

# Shared Services

## A powerful strategy to support sustainability of ECE businesses

by Louise Stoney

As Co-Founder of the Alliance for Early Childhood Finance, it's my job to think about how we pay for early care and education (ECE) services in the United States. I am actually pretty good at identifying creative, new financing strategies. But I can't make it simple. Generating the operating revenue needed to establish and sustain a high-quality ECE program has never been easy — and in a recession economy it is becoming even more difficult. To be sustainable, ECE managers must tap and blend many funding streams, deal with multiple public and private agencies, and effectively market their services to families. To keep these dollars flowing they must not only comply with a dizzying array of funding requirements, but also ensure that their program meets an increasingly complex set of quality standards. Add in all of the daily demands — staff who need supervision, a child who needs developmental screening or special health care or just won't stop biting, an anxious new parent, a clogged toilet, an ill cook — and who has the time or energy to deal with high finance? In short, running a successful ECE business can be a herculean job. I have profound respect for directors who are able to effectively juggle these competing demands, but I also worry that our field is losing leaders who are

deeply skilled in child development simply because they are tired of struggling with the business side of the equation.

These worries led me to a new quest. If I couldn't make ECE finance simple, was there a way to help ECE businesses more easily manage the complexity? Was there a way to approach finance that not only generated additional dollars, but also helped ECE businesses succeed? I went in search of mentors and one of my first stops was Phil Accord, Executive Director of the Children's Home in Chattanooga, Tennessee. The Children's Home directly operates a child development center for 300 children, six weeks through five years of age, and also provides management services to 10 additional community-based early childhood programs that collectively serve over 370 additional children. Programs affiliated with the Children's Home not only provide high-quality early care and education, but are also able to offer regular child assessment and classroom supports, as well as comprehensive services to low-income children and their families. Participating programs range in size; some are as small as 12 children and the largest serves 75.

Phil Accord is an impressive man. Many would call him herculean. But as I

talked with him, and looked closely at the Children's Home structure, I soon realized that the model worked because Phil's leadership was backed by a strong network of staff. Just like the man in the Verizon commercial who is able to confront his adversary because he's got a network behind him, the business model and staffing structure created by Children's Home is what makes it strong. And as I continued my quest, seeking other mentors and other models, I saw a pattern. Some high-quality ECE programs have learned how to reach an economy of scale and still maintain the small, intimate settings that families prefer by using a strategy I have come to call *shared services*.

### What is shared services?

The notion of shared services is pretty simple: it is a structure that enables organizations with common needs to share costs. Every day, when you slip your debit card into a gas pump or an ATM machine, you are using a shared service. Financial institutions have developed — and jointly finance — a very complex technology network that allows dollars to move easily among institutions. This shared infrastructure, built on common industry standards, makes it possible for banks to operate

quickly and efficiently. State ECE leaders have begun to craft industry-wide standards (such as professional development systems and quality rating systems), but the ECE industry has yet to create the infrastructure and supports individual programs and providers need to not only comply with these standards but to operate efficiently. Phil Accord is part of a small but growing movement focused on changing that reality. A handful of early care and education leaders are crafting and testing business models, or shared platforms, that enable center- and home-based ECE programs to offer high-quality services and also succeed as small businesses.

Quite frequently, after hearing a presentation on shared services, someone will remark that shared services is not a new idea at all; that it sounds a lot like family child care networks and ECE industry chains. In many ways the idea is not new. What is unique about shared services, however, is the relationship to power. Traditionally, family child care networks were formed to monitor home-based sites and ensure that they met quality standards. And child care chains (proprietary and non-profit) are typically owned by or accountable to corporate headquarters. These are what I would call 'power over' management strategies. Shared service alliances, on the other hand, are a 'power with' management strategy.

