

PREFACE

Sustainable early years businesses rely on highly committed people who share a passion for delivering a high quality childcare service. But having a passion for childcare isn't enough on its own. They also need to be managed by people who have a high level of business management capability. And in today's challenging financial climate, this is more than ever the case.

In the past early years business support teams from local authorities provided support to improve the business management skills of providers, but many issues remain. According to research conducted by the Office for Public Management (OPM) on behalf of 4Children and the DfE (Jackson and Fitzpatrick 2013) only 59 per cent of providers feel confident in their business skills. So does that mean that almost 40 per cent of the sector is being managed by people who aren't quite sure about how to run a business successfully?

Statistics also tells us that small businesses in general in the UK suffer from a lack of business management skills, and that this results in high levels of business failures, in the region of 40,000 each year. With close to half a million people employed in the early years sector, this places a burden of responsibility on those who manage early years businesses.

The early years sector probably suffers from a lack of business management capability more than many other sectors. I think this is because of the type of people who often find themselves running childcare settings, and their routes into business management roles; many started working in early years because it fitted in with their personal circumstances and because they love working with young children, and somehow over the years find themselves running a business, with all of the challenges and responsibility that entails.

Having drifted into the role, very few have received the sort of formalised business management training that people might access when they make a conscious decision to start up a business. Many just kind of muddle along on a day to day basis and hope they are getting things right – which is fine when things are running smoothly but not so great when the business faces problems. Others are acutely aware that they are out of their depth and don't know where to go for support, especially now that business support teams have been disbanded by many local authorities. Some don't even think of themselves as running a business. They put their heads in the sand and hope that someone else will take care of all this nasty business stuff so they can concentrate on looking after the children.

It is also the case that some are doing a great job and have massive potential, but lack the confidence to take their business to another level.

Early years business owners and managers need to recognise that improvements in the quality of their provision will come from being better able to manage their business.

Research that supports this message includes the London Councils' 2007 report that demonstrated that:

Good business skills can improve the sustainability of childcare businesses which, in turn, can impact on affordability for parents and quality of provision. (p.8)

So this book is about helping settings to have the confidence to shift their self-perception away from the 'it's just childcare' label that so many currently wear and to focus on building their business management capability as a means to delivering high quality, sustainable childcare. It is intended to provide support to people in a range of roles including, but not limited to:

- early years business owners and senior managers
- committee members of voluntary sector pre-schools
- governors, head teachers and school business managers of schools intending to enter the early years market as an extension of their services
- registered childminders

- local authority employed business support advisers (and other local authority staff where business support is an element of their role)
- freelance business consultants who have clients in the early years sector.

Chapter 1

THE PRINCIPAL ELEMENTS OF A SUSTAINABLE EARLY YEARS BUSINESS

Many people running businesses compare their experience with being on a journey. So I'm going to use that analogy to introduce this first chapter, and because I conduct many of my journeys by car I'm going to encourage you to think about taking a car journey to assist our thinking.

Increasingly, modern technology has made it possible for the car driver to check out how their vehicle is performing without ever having to lift up the bonnet and get their hands dirty. The on-board computer in most modern cars provides the driver with a dashboard of key information delivered directly to them while comfortably in the driving seat. This means that the driver has at a glance all the information they need to tell them how their car is performing. Dials and logs provide information about fuel levels, speed, revs, temperature, average miles per litre etc. and various warning lights are illuminated to tell us when there is a problem that we need to address, usually lighting up amber initially so that we can sort the problem out before it causes any damage to the car. We have become so reliant on these on-board computers to tell us that everything is ok that most of us very rarely actually look under the bonnet and check things out for ourselves.

So think now about your early years business. How valuable would it be to have a dashboard that gives you the basic information about how your business is performing and which alerts you to things that you might need to pay attention to?

A balanced business scorecard approach to business planning and management is the answer to this wish.

The balanced scorecard approach was originally devised by Robert S. Kaplan and David Norton and was described by them in an article for the Harvard Business Review as a tool that retains traditional financial measures but acknowledges that financial measures alone don't tell the whole story as a tool to guide the journey that 21st century businesses undertake. Understanding the business in terms of customers, suppliers, employees, processes, technology, and innovation is equally important. In a nutshell (and to contradict pop singer Jessie J) it's not 'all about the money'. Through their research they found that many businesses have a tendency to focus their attention purely on the financial aspects of their performance. This is the equivalent in my car analogy of only ever looking at the fuel gauge to see if you've got enough left in the tank. This is too one dimensional. It's not the only measure that matters.

