

A DUAL ROLE

How can nurseries turn a profit without compromising their standards?

Sarah Heale explores the challenges facing owners and managers...

Profit-making nurseries in the private sector have been criticised in the media. Both money-making strategies of putting prices up and reducing costs through changing staff/child ratios are deeply unpopular with parents. Making money out of the care of small children also brings up ethical questions. Some even question whether nurseries should be making a profit at all. But if we agree that they should be, where should the profit come from?

Thankfully, the government has now realised that watering down ratios is not the way to go. However qualified you are, you still have only one lap and two arms, and quality of care would be compromised by increasing the number of children per member of staff. Premium pricing may be possible in some areas, but a corresponding premium product would be expected, which either means better ratios (which affects bottom line) or higher quality relationships with the children (difficult to prove).

Business strategy and planning is not the natural habitat of those working in the early years sector. Large nursery chains can afford

to have head office staff who can take on some of the business functions such as finance and HR, but many independent ones do not have the luxury. Owners/managers have to have an incredible breadth of skills. On the one hand they need the softer skills to understand child development and nurture their charges; on the other they need the harder business skills such as marketing, people management and finance. The two skill sets are at opposite ends of the spectrum. Most people will be better at one than the other but not have the luxury to delegate any of the work.

Dr Carole Ulanowsky, research supervisor in early years at the University of Northampton, says, "Students are usually drawn to the early years sector because they are interested in child development and have strong nurturing skills. Competent practitioners progressing into management often find their time and energies diverted into finance and marketing given that many nurseries are business enterprises. It is a very different skill set to the one they may have started off with."

Sue Chesson, owner of Skips nursery in Ightham, Kent, says that she tries to focus on being the carer in the nursery and be the administrator out of hours. She says, "I try to keep the two roles separate but often, at the drop of a hat, I need to be prepared to get my 'hands dirty' - be the cook or cleaner, change a nappy, be the

about the author



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accountant, mediator or role model. I can't afford to employ someone to do the admin so I try to delegate, but it is a hard balancing act."

Building a reputation

For those who are doing the juggling act, here are some business tips. A guru called Porter came up with the 'Five Forces' in business. They are as follows:

- Threat of new entry (e.g. a new nursery opening up)
- Threat of substitution (e.g. a parent finding another form of childcare like a childminder or family member)
- Buyer power (to do with the market and what demand is like)
- Supplier power (in this instance, this would be about the labour market and how easy it is to recruit and retain good staff)
- All of which influence the amount of competition the business faces.

If there is not much competition, demand is high and it's easy to find and keep good staff, then your business is in a good position. But if there's no room for manoeuvre with staff costs, and the market won't bear increased costs, how else can profits be maximised?

A strong reputation ensures a good pipeline of customers, ensuring a more stable business and enabling long-term planning. And it can be done without increasing costs. Building a reputation is about ensuring you have a good product and then marketing it. For me, a good product is about care and the quality of staff relationships with the children. And for this a good understanding of attachment is necessary. I will look more closely at this in my next article, for it is relationships where the business is ultimately won or lost.



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