

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Diploma Thesis

**Business Plan for the Establishment of a Private Nursery
School in Prague**

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DIPLOMA THESIS ASSIGNMENT

Bc. Aydan Hamidova

Economics and Management

Thesis title

Business plan for establishment of a private nursery school in Prague

Objectives of thesis

Developing an effective and elaborated business plan is a key precondition for any company to succeed in its subsequent business activities. Business plans help companies identify clearly their vision of the market and goals in it, and to define the ways in which the aforesaid goals will be achieved. In the long run, by referring to business plans, companies may evaluate effectively to which extent their goals were achieved and to which extent they succeed in how they act and what they do in the market.

This thesis will be dedicated to the investigation of business plan, and namely to the development of a business plan for a new entity to be opened in the field of private education in Prague.

The main aim of the thesis is to develop a comprehensive business plan for a new private preschool to be opened in Prague, and to evaluate the possible benefits and threats of this business plan.

Methodology

For running the research, a number of methodological approaches will be applied. Namely, secondary research will be used for covering the theoretical materials related to the topic of the thesis; financial analysis (and namely break-even point analysis) will be applied for evaluating the institution's financial prospects, payback period and profitability indicators; also, deductive thinking and synthesis will be used in order to glue and present the conclusions pertaining to the research in line with its aim and goals.

The thesis will use a number of secondary bibliographic sources, including but not limited to Butler, D. (2016). Business planning; Brandon, E. and Welch, H. (2009). The history of financial planning; Guthrie, J. (2008). Modern school business administration; Stutely, R. (2007). The Definitive Business Plan; etc.

The findings of the thesis should provide viable and practically applicable conclusions on the opportunity to open a new private nursery school in Prague based on the business plan developed.

The proposed extent of the thesis

40 pages

Keywords

business plan, private nursery school in Prague, marketing plan, financial plan, education environment, legislative requirements

Recommended information sources

1. Brandon, E. and Welch, H. (2009). The history of financial planning. 1st ed. Hoboken, NJ: Wiley. ISBN 9780470553794. 320 p.
2. Butler, D. (2016). Business planning. 1st ed. [Place of publication not identified]: Routledge. ISBN 9781136423482. 288 p.
3. Guthrie, J. (2008). Modern school business administration. 1st ed. Boston: Pearson. ISBN 9780205572144. 464 p.
4. Stutely, R. (2007). The Definitive Business Plan. 1st ed. Harlow [etc.]: Financial Times Prentice Hall. ISBN 9780273710967. 312 p.

Expected date of thesis defence

2017/18 SS – FEM

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Declaration

I declare that I have worked on my diploma thesis titled "Business Plan for the Establishment of a Private Nursery School in Prague" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on the 31st of March 2018

Acknowledgement

I would like to thank Ing. Petr Procházka, Ph.D., MSc and all other persons, for their advice and support during my work on this thesis.

Business Plan for the Establishment of a Private Nursery School in Prague

Abstract

The thesis focuses on analyzing the importance of business plans in the operation of commercial entities and start of business activities. The findings of the thesis prove that effective planning is indispensable for any business entity to succeed in its market operations. In the practical part of the thesis, a project for establishing a private nursery school in Prague, Czech Republic, is considered. The business, marketing and financial plans developed for the company prove that its market activities might be successful, and therefore the investment project is recommended for being funded. The company should focus on effective planning and market research for avoiding risks from external environment, and is recommended to enhance customer communication for guaranteeing its long-term business success and financial stability.

Keywords: business plan, financial plan, marketing plan, nursery school, Prague, project management.

Podnikatelský plán na založení mateřské školky v Praze

Abstrakt

Práce se zabývá analýzou významu podnikatelských záměrů při provozu obchodních subjektů a zahájení podnikatelské činnosti. Závěry práce dokazují, že efektivní plánování je nezbytné pro to, aby jakýkoli podnikatelský subjekt uspěl ve svých tržních operacích. V praktické části práce je zvážen projekt zakládání soukromé mateřské školy v Praze, v České republice. Podnikové, marketingové a finanční plány vyvinuté pro společnost prokazují, že její tržní aktivity mohou být úspěšné, a proto se investiční projekt doporučuje pro financování. Společnost by se měla zaměřit na efektivní plánování a průzkum trhu, aby se vyhnula rizikům z vnějšího prostředí, a doporučuje se, aby se zlepšila komunikace zákazníků s cílem zaručit jeho dlouhodobý obchodní úspěch a finanční stabilitu.

Klíčová slova: finanční plán, marketingový plán, mateřská škola, podnikatelský plán, Praha, projektový management.

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1 Introduction

The technological progress in the world is developing at an ever-growing pace. People's needs are becoming greater every year, and this promotes and incites the implementation of innovations and the intensive growth of the global economy. At the present stage, the global economy is knowledge-driven, which means that its development is mainly based not on the extensive expansion, but rather on the implementation of innovative production methods and technologies with the aim of guaranteeing the best performance or business results. This approach guarantees the growing focus on education and the optimization of the educational services provided to persons.

Therefore, at present time, educational institutions are among the very important actors of the global market, whose function consists in the provision of individuals with the highest level of education and the opportunity to use the skills and knowledge obtained in practice, so as to achieve the desired professional growth and at the same time to pass through the processes of socialization.

The market of educational services is quite heterogeneous and includes a great number of different educational institutions offering their services to a broad range of individuals. However, a particularly important role is played by pre-school institutions which provide their educational services to children with the aim of preparing them to the subsequent years of studies and also for initiating their social adaptation through communication with other children. Pre-school institutions can be state-owned, but can also be private-owned, which means that they can act as full-fledged for-profit commercial organizations.

As a private nursery school is a business, before opening it, the entrepreneur needs to evaluate all possible risks and opportunities, and to assess the ultimate commercial result which the business might provide in the future. For this purpose, an effective business plan is required.

Business planning is a set of activities destined to ensure the effective planning of an entity's gradual business growth, and to describe the stages through which the achievement of business results would be possible. The business plan not only describes what and how the company wants to achieve, but also sets criteria for measuring such achievements, financial estimates, and deadlines.

2 Objectives and Methodology

2.1 Objectives

This thesis will be dedicated to the analysis of business planning when opening a nursery school in the Czech Republic.

The aim of the thesis is to develop a detailed business plan for the opening of a private nursery in school in the city of Prague.

The goals of the thesis are the following: to analyze theoretically the key aspects related to business planning, specifically to the components of business plans, financial plans, and marketing plans; to analyze the specificities of the educational market and the legal conditions of opening a nursery school in the Czech Republic; to develop assumptions for the opening of a nursery school in the Czech Republic and to compile a justified business plan for the opening and operation of the educational institution; to reveal the key advantages and possible threats to be faced by the school; to develop grounded recommendations for the school to succeed in its market activities.

