

SECRETS OF SUCCESSFUL SHARED ADMINISTRATIVE SERVICES

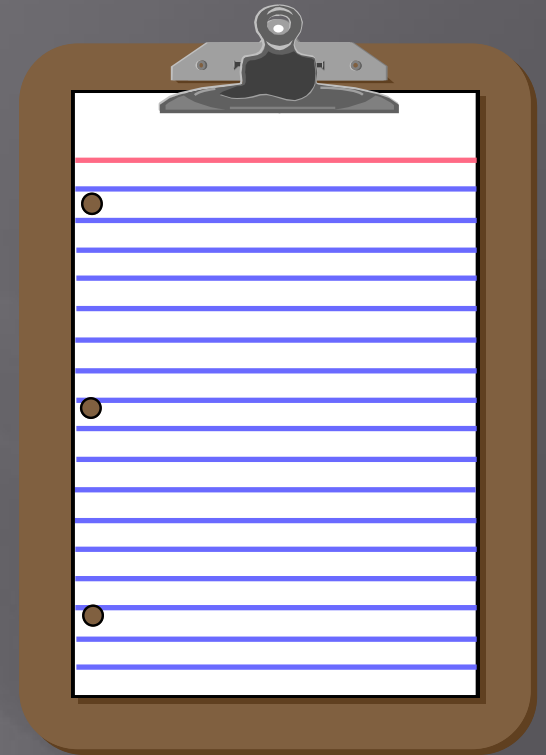
Lessons learned from an unpredictable journey

Stan Birnbaum , MACC CommonWealth (Minneapolis, Minnesota)

Peggy Eagan, Children and Family Services Center (Charlotte, North Carolina)

Today's outline

- ▣ Introductions
- ▣ A Tale of Two MSOs
(Management Service Organizations)
- ▣ Lessons Learned
 - Value of the MSO
 - Relationships, structure and governance
 - Complexity / resource management
 - Staffing
 - Communications
- ▣ Open forum

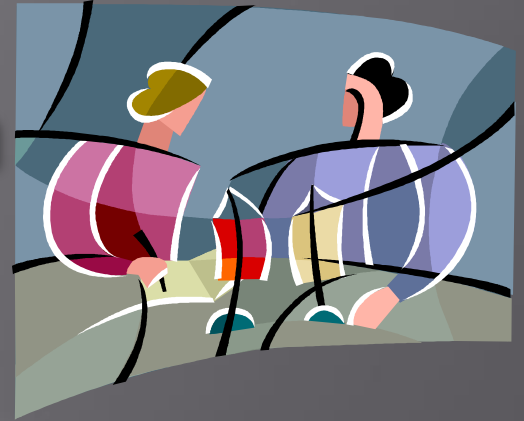


Introductions



- ▣ We are...
 - Peggy Eagan: named Executive Director and CEO of Children and Family Services Center in Charlotte, North Carolina after leading the process that created the collaborative
 - Stan Birnbaum: President and CEO of MACC CommonWealth, after leading the process that created the collaborative
- ▣ Who are you?
 - currently involved in an administrative collaboration?
 - actively thinking about an administrative collaboration?
 - just dreaming/ thinking/ wondering about an administrative collaboration?

Small-group discussion



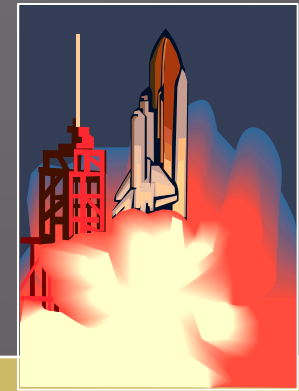
- ▣ Suppose your non-profit colleagues were organizing an MSO in your community. What might make participation compelling for you?
- ▣ Assume that your organization joined with several other organizations in your community to form an MSO. What do you think would be the single biggest challenge the MSO would experience?

A Tale of Two MSOs

Comparison of origins, design
and current operations

A tale of two MSOs

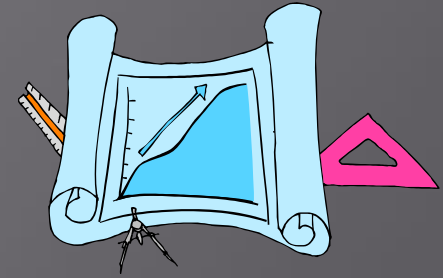
The launch process



	CFSC	MCW
Origin	shared experience in an innovative space-sharing collaboration	shared experience in a small, innovative membership organization
Current model start date	Co-location/tech: 2003 MSO: 2009	2007
Amount of time spent in planning and design	2½ years (preceded by 5 years of dreaming)	2½ years (preceded by 5 years of dreaming)
Time to implement	1 year+	1 year+

