

Team Steps to Success

Skills for running and sustaining your childcare business



Planning for business success -
a foundation module

Business
success for
Childcare

Welcome to 'Team Steps to Success'

'Team steps to success' is a series of guides, which are aimed at improving the sustainability of all forms of childcare businesses.

The guides are primarily for 'Team Managed' childcare settings, but they might also be useful for some childminders.

Team managed childcare settings range from privately owned settings to ones which are run by a voluntary management committee.

About the guides

The guides contained within the 'Team Steps to Success' series are useful for all childcare settings whether they are:

- Privately owned or voluntary managed
- Profit making or 'not for profit' groups
- Charities, cooperative organisations, private companies, social enterprises, maintained childcare settings or any other form of childcare business

As you would expect these guides contain many references to business concepts, words and phrases, in particular the words 'profit' and 'surplus'.

However, it's important to note that the guides are **not just** about making a profit in a private sector environment, far from it!

They actually refer to good business practices, which will enable your childcare setting to remain sustainable, whether or not you choose to invest all your surpluses back into providing a better childcare service.

Definition of
'Sustainability'
- The ability of a childcare provider to continually maintain its business.

Definition of
'Team managed'
- A team managed business is one which employs more than one person and is generally managed by a team of people, such as a nursery, playgroup or out of school club.

Did you know?
The word '**profit**' originates from the Latin word '**profectus**' and the old French word '**proficere**' meaning to '**progress**' and '**advance**'.

Consider the following

All group childcare settings have the following in common:

- Parents pay for a childcare service
- Staff are employed
- Premises are rented or owned
- Costs are incurred

Whether your childcare group is profit making or not, it's essential that all costs are covered and some surpluses are generated to keep the provision sustainable for the future...

These guides can help your organisation begin to do that.

What kind of childcare settings are these guides designed for?...

- Nurseries
 - Out of school groups
 - Holiday play schemes
 - Breakfast clubs
 - Playgroups
 - Pre-school groups
 - Crèches
- to name but a few

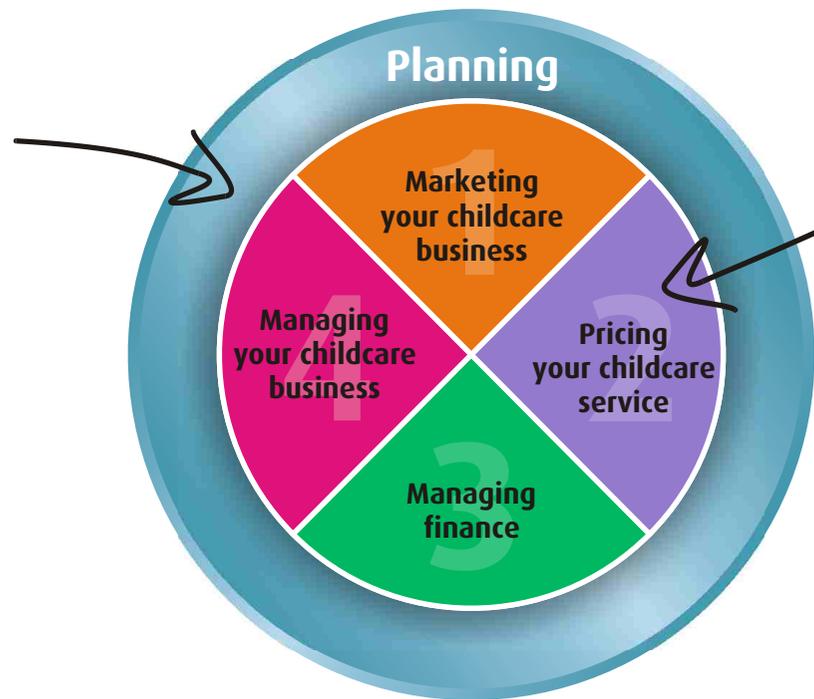


How to use this guide

The '**Planning for business success**' module provides a foundation, or starting point, from which the four guides of the Team Steps to Success series can be explored. The techniques and practical planning ideas contained in this foundation module can be used to help you apply some of the concepts contained in the four guides. '**Planning for business success**' is designed to be used as a reference point when examining the guides.

Planning for business success

This is the foundation module of the Business Success for Childcare guides. It defines the key principles of business planning. This module is designed to be read first, as it shows how you can plan and implement ideas and concepts contained in the four guides.



All guides contain practical ideas and techniques for good business practice. At the end of every guide there is a summary of how planning can help your team to implement some of these new ideas.