The research questions of the thesis are the following:

- RQ1: Can the project for opening a nursery school in Prague be evaluated as commercially justified for investors?
- RQ2: What are the main risks for the implementation of the project?
- RQ3: Based on the business plan developed for the nursery school to be opened in Prague, what are the main suggestions for it to avoid the risk of failure?

The hypothesis to be tested in the course of the research is the following:

- H1: The project for opening a nursery school in Prague can be commercially effective within a 10-year time span in different circumstances.

2.2 Methodology

The methodology for writing this thesis was based on a number of different methods and analytical tools. First of all, secondary research was applied in order to collect and analyze appropriate information dedicated to the research topic which is available in

scientific literature and other relevant information sources. This was destined to help form the desired theoretical background before the practical part of the research. In the practical part of the thesis, elements of financial analysis were applied when drawing a business plan for the entity and evaluating its potential feasibility. In the context of financial analysis, the main attention was paid to the evaluation of the expected profitability which the planned entity might achieve, and also the expected break-even point under three different scenarios, namely the pessimistic, neutral and optimistic scenarios. This was done in order to calculate the project's potential commercial effectiveness and attractiveness for investment in quite different circumstances, and thus to reveal whether the project deserves ultimate implementation in the long run. In addition to this, deductive analysis and synthesis were used in order to complete the research and contribute with the author's own visions in order to raise the added value of the thesis.

The bibliographic sources used in the thesis will include a number of academic publications dedicated to the research topic, and namely to business planning and the educational services. Such publications will include but not be limited to the following: Bird, P., 2010. *Write the Perfect Business Plan: Teach Yourself*; Hougaard, S. and Bjerre, M., 2010. *The Relationship Marketing*; Ekanem, I., 2017. *Writing a business plan*; Hoffmann, S., 2008. *Are the 4 P's of International Marketing of Equal Importance to All Firms? What Factors Might Cause Some to More Or Less Important Than Others?*; Wawak, T., 2014. *Current Problems of University Management*; etc.

The findings of the thesis should be of practical value and should be appropriate for use in any subsequent research dedicated to the analysis of the opportunities of opening a nursery school in the Czech Republic or in another country of the European Union.

3 Literature Review

3.1 Business Plan: Definition and Components

Prior to delving into the deep analysis of business plans, their components and different types, it is worth first of all understanding clearly what a business plan is and what role it plays for companies and entrepreneurs.

According to Ekanem (2017, p. 13), a business plan is a „*written document to describe a business opportunity, the goals of the business and the methods to achieve the goals. It is a road map for your business.*” Therefore, based on this definition, it can be stated that a business plan is an official written document which a company compiles for the purpose of developing its business and achieving the desired financial results. Therefore, the ultimate aim of any business plan is to identify explicitly the business goals which a company follows and to plan the actual use of resources for the sake of achieving the stated goals and fulfilling the company’s market objectives. Ekanem (2017, p. 13) further notes that a company’s business plan serves not only as a tool for making business decisions, but also as a tool of control set to measure corporate business performance and evaluate the actual effectiveness of the enterprise’s commercial activities.

A similar definition of business plan can be found in Bird (2010, p. 36) who states that a business plan is „*a detailed description and assessment of a business from idea to execution that provides a blueprint for future action.*” Therefore, it can be stated that despite some slight differences in formulations, in general, the interpretation of the term is rather similar in literature, and there are no controversies in this respect. As a result, we can now focus more on the analysis of the goals and functions of business plans.

Ochtel (2009, p. 38) states that „*As the name implies, business planning is a process. Being such, the business planning process is in constant flux and requires constant modifications, updates, or changes as the dynamics of the market evolves. It is important to realize that your company's business planning process and resultant business plan is a “living document”. This means that changes in the market need to be reflected in your business planning process and ultimate business plan.*” The main idea behind corporate business planning is that it is always cyclical, and the plans designed by corporate managers should always be adapted in a timely manner in order to reflect all changes occurring in both the internal and the external environment of the company’s

business. This is the only way to guarantee the most effective response to any changes in the conditions of doing business, and thus to achieve the highest level of financial performance even when the market is changing rapidly.

Taylor and Davidson (2015, p. 4) point out that drawing a business plan is a complex task requiring sufficient knowledge and expertise in the field of business management. The lack of any such sufficient knowledge or skills might impose significant risks on the company due to the inappropriate use of its funds, and thus possible significant losses. Moreover, without the use of effective business planning, businesses would have no reference for comparing their current financial results against the planned ones, and this would mean difficulties in the assessment of the actual level of performance. The authors thus come to a conclusion that compiling an effective business plan is the first step on the way to business prosperity and the first thing any corporate managers should think over in detail before proceeding directly to commercial business activities.

Ekanem (2017, p. 2) notes that the primal precondition for an effective business plan is its close linkage with the company's business idea. Each business plan is individual. It cannot be copied from any secondary source or from any template. In fact, the business plan has to reflect the business owner's ideas, and the company's particular vision and mission in its market activities. Furthermore, a business plan is never rigid, and thus should be adapted correspondingly to the changing vision of the business owner, changing conditions of the external business environment, or due to any other conditions relevant for the high performance of the business. Having a business plan provides the business owner with many advantages. First of all, it helps keeping in focus the enterprise's business strategy, financial estimations, risks, competitive forces, and so on. On the other hand, having a distinct and clear business plan maximize the effectiveness of financial management. It is also a key precondition for raising external funding, specifically on the part of external investors who want to be sure in the business owner's serious attitude and sufficient skills to achieve the desired business results.

Harmer (2014, pp. 30-31) notes that business planning is of particular importance for smaller companies and start-ups. Such companies have limited financial and human resources, and therefore need to evaluate thoroughly any outcomes of all possible choices in subsequent directions of their activities. For start-ups, it thus becomes critically important to evaluate the possible investment they have to make, and which particular results this might bring. Thereafter, constant evaluation of the results achieved is required

in order to understand how the company performs during particular periods and where it should implement improvements in order to maximize the effectiveness of its business performance.

Therefore, based on the information outlined above, we can summarize that the key functions of a business plan are to forecast the possible development of a company based on the availability of its resources and the goals it pursues in the market, and to evaluate the results actually achieved against what was planned, thus playing the role of a retrospective analytical tool.

