

Size matters?

The chains in our directory can be as little as a three-setting group or big enough to cater for tens of thousands of children. **Annette Rawstrone** looks at the pros and cons of each



Is bigger always better, or do good things come in small packages? For many, businesses growth equals success because it can bring new opportunities, lead to more customers and ultimately generate greater profits. However, that's not necessarily the case for childcare businesses.

'Each size of nursery group has its own benefits,' says Nick Brown, regional director and head of brokerage at Christie & Co. 'Being a large group can be easier because of economies of scale, having a bigger pool of knowledge to work from and the ability to share staff. A large group can have more visibility and a better understanding of what is happening with trends. In contrast, it is manageable for an owner to oversee a small group, and for some parents they prefer a small group because they think of it as more homely and intimate.'

Small businesses are often regarded as better at offering a more bespoke service, but Mr Brown feels larger chains are improving at this. 'Gone are the days when a big group operator could do as they wanted just because there was a big corporation's name outside the door,' he says. 'They still need to adapt to the local community.'

He believes medium-sized groups 'can have the best of both worlds', but warns that as they expand, they will need to introduce new management structures carefully. 'As they grow to the size of getting a dedicated head office, they will lose the challenge of the intricacies of the day-to-day but gain the challenge of more children,' he says. 'They need proper structures in place to deal with this.'

DOWN AND UPS

Common disadvantages of expansion include:

- compromised quality

Little Barn Owls is a three-strong chain in the South East

- loss of control
- increased capital requirements.

Another pitfall, warns Mr Brown, can be expanding too far out of a known geographical area. 'If the group is based in Kent and then buys nurseries in Cheshire, this can be a problem. Being based an hour from each setting is fine, but once they are three hours away it can become a challenge,' he says. 'Contrary to this, groups do not want to cannibalise what they do by being too close.'

There is also the danger that staff in a large nursery group can feel like 'small fish in a big pond', but the big chains try to limit this by ensuring senior management regularly visit nursery settings.

James Tugendhat, managing director, international, at Bright Horizons, says, 'There are significant benefits to being a large organisation in terms of economies of scale; however, what we have always recognised is the true value of

retaining our personal connections. Our community partnerships, our charity The Bright Horizons Foundation for Children and the personal development plans in place for each colleague help us have the best of both – the practical benefits of scale with the warmth and support of a close-knit team.’

Small nursery groups tend not to have the luxury of specialist support staff, whereas medium and large chains can afford to recruit experts across recruitment, marketing, finance and professional development, allowing nursery managers and their teams to focus on working with the families.

Mr Tugendhat adds that being a big group means there are many opportunities for employees in different roles or locations. Despite this, Mr Brown cautions that the biggest challenge for all nursery businesses, regardless of size, continues to be recruitment.

SMALL: Little Barn Owls

Little Barn Owls launched in Horsham, West Sussex as a packaway pre-school a decade ago. It has grown slowly since, starting with moving to a site on a farm followed by another setting opening in 2017 and a third last year.

‘We are always looking for opportunities that fit with our ethos and are local – our nurseries are currently just ten minutes from each other,’ says group operations officer Charlotte Bateman.

‘We’d like to offer places for more children because we have long waiting lists and have plans to continue extending the amount of places we offer. At the moment, we are particularly focused on opening a school in September 2020.’

Although expansion has been gradual, Ms Bateman says a challenge has been finding the right strategies to maintain high-quality and consistent education and care across all three settings. ‘We needed tight systems to enable growth to happen. Without that, there was the potential for our values and approach becoming diluted,’ she explains. Staff who had been working for Little Barn Owls for a long time moved over to the second nursery to ensure the continuation of high standards.

‘When opening the last nursery we learnt that as long as we had people with pedagogical and logistical skills working across the



three nurseries then we could give the correct support to a new staff team to help with delivery, use of systems and audits to maintain great quality,’ says Ms Bateman. ‘With now 80 employees, there is greater need to maintain consistency and co-ordination.’

Little Barn Owls has always had a dedicated finance officer, but now also employs a human resources manager. ‘We are always on the hunt for high-quality staff, and recruitment used to take up a lot of managers’ time, so having this role centralised is a huge help,’ Ms Bateman says.

She oversees the group’s systems and logistics and there is also a head of learning to maintain pedagogy and support the nursery teams with regular training and development.

‘There is the potential with a big chain that individual staff are not listened to, but we want to ensure that will always happen because then staff feel fulfilled and that they matter rather than just being a number. What we can do well is be very present in the nurseries to see how the nursery values are lived out

Little Barn Owls has maintained quality by expanding slowly

and ensure that all parents and children receive the same bespoke service, from how they are greeted when they walk through the door to how staff interact with children when they are changing nappies.’

MEDIUM: Kids Inc Nurseries

This medium-sized nursery group, based in London and the Home Counties, owns 12 nurseries with a newbuild due to be completed by the end of the year.

‘We started by acquiring three nurseries and then our growth over the past 16 years has been slow and organic,’ explains operations manager Kelly Greenwood.