Throughout this guide there are information and action points labelled '**Steps to Success**'. These items are particularly important because they aim to prompt your thinking. There are also a number of '**Stepping Stones**' that will direct you towards useful sources of guidance and advice. There is a useful summary '**Stepping Stone**' at the end of this guide. The guide also contains a number of practical aids and simple exercises to help you plan and prepare for the future. To get the best from the guide, complete these as you come across them.

Welcome to 'Planning for business success'

The provision of childcare is without doubt an essential service to the community. It's also fair to say that many people involved in it, view it as a vocation. As a childcare provider, however, you'll be aware that you're also running a business.

This foundation module defines the key principles of business planning, investigating its importance and providing a range of practical techniques that will aid successful planning. The foundation module should be read before the main guides as it provides the tools that allow you to successfully implement the ideas and concepts that are found in the four guides. It's designed to provide the essential elements of business planning, that can then be applied in a way unique to your own childcare service, so you can plan for the future of your business.

Planning is the key

The 'Planning for business success' module and four guides can be used either on their own, or as part of a series of workshops that examine business issues in greater detail. The guides and workshops are also complemented by a website, that provides an 'ask the expert' function, as well as providing advice, guidance and signposting to other sources of assistance.

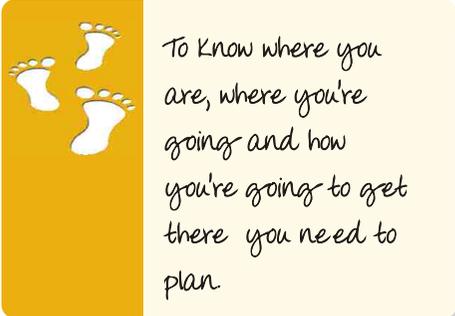


Planning

Effective planning is the first step towards running a successful business. Your knowledge of your own business and the childcare market will help you through the planning process.

This section covers the key elements of successful planning including:

- **Planning**
 - What is planning?
 - The whole picture
 - Business planning
 - The planning process
- **How are you going to get there?**
 - Action planning
- **Putting planning into practice**
- **Where are you now?**
 - Your starting point
 - Completing a SWOT analysis
- **Annex 1**
 - Business structures
- **Stepping stone**
- **Where do you want to go?**
 - Your goals
 - Setting objectives
 - Teamwork and communications
- **Template - SWOT analysis**



To know where you are, where you're going and how you're going to get there you need to plan.

What is planning?

Rather like children, the one constant in business is change; it's a never-ending journey. Just as children are continually growing and developing, the community and environment in which you operate is also developing and changing. In business, the journey needs to be planned, it's not enough to leave it to chance.

Effective planning can be demanding, but at the same time it can also be rewarding and exciting. The process of planning is in itself very useful, revealing things about your business you may not be aware of. It will also prepare you to meet the needs and demands you're subject to, for instance from the community, parents, children, Ofsted and the Local Authority.

Essentially planning involves identifying, understanding and communicating three things:

- Where you are now
- Where you're going
- How you're going to get there

People often fail to recognise the large role that planning plays in their everyday lives. Ask yourself - when did you last plan - last week, last month, never? Chances are it was minutes ago!

For example, when you picked up this guide you probably put some time aside to read it. Perhaps you decided you would read a certain number of pages, maybe got a pen and paper to make notes and told someone else what you were doing so you wouldn't be disturbed. The process you followed demonstrates that you had an understanding of where you are now, what you wanted to do and what you needed to do to achieve it.

Business planning - the whole picture

To be able to plan effectively managers of any business must be able to see the whole picture. This involves understanding how the different parts of your business fit together. As with any business, your own will be subject to both internal and external influences. For instance, a change in your community or area, such as a newly built housing estate attracting new families, will increase demand for childcare places.

The figure below shows the different factors that could affect your business. You need to be aware of each of the factors and how they can affect what you do now and in the future.



Having responsibility for running a childcare business means one, or more, people need to see the whole picture and understand how all the components fit together.

The guides of the Team Steps to Success series will help you understand these different components and how one impacts on another.

Business planning

The vast majority of successful businesses work to a plan. It doesn't matter if you're looking at the short, medium or long term. For your business to be a success you need a plan to map out its future.

Business planning is a dynamic process, not a static document. Having put the time and effort into producing your plan, it's important to use it to help you manage the business. Your hard work will be wasted if your plan sits on a shelf and gathers dust, or if it's just used for a specific purpose, like agreeing a loan from a bank, for example.