A tale of two MSOs

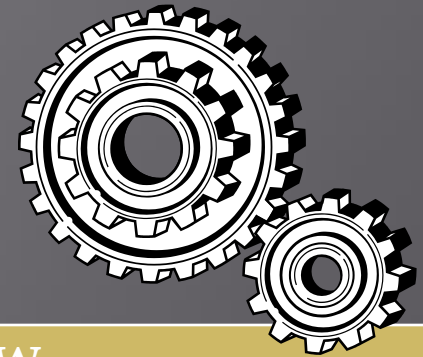
Key design parameters



	CFSC	MCW
IRS status	Building: 501(c)(3) MSO: single-member LLC	501(c)(3) (Supporting organization)
Governance	CFSC Board is Board of MSO	Board of Directors appointed by MACC Alliance (original membership organization that launched MCW)
Commitment required	Four years, tied to space lease	Three-year rolling commitment (for controlling members)
Operating paradigm	professional services and products	professional services and products
Revenue model	expenses allocated back to members	fixed fee structure based on member's key metrics
Management of scope	negotiated with members' CEOs / bound by contract	bound by contracts / negotiate with CEOs

A tale of two MSOs

Current operations



	CFSC	MCW
Services provided	Finance, HR, Info Tech (networks/ desktops, telecom) and full-service facilities	Finance, HR, Info Tech (networks/ desktops, telecom and client data) and limited facilities
Total budget managed by Finance and Accounting	\$22M	\$50M
Total employees managed by Human Resources	250	800
Total desktops supported by Information Tech.	350	750
Number of staff	10 (10 FTEs)	28 (26.35 FTEs)

Lessons learned

It's more complicated than you might expect!
(if it was easy, everyone would be doing it)

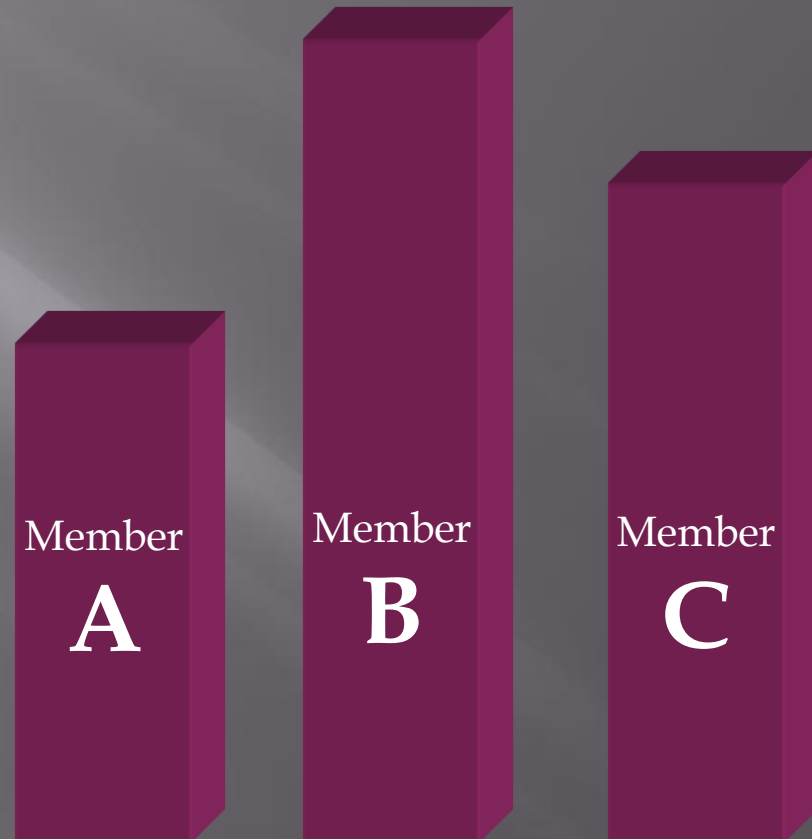
Lessons learned

1. Value of the MSO (1)

- ▣ Reduction of administrative cost will be modest at best (as well as difficult to measure) and does not provide sufficient reason to start an MSO
- ▣ We need to describe our value proposition carefully-- key benefits are increased quality and capacity along with decreased operating risk
- ▣ Corollary: all members will come into the MSO with gaps to fill; for some members, those gaps will be profound