So, what are the components of a business plan? According to Hull (2013), the components of a business plan are the following:

1. mission and vision. This component articulates what the company is trying to do, what goals it pursues in the market, and what values it emphasizes as a part of its broader business development;
2. description of the company, its products or services. In this section of the business plan, the company's main characteristics are described, including the legal form, structure, etc., as well as its core product and/or service. Choosing a core product to be offered to customers means elaborating in detail its design, specific visual characteristics and user parameters, features and functions, packaging, and so on;
3. description of how the company's product or service is different. The main point here is to understand which competitive advantages the product or service has in the market, and thus what chances it has for succeeding in the existing competitive struggle, thus providing the company with the desired business results through its effective performance;
4. market analysis. In this section of the business plan, the market where the company plans to enter or where it already runs its business activities is analyzed in detail. This includes the analysis of competitors, the company's actual or potential/desired share, dynamics of competitors, demographic characteristics of customers and so on;
5. description of the managerial team. This includes a detailed description of the actual structure of the company's management, including the positions of particular

persons, their professional experience, achievements in previous companies and on previous positions, brief description of functions and core competencies;

6. marketing plan. This section focuses on how the company plans to market its product, i.e. on what means it is going to use in order to convey messages to customers which would persuade them to make a choice in favor of the company's products, and not ones of its competitors;
7. analysis of the company's opportunities or challenges. This can be done using different methods, but the most widespread one is SWOT analysis within which the company's strengths, weaknesses, opportunities and threats in the market are analyzed in detail;
8. financial plan. Any company needs to plan its cash flow and to understand the expected flows of revenues and expenses, so as to forecast the possible financial performance in the future and to seek ways for improving it. The company's financial plan and estimations should be realistic, as this will precondition the actual effectiveness in the company's performance;
9. revenue projections are generally done within the financial plan, but they deserve particular attention and are emphasized separately in the business plan. Actually, the expected payback period, internal revenue rate, and other relevant revenue-related indicators illustrate the scope of the company's possible gains in the future, and the time which it might require for achieving them;
10. summary. This part of the business plan binds and links together all the previous parts, and serves to show the key information contained in the business plan which might be useful either to internal users (managers) or to external users (investors). Summary can be placed either in the end or in the beginning of the business plan.

In addition to the fact that a business plan itself is a complex document, it should also be noted that there are different types of business plans used in the commercial practice of companies. According to Bird (2010, pp. 36-37), the most widely used classification of business plans is based on their timespan: short-term (usually 1 year or less), mid-term (1 - 3 years) and long-term (5 years) business plans. Based on business entity, they can be divided into business plans of business units, companies, groups of companies, or investment projects. Finally, based on the purposes of their compilation,

business plans can be destined for planning the company's business activities, developing its business strategies, or for raising external funding.

Thus, based on the information outlined in this chapter, it can be stated that having a detailed and justified business plan is indispensable for any company wishing to succeed in the market. A particularly important task in this context is to develop an effective marketing plan, which will precondition the company's actual chances to effectively reach its target customers and sell the entity's products or services to them. The concept of marketing plan will be analyzed in the next chapter of the thesis.

3.2 Marketing Plan

To investigate the key specificities of a marketing plan, let's first start off with the definition of the concept. According to Reid and Bojanic (2009, p. 165), a marketing plan can be defined as *„a written document containing the guidelines for the business's center's marketing programs and allocations over the planning period.“* Therefore, it can be stated that a company's marketing plan is its business document in which it outlines its marketing strategies and policies set to ensure the achievement of its goals in terms of communication with the customers and the incitement of such customers to buy the company's products. Therefore, similarly to the broader business plan, a company's marketing plan is as well a comprehensive document which outlines in detail the firm's marketing activities to be run in the future for supporting its business development. The marketing plan can be either a part of the business plan, or a totally separate document. Regardless of the form actually chosen, the marketing plan remains always tightly interlinked with the company's business goals and the general framework, and has to be conceptualized by the responsible managers.

A similar definition can also be found in McKinlay (2007, p. 123) who adds that a *„marketing plan is an overall business programme for selecting a particular market segment and then satisfying that segment through the best possible marketing mix.“* The researcher emphasizes that the marketing plan is set to illustrate how the company wishes to achieve its marketing goals, and acts as a guideline in such dedicated corporate activities. McKinlay uses the concept of the marketing mix, which he calls the backbone of the marketing plan, but also contains a range of other elements which are appropriate for setting the company's marketing goals and the criteria for their evaluation. Namely, an

effective marketing plan should include an analysis of the marketing environment and competition in the market, set effective goals and metrics to monitor their achievement, and should also include a clearly identified budgeting section within which the budget for marketing would be outlined in detail, with direct costs and expected financial or other benefits.

So a key concept for the creation of a marketing plan is the marketing mix. According to Palmer (2010, p. 107), marketing mix can be defined as „*the set of controllable marketing variables that consists of the blend of these four strategy elements meeting the wants and needs of the target market.*” Within its marketing strategy, a company blends all of the four elements noted above and seeks achieving the best synergic effect from combining them. The marketing mix has been traditionally referred to as the 4 Ps based on the initial letters of the above elements: product, price, place, and promotion. However, as of today, there are often 7 Ps mentioned in literature, adding process, people, and physical evidence in additions to the original 4 Ps. Each of the Ps is a component of the marketing mix, and therefore they deserve particular attention within this chapter.

1. Product

Hougaard and Bjerre (2008, pp. 28-29) note that this component of the marketing mix stands for a product or service which the company manufactures/delivers to the customer with the aim of satisfying the customer’s particular wants or needs. Within the marketing plan, the product element of the marketing mix is to be paid particular attention in the context of the following marketing directions. First of all, the company needs to design the product’s features and identify its quality. This has to be done based on a clear understanding of the target audience’s needs, as otherwise the company might lose considerable resources. Hoffmann (2008, p. 3) further states that the product has to be endowed with features better than the ones of competitors’ products, or with some features to make it unique among the other offers available in the market. In addition to this, the company has to think over the overall product mix it offers, of how placing the product within the total range of products it offers, how to maximize the effects from offering the whole range, and so on. Packaging plays an important role as well, since it is the main visual aspect which is destined to draw customers’ attention to the product. The choice of an appealing package is an important element of any company’s marketing policies in terms of the product element in the mix.

In the marketing plan, the company also has to evaluate and state explicitly the warranties which it offers to customers, and how customers might be compensated in case of any abnormal malfunctions in the product. Also, the company might benefit significantly from defining its product lifecycle management policies in the marketing plan, which means forecasting any changes in the product lifecycle and identifying the right period for the timely substitution of such products with other products.

2. Price

Dogra (2010, pp. 88-89) states that the price component of the marketing mix refers to the amount which the customer pays for the company's product or service. Price affects directly the company's revenues. The choice of the correct pricing is of key importance to any company in its marketing policies. The price should reflect the customer perceived value with the company's margin added. An excessive price for a market might lead to a situation when the company will be suffering losses. Furthermore, for some markets, prices should be lower than the prime cost, and by evaluating this, the company might refrain from entering such markets at all.