Producing and using a business plan regularly can help you to:

- Direct the quality of the services you provide
- Manage the performance of your business
- Identify areas where your business may need to improve
- Prepare for the future and forward plan
- Establish criteria against which you can manage

All of which creates excellence in the delivery of services to children.



If you don't plan, then things will happen to you rather than you making things happen.

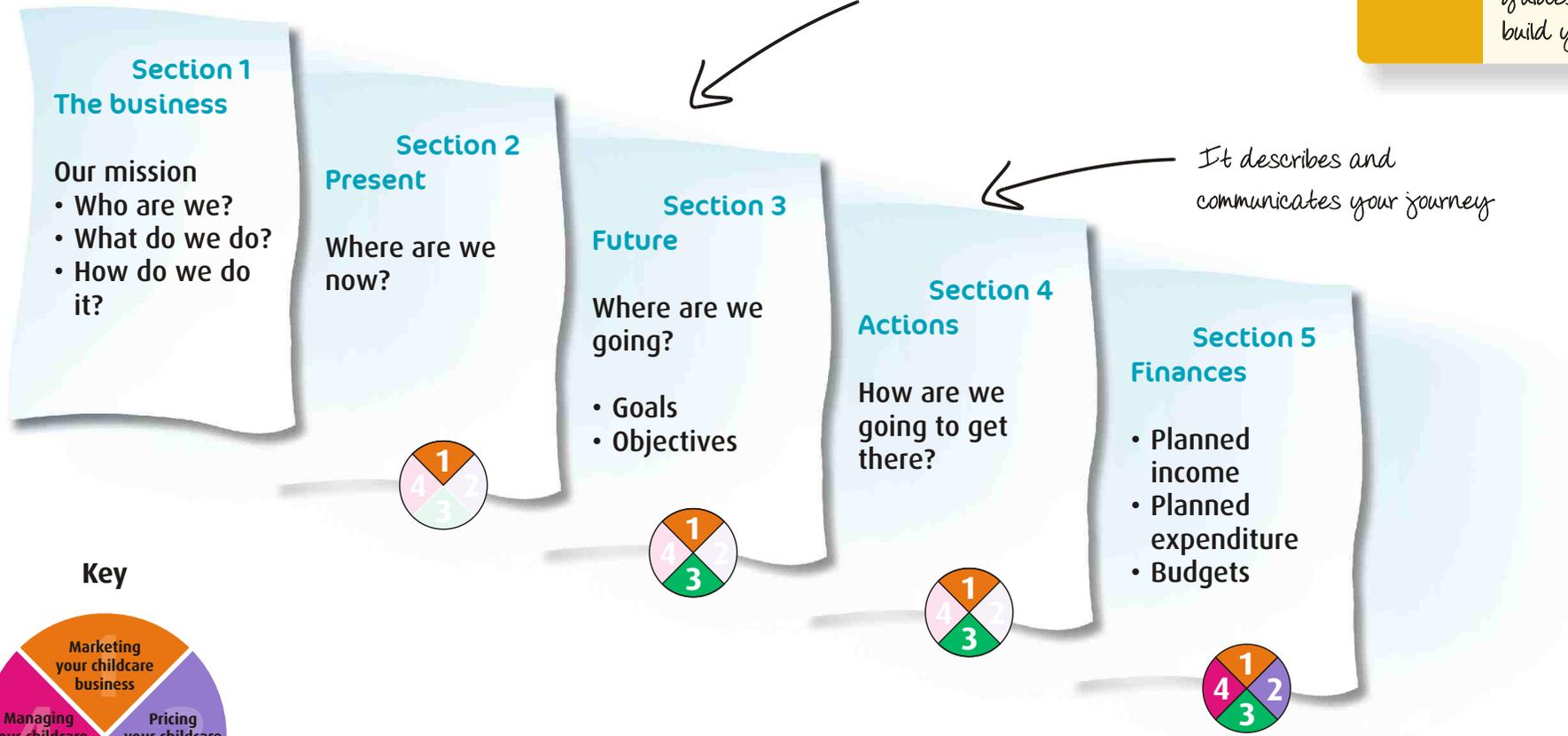
There are no rules set in stone as to what a business plan should look like, however a business plan would usually include the following sections:

Business plan structure

Bringing together all the information and tools in the Team Steps for Success guides will help you build your plan.

A business plan is logical and sequential

It describes and communicates your journey



- Refer to the highlighted guides for further information relating to this section of your business plan.

