to members regarding Iron Triangle metrics; coach providers around revenue opportunities - including CACFP; support marketing and enrollment; ensure parent handbook and parent contracts are in compliance with CCMS; help recruit and enroll new families. Strategic business support to members. **Allocated at .20 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

Fiscal Clerk - Manage fiscal functions of centralized administration for Alliance members including, Accounts Payable/Accounts Receivable; generate provider financial reports. Day-to-day business support to members. **Allocated at .20 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

Information Technology Coordinator - Assess member hardware and connectivity needs; price options for meeting needs; order and install equipment needed; troubleshoot equipment issues. Overall technology support. **Allocated at .04 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

Budget

Building a budget for Hubs involves two key steps:

- First, the Hub must 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 start-up costs as well as ongoing expenses.
- Second, the Hub 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, unless public contracts are identified, members should be clear about the possibility of **needing to pay directly** for intensive, individualized Shared Services or ongoing automation licensing fees or membership fees after private funding goes away.

Ideally, when approaching a potential funder for start-up grants, the Alliance will have a business plan that clearly specifies a **pathway to sustainability**. From the financial perspective

of the Hub, this is the point at which funding via public contracts and possibly membership fees are supporting the cost of Hub services. From the provider perspective, this is the point at which the value of the Alliance is more than the cost of membership.

The key to sustainability is **keeping overhead and administration costs at the Hub low** by building on existing staff and infrastructure and by exploiting the full range of opportunities offered by technology and automation. If this goal is achieved, the member providers are more likely to have the resources needed to not only support the cost of the Hub, but also invest in quality improvements.

One of the most important ingredients in the sustainability pathway is the ability for member agencies to reduce expense, particularly the cost of administrative staff. The benefit of a Hub is their ability to perform administrative tasks in less time and with fewer errors than administrative staff at each individual organization. Through the use of automation tools and economies of scale, the cost of these services is driven considerably down. However, the member agency only benefits if the number of administrative staff is reduced. **Failure to reduce staff (costs) at each member site will likely consign the Alliance to failure.**

In some cases, ongoing funding may be necessary for Alliances that include supports such as comprehensive health/mental health/social services or deeper pedagogical leadership. In these instances, the Hub is more likely to secure funding on behalf of Alliance members than individual centers seeking funding independently.

Typical sources of funding include: local and regional foundations, religious organizations, 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.

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.

Key Factors in an Effective Hub Budget

- Staffing plan is fully aligned with service menu
- Staffing plan effectively uses percentages of existing staff at Hub organization
- Staffing allocation increases in alignment with projected increased membership demand/needs
- Cost per member is reasonable based on CCMS licensing fees paid by Hub and services that provider member receives

BUILDING AN ONGOING IMPLEMENTATION SERVICE BUDGET

The format below may be helpful in establishing a unit cost for each service delivered to Alliance members. An example follows.

SPECIFIC SERVICE	DELIVERED BY (Staff position or consultant or organization/subcontract or name)	ANNUAL COST	COST PER PROVIDER - 5 providers in this example
Manage accounts receivable and accounts payable	Accounting clerk employed by Hub	\$13,750 25% of \$55,000 annual compensation	\$2,750

In addition to the expenses tied to specific services, the Hub may have administrative and other expenses to add to the overall budget, but every effort should be made to keep these costs as low as possible to ensure a pathway to sustainability.

Budgeting Revenues for an Alliance

While planning and implementation costs are typically supported through philanthropy, over time provider member fees + on-going funding from a range of third-party sources will ideally lessen the need for fundraising from 'soft' sources like foundations. Alliance sustainability is the goal.

Possible sources of Alliance revenue include:

- Subsidy contract for child care slots from the state child care administration agency
- Head Start/Early Head Start contract for PreK slots
- Public PreK contract for PreK slots
- FCC provider member fees for specific intensive and individualized services such as tax preparation and ongoing accounting
- Contract from the state child care administration agency for licensing/certification/QRIS training and coaching
- Contract to provide comprehensive services and/or family supports in participating sites

PULLING IT ALL TOGETHER: THE BUSINESS PLAN

Once you have answered the questions outlined in this document, you have created the elements needed for a Business Plan. The plan does not need to be a lengthy document; in fact, Opportunities Exchange recommends using a simple and concise PowerPoint format for presenting a business plan for several reasons:

- PowerPoint format is ready to share with stakeholders – board of directors, staff, funders, families in participating centers – from whom buy-in is needed
- Stakeholders are more likely to read and comprehend the plan if it is concise and visual (vs. lengthy narrative format)

[Download a copy of the **Sample Business Plan** from the website](#)

In addition to the components discussed, the business plan should include the following elements:

- Governance Structure, including:
 - Roles and responsibilities of all partners - MOU or other Governance document
 - Alliance Structure – organizational chart that delineates relationships among partners
- Implementation Timeline

Governance Structure

It is important for everyone to be clear about roles and responsibilities. These issues are unique to each Alliance and should be spelled out in a governance document such as a **Contract** or **Memorandum of Understanding** that each member and the Hub(s) sign. Key issues in this document are:

- Who will perform what tasks?
- What is the timeline for assigned work?
- What information and data will be shared and how?
- How will decisions be made, e.g., through a contract, as a collective, as board members of a new entity, etc.?
- How will the cost of providing services be covered during startup and ongoing?
- Will there be a new entity created and/or will there 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].

[Download a copy of the **Sample MOU** from the website](#)

Implementation Timeline

The Business Plan should set goals for each activity in order to keep the process moving forward. Because Shared Services is a strategy to address the critical shortages of time and money, it can be a challenge for members to carve out time for the work required to launch a new Alliance (despite the fact that once launched, the Alliance will “give back” time to members!)

The business plan should address the process for adding additional organizations and services to the Alliance after its initial launch. While it is better to keep an Alliance small in the early phase in order to learn from pilot activities, an Alliance should eventually serve enough programs and children to achieve significant economies of scale and specialization.