In early years settings it's often the case that business owners and managers may have come from a background of delivering childcare, rather than running a business, and so may inevitably feel more comfortable with managing those areas of the business, i.e. the quality of childcare provision. Again this single emphasis and focus is too one dimensional. They may fail to address fully some of the business-related issues which they typically find more challenging.

A balanced scorecard approach, or what I'm going to refer to as a dashboard approach, gives a more holistic view of the performance of your early years business by encouraging you to consider a range of key factors affecting the success of the business.

The dashboard approach to planning and management suggests that businesses shouldn't measure their success purely in financial terms, but that we should look at all of the factors that contribute to the success of the business. So, for example, you may have a great financial plan but if your relationship with your customers is poor you are unlikely to see great success.

The first step towards a dashboard is for the business to identify 4–6 areas in which it needs to be successful, what I call your key result areas, and to agree key goals for those areas. The dashboard framework I recommend is a slight variation on the original Kaplan and Norton model and includes the following elements:

- finance
- parents
- staff
- quality provision
- business effectiveness
- continuous improvement.

This framework is the basic premise that underpins this book. The various chapters in the book will help you to develop strategies for each of these elements to support the success and growth of your early years business.

The dashboard approach then encourages you to answer some critical questions about the performance of your business in each of these key result areas:

- What do you need to achieve in each of these areas to be successful (your goals)?
- How will you measure your performance in achieving each of these goals (key performance indicators or KPIs)?
- How are you doing so far (progress/current performance)?
- What do you need to focus on to keep on track (your action plan)?

A template to help you to create your early years business dashboard would typically look like the following table:

| Key result area | Goals | KPIs | Progress/ current performance | Action plan |
|------------------------|--|---|-------------------------------------|--|
| Finance | To break even by 30 th July | Income to exceed £xxx Expenditure to be below £xxx | Monthly progress report | Marketing to fill vacancies Review staffing ratios/ costs |
| Parents | | | | |
| Staff | | | | |
| Quality provision | | | | |
| Business effectiveness | | | | |
| Continuous improvement | | | | |

Tips for constructing your Early Years Business Dashboard

- Keep your focus strategic – this means focusing on the big picture things not the nitty gritty day to day details.
- Don't set too many goals – prioritise 3–4 for each key result area – otherwise you'll end up diluting your effort.
- Make sure your goals are aspirational and inspirational – they should feel like a stretch but not like an unachievable challenge, they should inspire you to come to work and achieve them.
- Select key performance indicators that can be measured objectively – you should be able to answer the question 'How will we know we've achieved our goal?'
- For longer term goals set milestones along the way so you can check that you are on track – for example, a goal to be achieved in three years time needs a milestone of where you expect to be by the end of year 1 and year 2.

- Monitor your progress towards your goals regularly – some might be monthly, some quarterly and some annually.
- Ask your staff for their ideas about your action plan to build their commitment and engagement.

Using your dashboard to performance manage your early years business

Having created your dashboard it is essential that it is used on a day to day basis to manage the performance of your business, just as in my car analogy. The following section provides a suggested methodology for the practical implementation of an early years business dashboard, including how to use it as a part of your Self Evaluation Form (SEF).

The dashboard provides a clear focus on what's really important. And if cascaded to people throughout the business, it also provides everyone with clarity about where they fit into the picture, and how they contribute, which helps to build motivation and commitment through a shared sense of pride in the achievements of the business.

Making a dashboard approach come to life involves putting a number of key enablers into place:

- Getting a wide cross-section of your team involved in agreeing the performance measures ensures buy-in and builds understanding of each other's areas of responsibility.
- Make it real by cascading business objectives down into the work objectives of every individual within the business, making it a fundamental part of how people's performance is managed; this ensures that everyone is pulling in the same direction.
- Good IT systems allow the business to record and report on the critical data required with ease and accuracy.

I will make use of the dashboard structure that I've explained in this chapter to underpin the rest of the book. So do take a bit of time to create your own dashboard so that you can join me on that journey. The tools and techniques outlined in the next chapter will help you to do this.