‘Our medium-term plan is to grow to around 20 nurseries. The directors have been balancing work with family life, but their children are now at university so they are more able to focus on expansion of the business.’

The directors pride themselves on being hands-on by being involved in all the nurseries and knowing the staff. They aim to keep all settings within 90 minutes’ drive of their Ilford, Essex head office so they can continue to visit each regularly.

‘The directors read reports from the nurseries every day. It’s not just about expansion and numbers. Having a regular presence in the nurseries is very important in order to ensure they reflect the group’s ethos and makes staff feel valued as part of a bigger team,’ Ms Greenwood says.

‘The approach is that the needs of the families and staff are always a priority, and the questions about the most viable options to meet these needs come second.’

A small team of directors and senior managers allows them to make decisions together.

‘Communication is key as Kids ▶

Kids Inc’s plan is to grow to 20 nurseries



Inc grows and the directors and senior management team work very closely with the nurseries to make sure that communication is always a priority,' adds Ms Greenwood.

Being a medium-sized group enables Kids Inc to be 'top heavy', with a manager, deputy and trainee/assistant deputy in each setting plus bank staff. This costs more, but saves on agency fees and recruitment costs, as it trains its own staff and provides career progression. The nurseries are currently located in clusters so staff can move between local sites, enabling the group to better accommodate staff needs, such as flexible working.

The group's size and geographical spread across different demographics make it easier to implement policies such as funded places. 'Accommodating children on 15 or 30 hours but paying staff for 40 hours would be very difficult if we weren't able to balance finances across nurseries, some of which don't have demand for funded places,' Ms Greenwood explains.

Economies of scale also include being able to offer discounted nursery places to staff, more competitive salaries and bespoke training – an area that Kids Inc is planning on investing further in next year with its own training division.

'A key reason our nursery teams work so well is that we are able to have a head office that takes many of the administrative tasks away. Our managers don't do billing, payroll, ordering or dealing with suppliers, which allows them to focus on the quality of childcare and staff needs, such as training,' says Ms Greenwood.

All the nurseries are branded as Kids Inc, which keeps consistency across the group, something that is paramount.

'Parents expect the same standard of care and level of attentive staff at all our nurseries. When parents move areas they choose us because they identify with the quality of the Kids Inc brand,' Ms Greenwood says. 'Our size and potential growth will not change that.'

LARGE: Kids Planet Day Nurseries

'If you had told me 11 years ago that I'd now have [more than] 45 nurseries I'd have laughed,' says Clare Roberts, chief executive of Kids Planet, which has nurseries



across the Midlands and North West of England.

'Perhaps the biggest leap for us was going from a small to medium-sized group four years ago when we acquired three nurseries in Liverpool and increased an extra 25 per cent in size. It was a really important milestone – they were big nurseries, we were making a move to a new area and had a new team to nurture.

'It was a learning curve, but it set us up with the confidence that we could cope with the size, develop the nurseries and continue to move on. The challenge as we've grown is to not to become too corporate. We need to remember that everyone is individual and our settings are unique.'

Despite the group's size, Ms Roberts insists on two 'givens':

- Ensuring high-quality childcare and staff
- Maintaining strong safeguarding procedures

'We have to ensure that our capacity to do this is consistent in order to enable growth,' she says. 'Some groups grow too quickly and don't embed their systems properly. It is important to constantly review what we are doing because this is what our reputation is built on.'

Ms Roberts and her father, a chartered accountant, started Kids Planet by buying two nurseries. 'My dad did the finance and I was all the other departments. I became an expert in a lot and had to learn quickly about a lot,' she says.

'I knew most of the children and parents by name when we had two nurseries. When we had three and four I knew a lot of them, but now we have 6,500 children and more

Kids Planet remains predominantly family-owned despite private equity backing

than 1,300 staff members, which is a challenge in itself.

'I have to accept that I have a structure of staff that do the job that I once did and that they know people personally. Despite this, I'm still visible and at the forefront of our nurseries. People know me and I make the effort to remember as many names as possible.'

Kids Planet received private equity investment in 2016 from Business Growth Fund (BGF) to enable further expansion, but it is still predominantly family-owned and Ms Roberts believes she benefits from having her father and sister working alongside her as directors.

'We have shared values because we are family,' she says. 'BGF let us grow the business in the way we want. They are fantastic partners for us because they understand that we know the sector and they give financial support.' Ms Roberts can envisage the group reaching 100 nurseries in the next five years.

The benefits of being a large group include being able to deliver its own accredited training, from apprentice level to Master's, and having lots of people in supporting roles.

'No-one should feel alone,' Ms Roberts says. 'We have a wealth of knowledge and expertise and the team has lots of experience to share.' She believes that they continue to learn from every acquisition and new recruit but that, no matter how big they are, they are only as strong as their weakest staff member.

'We need to know who they are and how to support them,' says Ms Roberts. 'We need to go to sleep comfortable in the knowledge that we are caring for 6,500 children and we're getting it right.' ■

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