The entities that participate in a shared service alliance not only agree to share policies and staff and an accountability structure; they have a stake in decision-making and benefit from the results. For example, family child care providers that become part of Infant Toddler Family Day Care (a home-based alliance in Fairfax, Virginia) join a legal trust (structured as a limited liability corporation) which contracts with a third party (IFDC) to manage fiscal, administrative, and professional development tasks. The home-based businesses that join the IFDC trust vote

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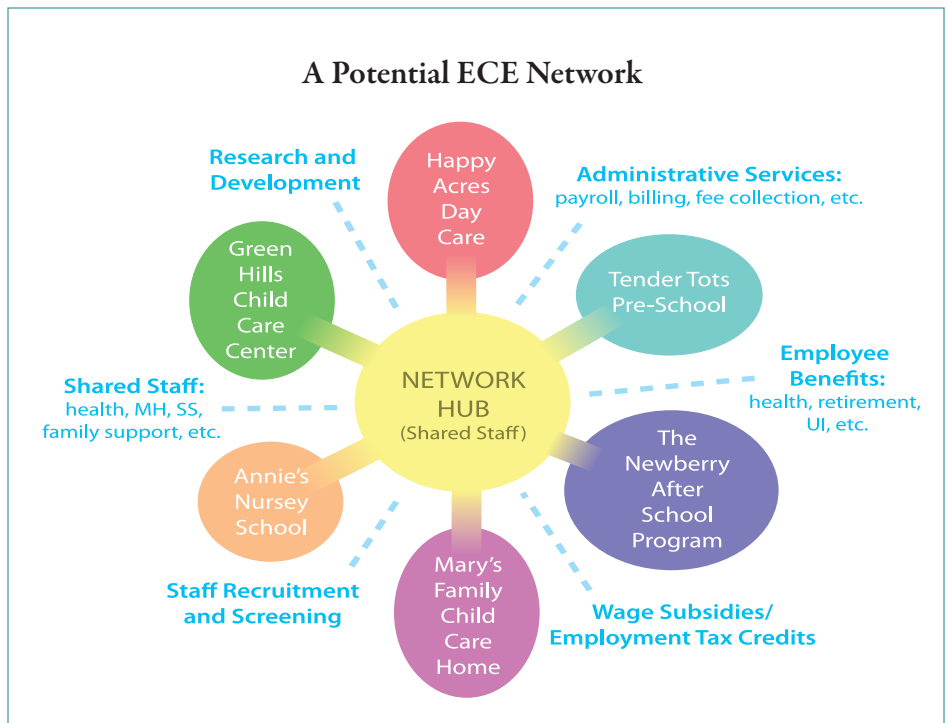
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each year on how much of their fees will be spent to support administration and also help inform a range of decisions made by IFDC staff.

Participating providers are willing to pay a portion of their revenues to IFDC because what they receive in return is well worth it; they don't have to market



their services (IFDC recruits families) or manage money (IFDC sends them a check twice a month) or find and pay for the required training; and they aren't isolated. Similarly, child care centers that join Sound Child Care Solutions (an alliance in Seattle, Washington) are asked to assess the strengths and interests of their staff prior to joining the alliance. The management at SCCS — both in the central office as well as in the centers — works as a team; a staff person who is skilled at human resources might take on that function for all centers in the alliance, while one who is good at curriculum development and support might assume that alliance-wide role. In some cases, alliances begin with a strong intermediary that reaches out to a group of providers, offering to develop a shared management structure.

In other cases, the alliance grows out of a desire to share resources. In the sea coast region of New Hampshire, for instance, a group of child care center directors met over lunch for one year to talk about how they could share costs. The result is a new shared service alliance, led by Early Learning New Hampshire, which will begin in fall 2009.

Shared service business models can take many forms. In Chattanooga, Tennessee the entity that leads the effort and employs shared staff is a large child development center, the Children's Home. Before offering management services to the ten community-based programs in the network, Phil Accord already employed staff to manage money and support program quality. Creating the network involved restructuring and expanding that staff to reach an additional 370 off-site children. In short, there was a natural economy of scale that made a shared services approach affordable and possible.

In other communities similar economies of scale can be found in a range of intermediary organizations within — and outside of — early care and education,

including Child Care Resource and Referral (CCR&R) agencies, family child care networks, non-profit umbrella organizations, and others. Or participating ECE programs may decide to join forces and create their own, collectively run, shared services entity.