Within the marketing plan, the company should evaluate clearly its pricing strategy in the domestic and/or foreign markets, which means either price standardization or price adaptation (when different prices are set for the same product for different groups of customers). Also, the company has to set its pricing policies and tactics of price-setting. Also, the company outlines the rebates which it might provide rebates to distributors, resellers or other agents for spreading its products in the market, as well as evaluate possible discounts to be provided to customers, and so on.

3. Place

Hoffmann (2008, p. 3) states that the place element of the marketing mix refers to the actual channels through which customers can buy products from the company. Any company's main goal within its activities on the place element of the marketing mix is to provide the target customers with maximum convenience, which means the ease of access to the distribution channels.

Within the marketing plan, the company identifies its distribution policies, which might be based on exclusive distributorship, selective cooperation with distributors, or any other methods which the company might deem to be effective for its business purposes. Also, the company makes decisions on the physical stores, outlets, or any kinds of wholesale or retail outlets in which its products are to be offered to target customers. Having decided with the locations, the company needs to identify channel members and identify how it is going to build effective relationships with such channel members in order to optimize its own logistics for customer convenience. Finally, the company should foresee in its marketing plan how it is going to deal with the transportation of its products, storage at warehouses, and the overall schemes of logistics and their management.

4. Promotion

According to Hougaard and Bjerre (2008, pp. 28-29), this marketing mix components relates to the marketing communications which the company uses for the purpose of maintaining effective ties with its customers and conveying marketing messages effectively to them. Promotion includes advertising, public relations (PR), direct marketing, and sales promotion.

Within the marketing plan, the company has to identify clearly the balance it is going to maintain between different promotion methods and techniques within its marketing activities. The company needs to understand and describe how it is going to reach its target audience with messages: what kinds of communication channels should be used for it, how the messages themselves should be constructed, how they should be appealing to customers, and so on. The channel strategy is particularly important, as different channels of promotion might have different effectiveness and entail different costs to be borne by the company. The company needs to identify clearly its budget to be spent on promotional activities, and the benefits which it expects to gain instead.

5. Process

According to Adcock et al. (2001, p. 158), as people and physical evidence, this component is most widely used in the tertiary sector, i.e. the provision of services. Process embraces the procedures of activities through which the customers obtain their service from the company. In the marketing plan, the company has to analyze the requirements of resources, prepare the overall process design, analyze possible critical points, and so on.

6. People

Adcock et al. (2001, p. 158) note that this component comprises all persons who participate in the provision of services. Within the marketing plan, the company might benefit from considering staff recruitment and training, managing the procedures of interaction between different staff systems, providing the staff with uniforms for better brand recognition, and so on.

7. Physical evidence

According to Adcock et al. (2001, p. 158), this component embraces the environment in which the service is provided to the customer, and also the tangible evidences of the provision of services. Within the marketing mix, the company should state the documents which it will use for testifying delivery, and also think over possible souvenirs for customers to remind of the purchase, such as corporate leaflets, brochures, etc.

Therefore, as can be seen from the information provided above, a company's marketing mix is a detailed document in which all of its marketing are planned for the future and are designed for the purpose of planning effectively the subsequent development of the company's business. Now, it is worth considering the financial plan and its specificities.

3.3 Financial Plan

For understanding what a financial plan is, it is worth citing the definition provided by Morris and Morris (2007, p. 80) who state that a financial plan is a „*document that describes your current financial status, your financial goals and when you want to achieve them, and strategies to meet those goals.*” The financial plan is an essential part of any company's business plan, as it allows estimating and forecasting which cost the company might incur and which revenues (and thus profits) it might expect to generate from its business activities. Any financial plan plays two key roles: on the one hand, it acts as a plan in the initial meaning of the word, allowing the company to design effectively its activities to be run in the future; on the other hand, it is a document which the company's

owners or managers can use as a benchmark for evaluating their subsequent business activities and achievements through the prism of the initial goals and criteria which the business had set for itself.

So, what are the main components of a financial plan? According to Hildreth (2003, p. 508), first of all, the company needs to set clearly its goals and objectives. This can be done either by stipulating particular criteria of revenues or profits to be achieved within a particular timespan, as dynamics of particular financial parameters, or as relative figures (for instance, absolute values of particular indicators or their dynamics against the same indicators of the competitors). The key goal here is to make all such criteria clear, specific and measurable, so that they would be suitable for effective financial planning and the subsequent monitoring and control.

Hildreth (2003, p. 508) further notes that when designing criteria to be used subsequently for evaluating the company's performance and business results, it is indispensable to make grounded assumptions on the business activities to be carried out. Namely, such assumptions include any of the assumptions with regard to relevant financial parameters such as the inflation rate, interest rates set by the central bank, currency exchange limitations, consumer prices index, and so on. Taking all those indicators into account allows making the financial plan more reliable and allows avoiding excessive risks due to its possible errors or omissions.

Next, the company needs to create its key financial reports or use the old ones in order to evaluate how they might change in the future under the impact of both internal and external factors, and how the company should deal with them for the purpose of deserving the desired results in its core business in the long run. Namely, as argued by Lambrecht (2017, pp. 118-119), within its financial reports, the company should pay particular attention to the balance sheet, the profit and loss account, and the cash flow statement. Within its balance sheet, the company should evaluate how its assets are expected to change against its liabilities and shareholders' equity, and thus to which extent the company will be dependent on the use of its own and borrowed funds in the process of its business activities. The profit and loss account allows identifying the company's key items of expenditures and revenues, and thus analyzing to which extent the firm's business operations might be in the future under the given conditions. Finally, a detailed cash flow statement allows evaluating the sources of money income for the company, and thus

understanding which of them might be the most effective for the company, and where it can achieve the highest profit margin.

Lambrecht (2017, pp. 118-119) further notes that financial planning also plays an important role in the context of tax planning. Namely, in the financial plan, the company's managers can foresee the policies which they will be using in order to legally decrease the amount of taxes to be paid to the budget, which subsidies or subventions can be obtained from the government, and any other similar issues the resolution of which might allow the company reducing its expenses, and thus either raising the profit margin or decreasing its product prices for generating greater customer interest.