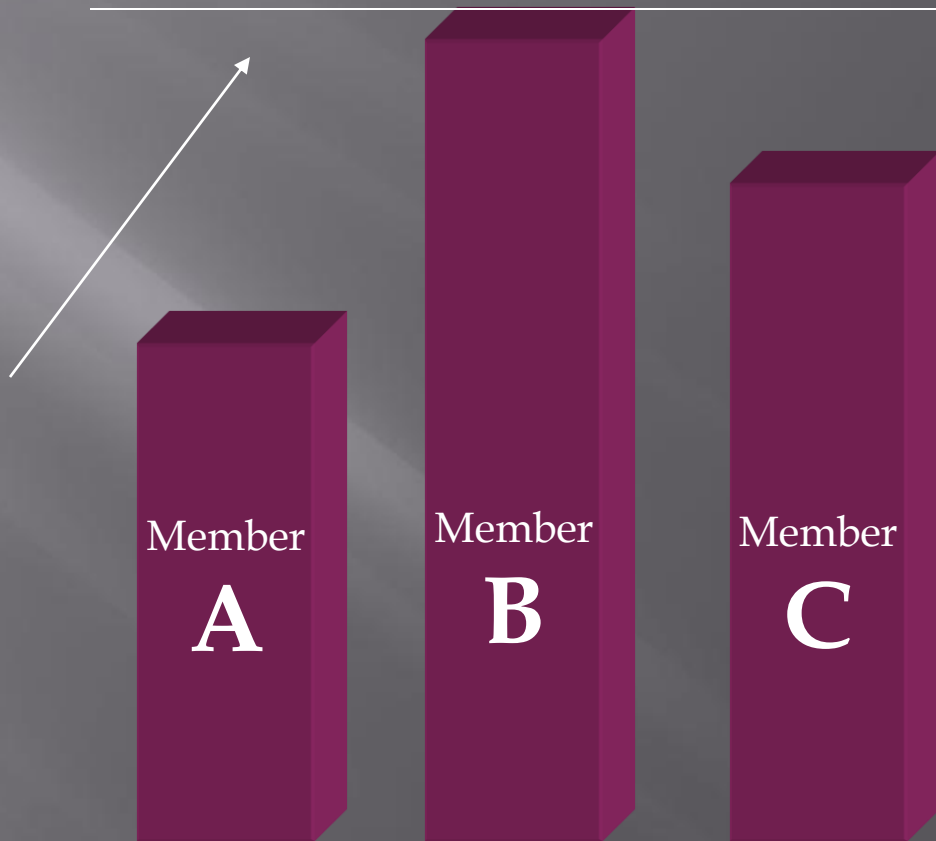
The “highest bar” phenomenon drives up cost

In this hypothetical example, the purple bars represent the quality or level of service each of three members currently provides in their organization (before forming an MSO) for a given area of management service.



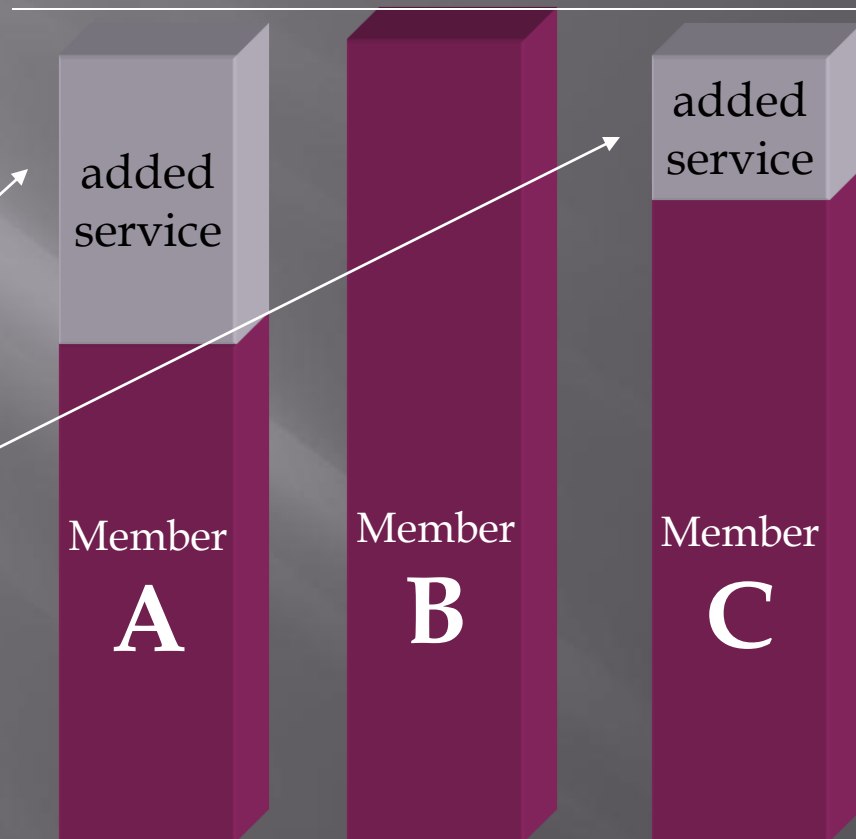
The “highest bar” phenomenon drives up cost

The MSO’s initial level of service must meet the highest level of service of the three members to avoid reducing the level of service to member B



The “highest bar” phenomenon drives up cost

Offering service at this highest level means a higher level of service for the other members — which translates into additional aggregate cost for the MSO.