The planning process

The previous diagram shows how you can create a business plan by bringing together the information from the Team Steps to Success guides. This foundation module explores and explains the underpinning process of planning that drives all the information gathering, action and control of your business.

You can start the planning process by looking at where you are now and where you want to be. This gives you the opportunity to:

- Look inwardly at what your business is good at and what's holding it back
- Assess your systems and procedures
- Spot any gaps in your service
- Involve colleagues and staff members, so you'll get a different view of the business together with new ideas

As the process continues you'll look at each of the components of your business in order to see the whole picture. In short, you'll be doing a health check on the business and finding out what needs to be done to make it fit for the future.



The product of this health check is your business plan that will form the agenda for the future development of your business. It will help you make informed decisions, solve problems and achieve your goals. The plan itself should contain a number of tasks. Each of these tasks will also require some further planning. This type of planning tends to be on a smaller scale and is more immediate than business planning and is generally referred to as action planning.

That's how planning can help your childcare business, so what's the first stage of the planning process? With business planning it's necessary to first examine 'where you are now'.



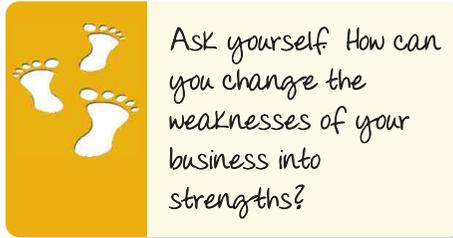
Where are you now?

It's important to have a clear picture of where your business is now. This can also be an 'eye opening' experience. Things may be better or worse than you expected. You need to ask yourself:

- What type of childcare business are you?
- What you're good at and what you may want to do better?
- What's happening in the market that you can take advantage of?
- What's happening that may adversely affect you?



Your starting point



The starting point of your plan is to look at the business as it is today. One of the best ways of doing this is to establish a quick snapshot of the strengths and weaknesses of your business by doing a **SWOT** analysis. **SWOT** stands for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats:

- **Strengths:** everything your business is good at
- **Weaknesses:** everything the business is poor at or areas it needs to improve in
- **Opportunities:** new products, gaps in the market and opportunities to improve
- **Threats:** the competition, possible price pressure and potential or actual changes in legislation

Completing a SWOT analysis gives you new knowledge about your business. You can then concentrate on changing weaknesses into strengths and threats into opportunities. For example, you may identify a lack of flexibility in opening hours as a weakness but you can convert this into a strength by reorganising to open earlier and close later. An inability to respond to local demand may be seen as a threat but by planning to expand your range of services, you can turn this into an opportunity.

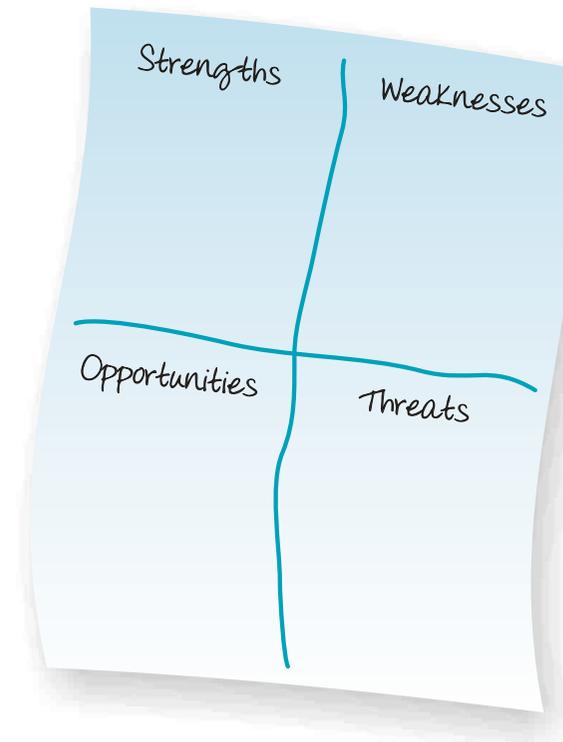
Completing a SWOT analysis

The results of a SWOT analysis will provide you with important information and provide a clearer picture of where your business is and where it could be. It doesn't make decisions for you but it will enable you to make informed choices about what to do next.

Strengths and weaknesses occur on both an individual and organisational level. All individuals and businesses have strengths and weaknesses. Recognising strengths and weaknesses makes it possible to use the skills and expertise of the team to solve problems and improve services. In a business environment talking to colleagues, friends, mentors and other people about the strengths and weaknesses of the business can guide you to take action to improve.