There can be different types of financial plans used by a company. Namely, according to Bhat (2008, p. 774), short-term financial plans are aimed to analyze the expected revenues and expenses of the company within a period of up to 1 years, while long-term financial plans might extend well beyond the one-year period. The key goal of short-term financial plans is to identify the current risks which the company incurs and to reveal the actual shortcomings which might be improve for the purpose of achieving the desired business goals. At the same time, long-term financial plans focus on the development of the company's business in the long-term perspective, and thus are destined to seek reserves for long-term business growth. Also, a particular and specific type of financial plan is investment plan. This type of plans is destined to evaluate the minimum time within which the project can achieve its break-even profit, and what profitability margin it can provide to both the business owner and the investor in the future.

Thus, it can be stated that financial plans play a particularly important role for different users of such corporate data, hence they can be deemed an integral part of any company's business plan.

Taking into account all those facts, it is now worth proceeding to the consideration of the educational market as a business sector and its specificities.

3.4 Specificities of the Educational Market as a Business Sector

When analyzing the market of educational services, it should be understood that it is quite different from the market of any other kinds of services. Thus, as stated by Popkova et al. (2017, p. 321), the main specificity of the market of educational services is the fact that such services feature more the character of public goods, and not of any kind of commercial services. In this market, the main actors are educational institutions that provide educational services to individuals. There might be a broad range of actors involved in such services. For instance, they can be provided by private educational institutions, state-owned institutions, religious communities, mixed-ownership institutions, and so on. At the same time, there are different educational institutions based on the target audience at which they are directed. For example, those can be pre-school educational institutions, schools, colleges, universities, vocational training institutions, and so on. In addition to this, there can be multiple educational and training courses of different kinds providing particular education to their customers. The ultimate goal of educational institutions is to provide the clients with the desired level of skills and knowledge in a particular field for the purpose of being able to apply them either in professional career or in private life.

The specificities of the market of educational services can be tracked particularly in the specific functions which the market performs. According to Wawak (2014, p. 138), the main functions of the education market is the following:

- satisfaction of the population's striving for knowledge and skills;
- balancing of supply and demand in the market, and increasing scope of services provided to the populations;
- social adaptation of individuals, including to their future professional career and interpersonal relationships with other individuals;
- democratization through education: on the current stage, educational institutions are set not only to provide education, but also to spread common human values such as the support for human rights, non-discrimination, environmentally responsible behavior, and so on;

- innovations: educational institutions contribute to the fulfillment of human potential, and thus are destined to reveal individuals' talents and ensure their complete creative fulfillment in the future.

Therefore, as can be seen from the information outlined above, the provision of educational services is interconnected tightly not only with the professional aptitudes of individuals, but also with their socialization, which means their opportunities for successful activities and interpersonal communication in their „post-educational” life. As a result, educational services cannot be considered just as a business, and are a social phenomenon, which requires companies operating in this market to constantly improve the quality of their services. This is particularly true speaking of educational institutions dealing with persons of the youngest age, and namely pre-school establishments, or nursery schools. The quality of education provided to children preconditions largely their opportunities to effectively complete the next socialization stage in their life.

As noted by Hanover Research (2014), *„one of the most notable trends in higher education branding and marketing is that institutions are dedicating far more attention to these functions than in previous years.”* The group's research proves that educational institutions are investing significantly greater time and financial resources in the development and performance of their marketing activities, as this is seen as a key step to attract customers on the national and the international scale and to maintain their loyalty in the long-term perspective. A particularly important trend as of today is the growing use of the opportunities provided by online social networks such as Facebook, Twitter, Instagram, etc. This online channel is of essential importance to educational institutions not only for promoting and advertising their brand, but also to maintain constant communication with their students and other counterparties, collect feedback on the advantages and disadvantages of their programs, develop new ideas, and so on. This helps consolidate the brand and maximize the effectiveness of corporate marketing in the educational segment.

Waslander (2010) notes that the online environment is indispensable in overall terms for the effective operation of any modern educational institution, as the Internet links together all actors in the international educational market, and helps ensure the best information exchange, and thus the best access to information for both tutors and students. Among the most important of such resources, it is worth noting online libraries and

databases of materials, websites of international organizations and companies, and so on. Moreover, thanks to the use of online technologies, educational institutions also get an opportunity to raise the overall quality of their own material management systems and are able to develop their unique pool of knowledge more effectively.

Hanover Research (2014) further notes that *„perhaps the largest area of innovation and growth in higher education marketing and branding, as well as in recruitment, is in the online and digital space... Among the most important tools for social and online marketing is an effective and intuitive website, which should be considered the “ultimate brand statement” for an institution.*” Despite the growing importance of the online segment, the group states that the most important element of any educational institution’s marketing activities is the direct interaction with customers, i.e. with students, and therefore marketing strategies in this segment should focus first of all on the improvement of direct business-to-customer communication between universities and their students.

In the context of marketing, Keystone Academic (2017) notes that *„higher education marketing has exploded in recent years, and with the growing need to use effective marketing strategies in higher education comes a seemingly endless stream of firms and agencies offering marketing services to universities and schools.*” This means that a key trend for higher education institutions is to outsource their marketing activities more and more to third-party specialists for the purpose of avoiding excessive costs and the unproductive use of own resources. Thanks to outsourcing, universities get professional assistance from dedicated marketers, and thus are able to improve the overall quality of their business performance in the long run. Keystone Academic (2017) further notes: *„in many cases, individual departments aim to develop marketing strategies that are relevant and productive within the context of their own goals. Or a university's overarching marketing concept becomes diluted when interpreted across the array of faculties. When universities and schools are faced with such complex marketing challenges, higher education marketing firms can offer the structure and organization needed to manage conflicting demands....”*

Another important trend in terms of the digitalization of the education sector is the fact that more and more universities are offering the opportunities of online education to their customers. As noted by Hanover Research (2014), thanks to this, educational institutions are able to expand significantly their customer base, and thus improve their opportunities to generate greater revenues through the provision of wider choice

opportunities to their customers. Online education means that customers get an opportunity to complete educational programs on a remote basis, thus sparing times and funds and at the same time using to the greatest extent the up-to-date technologies available for education. However, Hanover Research (2017) also notes: „...*the trend towards online education is not without its critics. The disruptive innovation that is online learning, many have argued, may offer lower costs and increased revenue, but comes at the price of inferior quality and diminished performance. Critics of moving away from standard practices and expanding both delivery methods and revenue generation models through online education underscore the risk-averse nature of traditional postsecondary institutions, and those currently running them.*” Therefore while the trend toward the greater use of remote education based on the Internet is getting more popular on the global scale, traditional education still holds its leading positions, and is preferred by most population layers in different countries.

Now, let's consider also the social aspects of the market of educational services.