Lessons learned

1. Value of the MSO (2)

- ▣ Rewards can be profound and ultimately lead to new operating models
- ▣ A successful MSO is likely to launch unpredictable, creative energy that often comes from deep collaboration



Lessons learned

2. Relationship / structure / governance

- ▣ Because the relationships are among entities that have no common control, MSO leadership depends on effective relationship, on-going persuasion and a climate of good will
- ▣ Corollary to the above: collaborative behaviors among the partners is required for sustained success
- ▣ Governance and other legal supports are critical, and at some point will be required to address key challenges
- ▣ Corollary to the above: the time and attention required for governance/legal infrastructure will be significant and will change as the organization evolves

Lessons learned

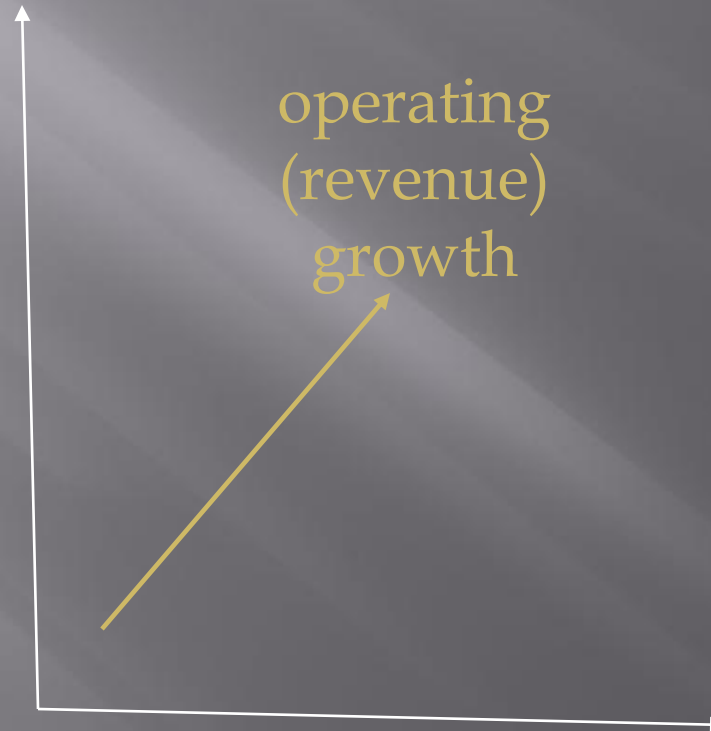
3. Complexity / resource management

- ▣ A complex service design and delivery paradox comes from the on-going tension between two forces :
 - The “voice of the process” requires us to keep operating processes economical and efficient (which, in turn, requires standard approaches and a reduction in variance)
 - The “voice of the customer/member” seeks flexible responses to widely varying needs
- ▣ Differences among members’ needs and operations will challenge members’ perceptions of equity and value
- ▣ Sources of growth will not be anticipated correctly and will create unanticipated challenges for the MSO

Sources of growth extend across two dimensions

**add to depth of collaboration
(new members)**

reduce existing member costs by achieving new economies of scale



**operating
(revenue)
growth**

**add to breadth of collaboration
(new services)**

enhance value for all members

Lessons learned

4. Staffing

- ▣ Estimates about number and skill levels of staff to provides MSO services is likely to be too conservative for two reasons
 - *all* members will need remediation in the scope and quality of their administrative services
 - assumptions about economies of scale and efficiencies achieved will likely be too optimistic
- ▣ Achieving success places rapidly escalating pressures on senior staff
- ▣ An MSO will need to deal with staff changes at all levels both--inside the MSO as well as at member organizations – throughout its lifecycle

Lessons learned

5. Communications

- ▣ The MSO cannot over-communicate and will need to take its messages directly to stakeholders at all levels (corollary: the members won't do this)
- ▣ The MSO will need effective communications and marketing starting before the launch – even if the sole focus of those activities is internal customers and stakeholders
- ▣ Maintaining a consistent and visible focus on common mission and interests is required for success

Questions and open discussion