Many options are possible, including the following:

**Program Alliance** — Independent ECE businesses contract with a common administrative agency to handle some or all aspects of program administration and fiscal management

**Consortium** — Existing ECE businesses join together as a single non-profit entity

**Provider Trust** — ECE providers form and join a legal trust (structured as a limited liability corporation) which contracts with a third party to manage fiscal and administrative tasks

**Cooperative** — ECE providers create a jointly owned entity that assumes responsibility for administration in multiple, independent sites

### Growing support from funders

Private foundations, business leaders, and policy makers are intrigued by the possibility of shared platforms for the early care and education industry:

### Details on the Children's Home Shared Service Alliance

The Children's Home, a non-profit agency, directly operates a child development center and also provides management services to ten community-based early childhood programs. Five of the community-based sites are independent non-profit child care centers. The remaining five sites are located in public schools. Only one of the community-based sites has a full-time, on-site director. Management in the remaining sites is provided by staff hired by the Children's Home who work as a team and divide their time among the sites. Each program has a manager on site at least half-time. One (or more) lead teachers at each site is the designated 'go to' person in the event that management staff is not on site. Off-site centers also share staff in the Finance, Maintenance, and Food Service departments.

Each of the five independent sites has its own board of directors, which negotiates a management contract with the Children's Home. The Treasurer and Board for each site work with the Children's Home CEO in developing the annual budget, and must approve it each year. All fiscal and administrative services are coordinated, using the same automated systems and reports. Children's Home staff process payroll and administer benefits for all sites. The Children's Home collectively negotiates contracts to cover the following services at all sites: liability, health and disability insurance; maintenance and janitorial services, supplies and equipment, and food purchasing. Frequently, donations are distributed to the entire network.

All sites use the Creative Curriculum™ and all are required to participate in the Tennessee Star Quality Rating System. STARS's monitors conduct annual classroom assessments at each site. The Children's Home staff ensures, however, that each site is prepared to succeed and therefore conducts informal observations and assessments when necessary. Teacher in-service training is frequently conducted with staff from all 10 sites.

For more information on the Children's Home shared service alliance, including an organizational chart, job descriptions, sample contract, and a video of the program, go to <http://merage.org/index.asp?w=pages&r=85&pid=115>.



The Annie E. Casey Foundation is helping their Atlanta and Baltimore civic sites explore shared services.

The David and Laura Mering Foundation is leading a statewide shared services effort in Colorado.

The William Penn Foundation is engaged in a Philadelphia feasibility study.

The Mimi and Peter Haas Fund is looking at the strategy to support and strengthen their Model Centers.

United Way has been a leader, or a key support, for local alliances in Colorado, Iowa, New Hampshire, Ohio, Tennessee, Washington, and other communities.

A new alliance in Rockland County, New York, received funds from a state innovations grant program supported by federal Child Care and Development Block Grant (CCDF) funds.

A Colorado alliance has received a grant funded by the Temporary Assistance for Needy Families (TANF) dollars.

The New Hampshire alliance is tapping community development funds for start-up.

Funders recognize that a shared service approach offers benefits for children, families, and the ECE industry as a whole, including:

- Professional fiscal management and economic strength of a larger organization makes it easier for very small businesses to weather economic ebbs and flows.
- More career opportunities and better working conditions, wages, and benefits for staff.
- Lower costs from economies of scale in business functions like payroll, benefits management, banking, janitorial, food services, and purchasing.

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- Higher-quality early childhood education, and the ability to offer a range of comprehensive family support services, due to a more stable financial and organizational structure and a comprehensive approach to professional development.
- Better data and school transitions, via centralized systems, assessments, and technology to support outcomes-tracking, reflective practice, and linkages with school districts.

In these tough economic times many industries are struggling to survive. Even leading U.S. industries — automakers, energy companies, banks — are learning they must challenge their old business models and reinvent themselves. Many of these industries are engaging in collaborative ventures and shared platforms. Early care and education businesses are no exception. Our industry has been doing the same thing, in essentially the same way,

for many years. It's time to join this movement for change; to open our minds, look beyond traditional concepts of competition and begin to test out new, shared business strategies.

For more information on shared services for the ECE industry, check out the Shared Services Toolkit and other resources at [www.earlylearningventures.org](http://www.earlylearningventures.org).

There are many ways to administer shared services. The 'hub' agency can be a large early care and education provider, a Resource and Referral agency, a family child care network, or another intermediary organization within — or outside of — the ECE field. Background information on a range of options is available in the Shared Services Toolkit, at <http://merage.org/index.asp?w=pages&r=85&pid=115>