3.5 Overview of Industry (Social Aspects)

Popkova et al. (2017, p. 321) state that the field of education is not a conventional economic sector where everything revolves around commercial activities aimed at generating profits. First of all, it should be understood that the sector of educations assumes the direct interaction between the service provider and the customer. Education is not about consuming an ordinary service. It preconditions the opportunities for a person to complete his or her social adaptation and to continue the work career so as to gain funds for life and ensure the satisfaction of other, non-basic needs. The knowledge and skills a person obtains are carried through the subsequent years of life, and thus their effect is long-lasting, and its importance extends to the long-term perspective. Therefore, the efficiency in the performance of its business on the part of the seller of education services is a factor of major importance in order to ensure the most effective formation of human capital on national scale.

Another important social aspect of the market of educational services is the fact that the effectiveness of the operation of educational institutions is of major importance to the state. According to Wawak (2014, p. 138), the better the quality of services obtained by the population from such educational institutions, the more educated and thus capable

human potential the state obtains. As a result, this human capital can be used in the operation of national economy, delivering highly creative and innovative solutions, meeting the requirements of the time and even generating ideas for further innovation-driven growth. Also, it should be pointed out that people with high practical skills and deep theoretical knowledge have opportunities to adapt themselves to the changing conditions of the external environment, which favors their career prospects and the overall higher standards of life. This is particularly important in the time of globalization, when the growing intensity of interaction between individual states contributes directly to the growing instability and fluctuations. During periods of crises, people can easier change their specialization thanks to their education, and this is positive for the entire national economy, raising its flexibility and competitive quality.

Taking into account the abovementioned tendencies of globalization, it should be noted that the higher the quality of education in a state, the better opportunities it has to develop its partnership ties with other states. According to Popkova et al. (2017, p. 321), such inclusion in international relations through the sector of education contributes to the growing cultural exchange between countries, and thus raises the opportunities of driving own growth through the experience obtained through such relationships.

Another important social aspect of higher education is the degree to which it contributes to the development of the so-called Global South, or the developing countries. According to Omwamba (2014), *„the use of higher education to inform socio-economic development in developing economies cannot be ignored. According to Dickson, the problems facing developing economies - like food insecurity and inadequate healthcare services - can only be tackled if there are advancements made with great strides in the higher education sector. Science and technology must be boosted so that from capacity building and technical training of their citizenry, countries will be able to meet their human resource requirements to drive the development agenda of their countries' economic maturity and independence.“* Based on this, it can be stated that higher education plays an essential role in combatting poverty in developing states and in the overall improvement of the quality of life in such countries against the so-called Global North, i.e. developed states. For the local population in developing countries, obtaining high-quality education is of major importance for being able to achieve the desired self-fulfillment through professional growth and sufficient financial rewards in work. Omwamba (2014) further notes: *„universities anywhere in the world accumulate, churn out new knowledge*

and transmit the knowledge to other parties, a role that has been peripheral to development. In the Global South, this role is quintessential to ensure that economic and social welfare programs that are appropriate are developed and rolled out to society, and help develop the economic baselines of those societies.”

A common social trend in the education sector as of today is the personalization of learning. According to Morrison (2013), *„personalizing learning experiences where learners are taking control of their learning, not relying upon institutions or companies for providing education and/or vocational development they want and need... Professional development for educators will shift to a personalized approach, where educators build a personal network using social media tools, connect and collaborate virtually with other educators to fulfill their own learning needs.”* Therefore, we can confirm further the previous findings of this chapter in terms of the growing importance of online technologies for the development of the education sector, including through the opportunities provided by online social networks. Companies running their activities in the educational sector are not simply commercial entities. They provide educational services, and therefore stay closely interconnected with their customers and also integrated in the structure of their country’s national economy. On the global scale, the social importance of the educational sector can’t be underestimated, as it preconditions the effectiveness of innovative growth and the overall technological development of the global economy, thanks to which the effectiveness of humanity’s activities is growing.

The next chapter is going to be devote to the analysis of the legal conditions for opening a nursery school in the Czech Republic.

3.6 Legal Conditions for Opening a Nursery School in the Czech Republic

The legal conditions of opening a nursery school in the Czech Republic are those conditions which the legislation stipulates for entrepreneurs and which such entrepreneurs are to comply with when opening and subsequently managing the operation of their nursery school.

In the Czech Republic, a nursery school is a part of a large and unified education system, being the initial stage in the educational system for children to become prepared to school. The operation of nursery schools in the Czech Republic is governed by the

Education Act. The first requirement to a nursery school is that it has to be included as a school in the School Register or in the Register of School Legal Entities. This register is maintained and updated by the Ministry of Education, Youth and Sports. Also, a nursery school has to obtain appropriate financial entitlement from public budgets.

An alternative to nursery schools in the Czech Republic is the use of private pre-school babysitting services, when the child's parents hire an individual to provide education services to the child for preparing him or her to school. Such activities are purely commercial. The appropriate services are provided based on a trade license under Act no. 455/1991 Coll. On Business Activities. Alternatively, they can be provided by an appropriate type of legal entity registered in the Commercial Register. There are no special laws to govern the activities of such companies, and thus they are governed by the general law applicable to any commercial entities.

In the Czech Republic, there are three main types of nursery schools, namely public, private and religious. Public nursery schools are those owned and managed by the country represented by a municipality or union of municipalities. Such nursery schools are financed through the public budget. Private nursery schools are managed either by an individual or by a legal entity and are financed with the funds of the business owner, sometimes with possible subsidies from the state. Finally, religious schools are those schools which are owned and managed by a church or another kind of religious entity, and which incorporate religious teachings in the disciplines studies. Also, it should be noted that nursery schools in the Czech Republic can be divided conditionally into regular and special. Special nursery schools are set for children with disabilities to cover their particular needs, etc.

Earlier, nursery schools used to be considered as educational institutions in the Czech Republic. Today, they are considered to be full-fledged schools under the School Act in force. Attendance of nursery schools is not mandatory for children. However, according to statistics, in over 88 % of the cases, people prefer their child to go to nursery school. The age range of children going to nursery school is generally between 3 and 6 years old. However, sometimes, such schools are visited by children of older age whose enrolment in primary school has been postponed by the parents. The enrolment of a child to a particular nursery school is decided by such school's headmaster. He or she can also set a probationary period for the child, but no more than 3 months. When accepting the

child, the headmaster is to determine the schedule of the child's attendance of the nursery school, and thus to enter into an agreement with the child's parents or other legal guardian.

Pre-school education in the Czech Republic lasts 3 years, with the division into different age groups. Communication and integration between children with no disabilities and children with disabilities is seen as an important part of Czech children's education at nursery schools. The maximum number of children to be studying at a nursery school or in one of its classes is stipulated in the Education Act of the Czech Republic, and in supporting legislative acts.