If you know about threats and where they come from, you can use your strengths to counter them.





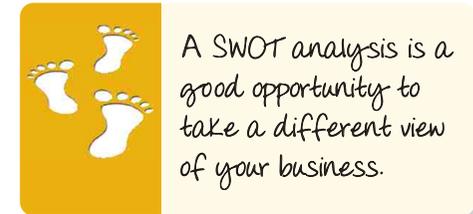
When completing a SWOT analysis, think about the strengths, weaknesses, opportunities and threats facing your business in each of the following areas:

- **Your service and what you offer**
 - opening times and sessions
 - range of facilities
 - what parents like
 - what children like
 - flexibility
- **How you charge for your services**
 - pricing strategy
 - pricing policy
 - budgets
 - forecasts
- **Marketing and promoting your childcare business**
 - advertising
 - your image
 - open days
- **Finance**
 - cash flow
 - budgets
 - resources
 - forecasts
- **Staffing**
 - recruitment
 - retention
 - staff development
 - training
 - skills base
- **Operational issues**
 - payment methods and policies
 - children's activity plans
 - late collection of children
 - business administration systems
- **Resources and equipment**
 - safety resources
 - children's facilities and equipment
- **External issues**
 - childcare legislation
 - initiatives and support from your Local Authority and their EYDCP
 - local business activity
- **Your business structure**
 - partnership
 - charity
 - private limited company
 - cooperative

(see Annex 1 - for brief details of business structures)

Keeping the following points in mind will make it easier to complete your SWOT analysis:

- Try to be honest, constructive and realistic
- Use single sentences if possible. For example, if your opening hours are 7.30am to 7.30pm and you believe this to be a strength, write 'flexible opening hours' under the heading 'Strengths'
- Don't worry if some things appear more than once. Some aspects of your service have the potential of being both a strength and a weakness, others an opportunity and a threat



Strengths

- Good reputation
- Waiting list
- Excellent staff

Weaknesses

- Lack of flexibility to increase opening times
- Lack of money to replace equipment
- Unable to pay staff more to reflect their value

Opportunities

- Waiting list
- New housing development
- A new business is moving into the area

Threats

- New nursery opening
- Difficulty in recruiting qualified staff
- Unable to pay staff more to reflect their value

To be clear about the information you put under each heading, ask yourself a series of questions, such as:

- Do children enjoy the service you provide?
- What are your major sources of revenue?
- Are you making enough revenue to cover your costs and allow funds for investment in your service?
- How effective is your business at winning new customers?
- Do employees have the right mix of skills?
- Is the morale of employees high?
- Are your existing customers happy with your service?

You also need to look at events outside the business, like:

- What are the latest developments and initiatives from the Local Authority and their EYDCP?
- What are the activities of other childcare providers in your area?
- Are there any new housing development plans for the area?
- How is the birth rate changing?
- Are there any new competitors moving into the area?

Remember some items may appear under two categories, for example, if your major source of revenue is funding, you may see this as a strength, but if the funding source isn't guaranteed, it could be a weakness.

The best way to see how a SWOT analysis works is to do one!

A template has been provided at the back of the guide for you to complete. Either on your own, or in a team, identify which aspects of your business sit under which heading.

When you've finished it, you'll have a clear picture of your business. Look objectively at the results of the SWOT. Then, re-think your pre-conceptions and discuss the results with your colleagues.

So now you've looked at 'where you are now' and understood your starting point. You now start to ask 'where do I want to go?'



Where do you want to go?

Once a SWOT analysis has been completed you're in a position to think about where your childcare business needs to be in the future. To help you identify where you want to take the business you must identify and decide on your goals.

Your goals

Defining goals helps to create a shared understanding among the team and it outlines where you want to go as a service. Goals can also be referred to as statements of intent. They refer to what you want to achieve in the next one to five years.

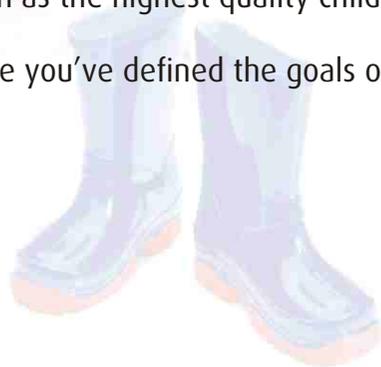
For example, one of the goals of your business may be to become the largest provider of pre-school childcare in your area.

Your goals don't necessarily need to relate to growth, for example, you may want to be seen as the highest quality childcare provider in the area.