The time of operation of nursery schools in the Czech Republic is generally 10 - 11 hours a day, for the convenience of children's parents. The opening hours can be adjusted according to the local regulations. Nursery schools can be closed for July and/or August. During the period of closure, a nursery in the Czech Republic can reach an agreement with another nursery school and the child's parents to temporarily host the child.

The establishment of a nursery school in the Czech Republic can be done in two ways: either in the legal form of an s. r. o. (i. e. as a private nursery school), or with the municipality or the region to act as the founder of the school. However, for the purposes of this thesis, we are going to discuss more in detail only the first alternative, i.e. a private nursery school.

In order to open and run a nursery school, it is mandatory to obtain an appropriate trade license. For children under three years old, the activities are governed by the Regulation for Care Provided to Children up to Three Years Old. In this case, the nurse needs to meet not only general conditions such as be 18 years old, have a full legal capacity and a police clearance certificate, but also to have appropriate professional competence. The professional competence is stipulated in Sections 110 (4,6), 116 (5) and 117 of the Social Services Act 108/2006 of the Czech Republic. According to this law, there can be the following types of nurses in the country: general nurse (after getting a permission for taking non-medical healthcare professions), a health care assistant, a nurse, a birth attendant, a rescuer, a social worker, or a worker in social services.

When offering individual care, the nursery school needs to have a valid free trade license for providing services to families and households (volná živnost Mimoškolní výchova a vzdělávání, pořádání kurzů, školení, včetně lektorské činnosti). This license covers the provision of educational services to children older than three years in pre-school

facilities. This license covers specifically the teaching of languages, playing a musical instrument, fine arts, dancing, acting, and so on. As a result, the license can be used broadly not only for providing care to children, but also for providing them with a wide range of additional services important for their development.

If a nursery school has been founded as a purely commercial organization by an individual or a legal entity and is acting under a trade license, without being subject to the Ministry of Education of the Czech Republic, it has no right to get any subsidies from the state. If it is founded by a civic association and is a non-profit organization, it might benefit from getting support under state programs for the support of pre-school education. Nevertheless, a commercial private nursery school is entitled to apply for subsidies from a regional or municipal budget under the Rural Development Program of the Czech Republic.

Nursery schools in the Czech Republic are subject to reporting requirements, and are to submit the Single Registration Form to the appropriate public authorities in order to notify the latter of their trade license.

If a nursery school doesn't benefit from any contribution on the part of the Ministry of Education, Youth and Sports, it can set tuition fees higher than in public nursery schools. The particular monthly fee amount can depend on the level and scope of educational services offered, number of children visiting the school, and so on.

In addition to the information noted above, it should be stated that the operation of nursery schools in the Czech Republic is governed by Decree No. 14/2005 Coll., On Pre-School Education, as amended by Decree No. 43/2006 Coll., Act No. 563/2004 Coll., On Teaching Staff and Amendment to Certain Acts, Decree No. 268/2009 Coll., On Technical Requirements for Buildings, and a number of other legal acts and laws which govern the provision of catering services in schools, hygiene requirements, requirements for obtaining subsidies and other forms of support, and so on.

Now, having understood the specificities of the legal regulation of the activities of nursery schools in the Czech Republic, it is worth proceeding to the practical part of the research.

4 Practical Part

4.1 Brief Overview of the Project and Assumptions

The project stands for opening a private nursery school in Prague, Czech Republic. The main idea behind the project is to provide the local population with high-quality nursery education services. Most nursery schools in the Czech Republic are state-owned, and therefore the segment of private nursery schools is rather open for entry. The aim of our nursery school is to provide high-quality nursery education to children in Prague and generate income effectively through the performance of such core business activities. For the purpose of implementing this project, we need to provide first a brief overview of the market where we seek entering. For the purposes of this research, we are going to limit the scope of our attention to Prague's districts Praha 2 and Praha 6. Based on the information collected from available sources, we can summarize approximately the following data characterizing the activities of nursery schools in those two districts of Prague.

Table 1 Overview of project implementation preconditions in Praha 2 and Praha 6

	Praha 2	Praha 6
Total nursery schools	13	39
state-owned	10	33
private	3	6
Average number of children	120	130
Average number of teachers	8	12
Average price per month, CZK	850	800
Number of staff	12	14
Number of groups	4	5
Lease of premises, CZK per sq.m month	199 - 560	159 - 800

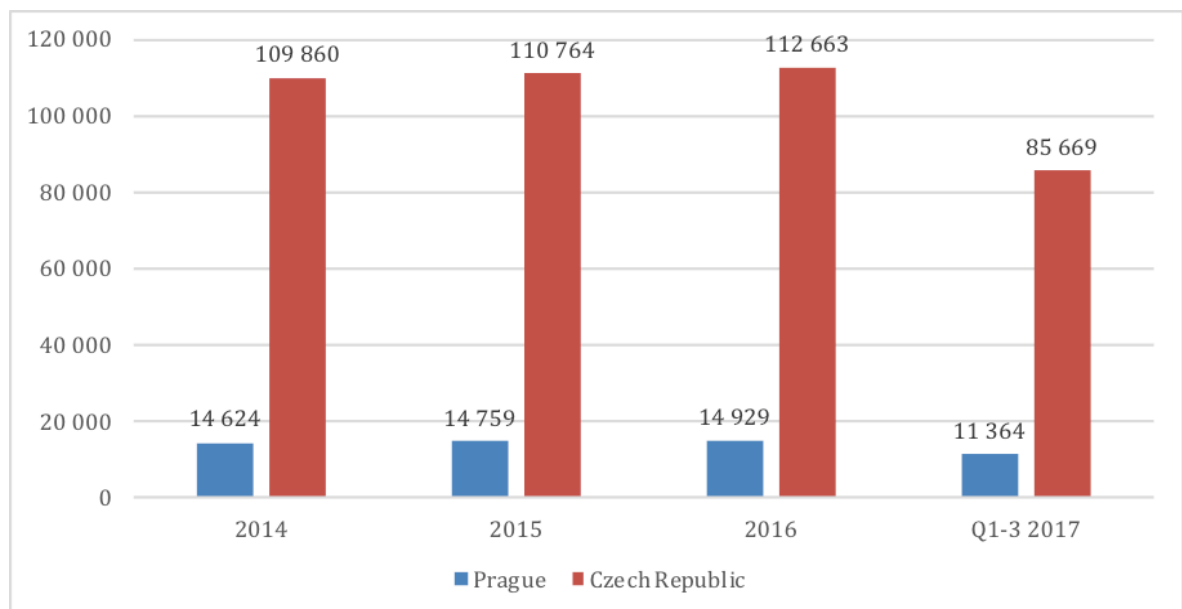
Source: Czech Statistical Office, 2017

As can be seen from the table provided above, Praha 6 has significantly more nursery schools compared to Praha 2, and the number of children studying there is greater. In both districts, state-owned schools dominate over private nursery schools. Furthermore, we should note that the price for lease of premises is higher on the average in Praha 6, and the fee charged from pupils is higher in Praha 2.