Once you've defined the goals of your business it's time to move on to your objectives.



Goals give your business purpose and your team something to strive for.



Setting objectives

Goals and objectives often get confused as being one and the same. Think of it as a ladder; getting to the top of the ladder is a goal and each rung is an objective. Typically, goals state what you want to accomplish and objectives break down into steps that you need to take to reach your goal.

Objectives should generally be SMART. That is:

Specific
Measurable
Achievable
Realistic and
Time bound

So for instance, if your goal was to be the 'largest childcare provider in your area', then setting an objective that states you want to have forty children in your care and leaving it at that wouldn't work. Just as it wouldn't work to say you want the business to be larger in the next twelve months.

If you combine the two, however, one of your objectives could be:

I want to increase the number of children the business cares for to forty by July 2004.



An important point to remember when setting your objectives is that they must be achievable. They must, therefore, be realistic. For example, you wouldn't set an objective that states you want to double the number of children in your care within a week. There wouldn't be sufficient time to do the things you need to achieve this - advertising the vacancy, increasing your staff numbers, hosting visits from parents, the size of your premises and so on.

More realistic long-term objectives you could set might include:

- The business will be making an increase in profit of 5% by July 2004
- The business will achieve a quality standard by January 2004

The idea of setting objectives is to help you achieve your business goals so they should be set with this in mind. For example, if one of your goals was to become less reliant on grant funding, then the objective would be to increase your fee generated revenue.

To start the process, fill in two goals and three objectives that are relevant to your business - remembering that goals are 'broad statements about what the business is trying to achieve' and objectives are 'the steps you take to achieve your goals.' An example would be:

Goal:	<i>Become less reliant on grant funding during the next 24 months</i>
Objective 1:	<i>Develop a pricing strategy that ensures costs are always covered by September</i>
Objective 2:	<i>Increase fee generated income by 15% by July 2004</i>

Goal 1:	_____
Objective 1:	_____
Objective 2:	_____
Objective 3:	_____
Goal 2:	_____
Objective 1:	_____
Objective 2:	_____
Objective 3:	_____

When you've set your goals and produced your objectives, take the time to plan what needs to be done in order to move forward.

But before moving on...

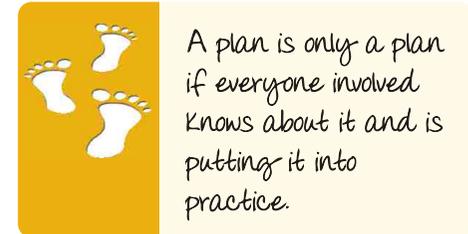
...a word about teamwork and communications

When preparing and writing a business plan, it's essential for owners and managers to talk with colleagues and staff. Actively seeking input involves the team in the planning process and helps everyone understand the aspirations of the business. In most cases the team can provide a useful insight into the business by offering different viewpoints and perspectives. Their feedback can help you decide where the business needs to go in the future.

Some businesses take this one step further and actively share their goals not only with staff but also with customers, stakeholders and suppliers. This process of sharing means everyone understands where the business is going and can actively work in the same direction. While there are benefits to sharing goals, think twice about who you share yours with - as your competitors will find them interesting reading and may be able to use this in depth knowledge of your business to their advantage.

Your business plan will help you to run the business, so it's important everyone knows what you're trying to accomplish. So ensure staff are fully involved in all business development ideas and ensure that everyone understands who's responsible for each objective, action or initiative.

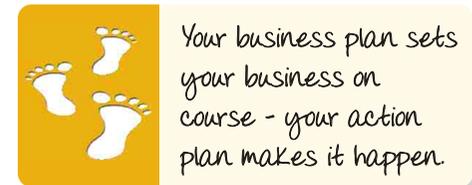
You've now looked at 'where you are' and 'where you want to go'. The next step is to work out 'how you are going to get there'.



How are you going to get there?

Once your goals and objectives are clear and have been agreed by the team it's important that you implement them to secure future success. Action planning sets out precisely how you'll do this, by asking:

- How your goals/objectives will be achieved?
- Who will be responsible for doing it?
- When it will be done by?



Action planning

An action plan can be a successful method of ensuring you achieve your goals and objectives. It's what turns planning from a paper exercise into a dynamic activity. Action plans are just what they say they are. They're the '**getting things done**' part of your business plan.

Action plans specify the tasks that need to be completed against each **objective**, so that your **goals** can be achieved. They also identify who has responsibility for ensuring the task is completed and the timescales they'll be working to.

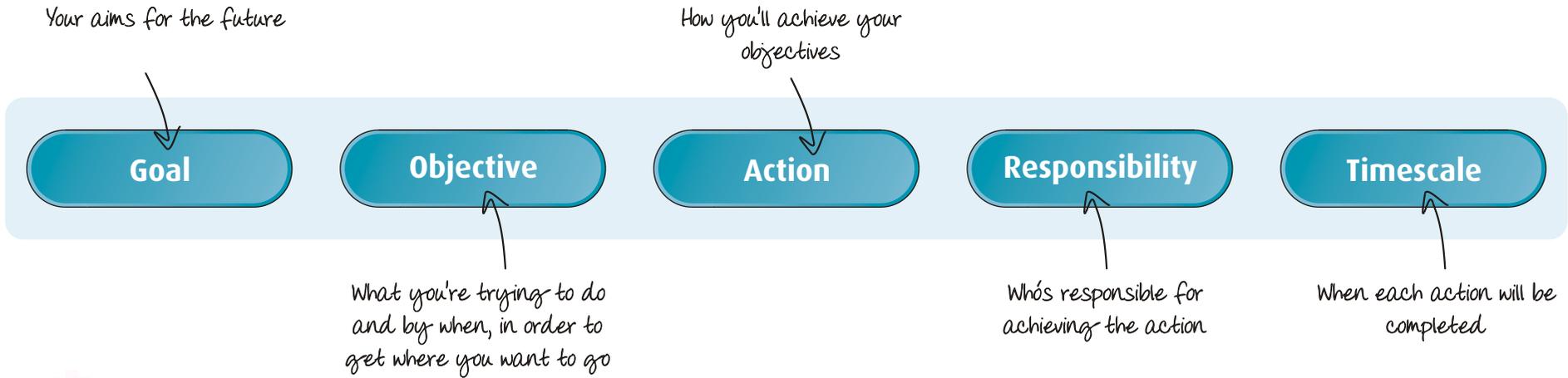
It enables you to break down objectives into specific tasks that can be shared appropriately amongst the team. It gives everyone the opportunity to see how they contribute to the overall development of the service and it increases understanding of what the team is trying to achieve.

A lead person for each action

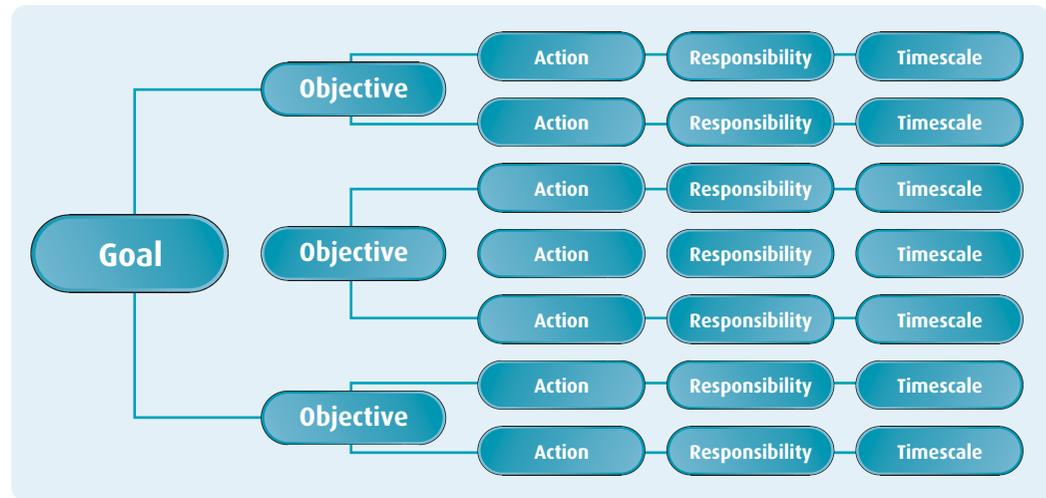
Nominating a lead person ensures you have accountability within the plan, but more importantly, as stated above, it gives everyone the opportunity to see how they contribute to the overall development of the service and increases understanding of what the team is trying to achieve. This in turn can increase job satisfaction and motivation.

Timescales

Allocating timescales is important to ensure clarity. Timescales also give you a review schedule and are a way of ensuring you're achieving your plan.



Typically, an action plan would look more like this as each goal would have multiple objectives, which in turn would have multiple actions.



The following simple example shows the complete planning process. It incorporates both the business planning and action planning elements.

Goal: To become less funding reliant by April 2004

Objective	Action	Responsibility	Timescale
Increase monthly fee generated revenue by 15%, by July 2004	<ul style="list-style-type: none"> • Review pricing strategy • Analyse occupancy in order to maximise usage 	John Evans	05.06.2003
		Jane Goodall	11.06.2003
Increase customer base by 10% by July 2004 through direct advertising	<ul style="list-style-type: none"> • Develop an advertising plan • Plan two open days 	Jane Goodall	01.06.2003
		Jane Goodall	10.06.2003

This foundation module has examined a structure for the business planning process. The subsequent guides offer more detail on the key components of a business plan. But for now here's how to get started...



Putting planning into practice

Goal: To ensure a sustainable childcare service for the future

Objective: To produce a comprehensive plan to guide the management of the business for the next twelve months

Action 1: Perform a SWOT analysis

Action 2: Set goals for the development of your childcare business

Action 3: Work through the other guides to detail all your business information

Action 4: Set objectives based on your goals and business information

Action 5: Create an action plan and implement it to improve your childcare business

'Begin to improve your childcare business today!'

Annex 1

Business structures - What kind of childcare business are you?

A key element of business planning is to determine which business structure suits you best. This is important because it could have a significant impact on the way you operate your business and the commercial and personal risks you take.

Childcare businesses can fall into the private sector, the voluntary sector or the public sector. A large proportion of voluntary sector childcare providers, including community organisations, set up as a charity as this enables them to access various grants and funds.

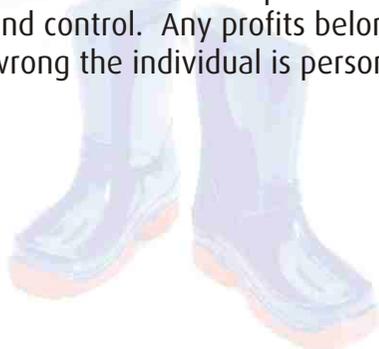
The majority of private sector businesses aim to make a profit (like any other business) and so adopt one of the more typical business structures, such as sole trader or limited company.

Businesses can be structured in many ways and each has its advantages and disadvantages. Tax implications can have a large influence on choosing the structure you should adopt but the following summary highlights the key commercial points:

- **Sole trader** - the simplest form of a business where one person has total responsibility and control. Any profits belong to them, as do any losses. The downside is if things go wrong the individual is personally liable for the debts of the business.



You can change your business structure as your organisation develops.



- **Partnership** - more than one person working together. The benefits are the sharing of skills, experience, resources, duties, profits, losses and risks. The drawbacks are that unless the partnership is limited, personal liability exists for all partners. It's always good practice to draw up an agreement to formalise any partnership.
- **Private Limited Partnership** - similar to a partnership as there is an opportunity to share resources and skills. This type of partnership enables partners to limit their personal liability in the event that the business fails. In return for this protection partners must comply with a number of legal obligations such as submitting audited accounts to Companies House.
- **Private Limited Company** - set up and operated by one or more directors and a company secretary. Directors are responsible for complying with specific legislation including submission of accounts, holding meetings and keeping records. Directors' liability is limited. In most situations, even if the business gets into difficulties, the directors will not be held personally liable for debts unless they have provided personal guarantees. A specific case that's common in the childcare sector is the company limited by guarantee. Here the liability of directors is protected and the profits from trading have to be invested back into the business, rather than being distributed to shareholders.

- **Charity** - many voluntary sector businesses become registered charities as this enables them to apply for funds and grants from charitable trusts and foundations. Often managed by a committee, they are usually operated and run with the support of volunteers.
- **Cooperative** - cooperatives are businesses owned and democratically controlled by their members - the people who use their services - not by investors. In simpler terms the customers are the owners. Unlike investor owned businesses, cooperatives are organised solely to meet the needs of the member-owners, not to accumulate capital for investors. Cooperative members elect a board of directors from within the membership.



Stepping stone



For more information:

- Visit the Business Success for Childcare website at: **www.surestart.gov.uk/support4business** and use the "Ask-the-Expert" facility
- Call the free phone helpline on: **0800 294 2904**
- Talk to your Business Support Officer who is based at the Local Authority's Early Years and Development Childcare Partnership
- Visit the Surestart website at: **www.surestart.gov.uk** or call **0870 000 2288**
- Visit the Children's Information Service website at: **www.childcarelink.gov.uk** or call **0800 0960 296**

Strengths

Weaknesses

Opportunities

Threats



Business success for Childcare



This programme is provided by:

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- ▶ childcare
- ▶ health and family support

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