Based on those preconditions, we can choose Praha 2 as the place for ultimate performance of our business activities. Opening a private nursery school in this district of Prague seems to be more commercially viable due to several key reasons: on the one hand, competition in this district is smaller, and on the other hand, the expected balance between costs and benefits is expected to be greater as well. Therefore, Praha 2 will be the district of choice for opening the nursery school designed within this project.

The customer audience of our private school is expected to embrace people from lower-mid to upper-mid income segment, which is expected to guarantee the broadest audience coverage for achieving the greatest revenues. The private school will be registered as an s. r. o. and will be complying in full with the legislation of the Czech Republic and the applicable standards and regulations.

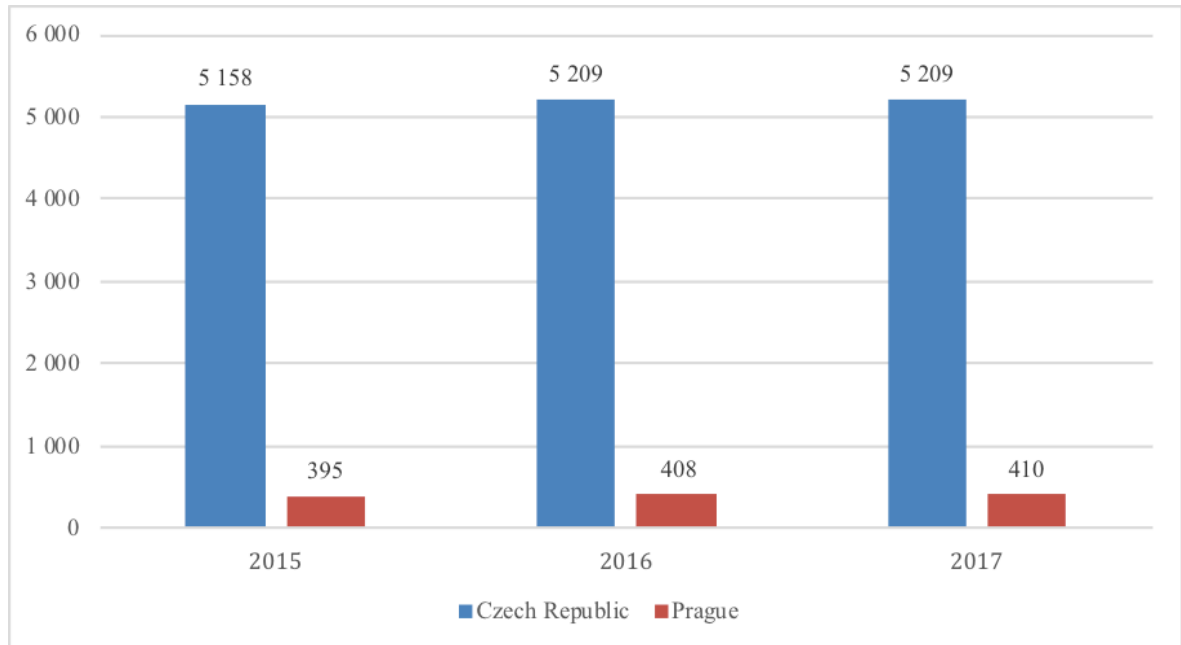
Figure 1 Children born in Prague and the Czech Republic in 2014 - 2017



Source: Czech Statistical Office, 2017

As can be seen from the chart above, the fertility rates in the Czech Republic have been growing steadily in recent years, including in Prague. This is positive for nursery schools, as this trend means that the potential customer audience is growing steadily, and thus there are opportunities for growing customer demand.

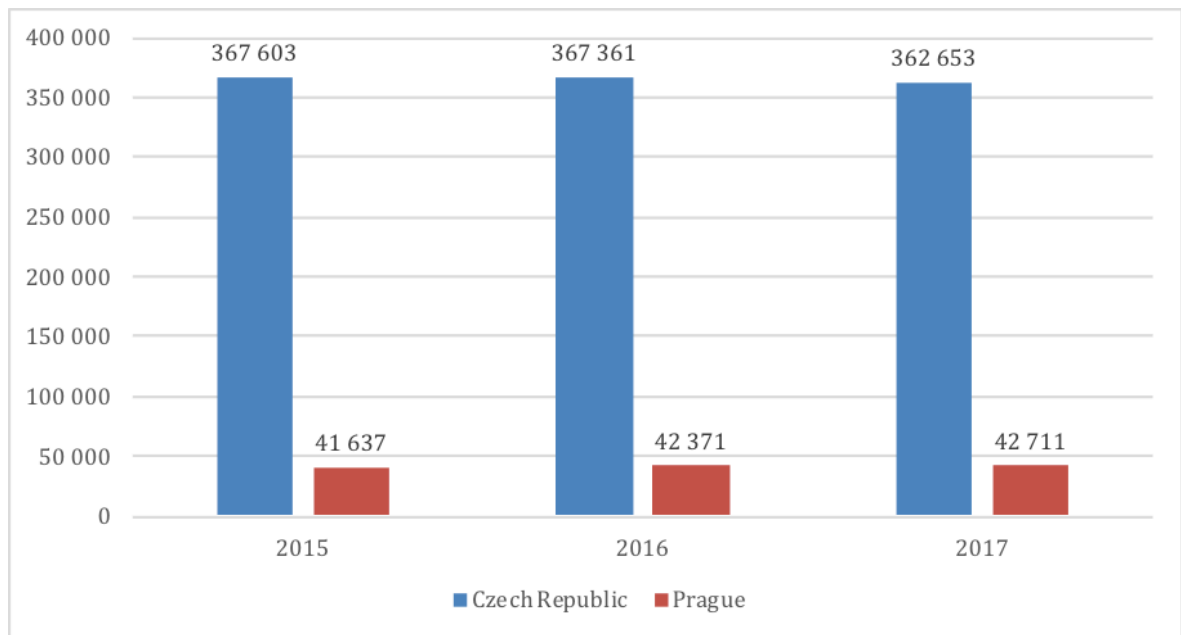
Figure 2 Number of nursery schools in the Czech Republic and Prague



Source: Czech Statistical Office, 2017

The chart above shows that the number of nursery schools in the Czech Republic and in Prague has been growing in recent years in line with the growing fertility rates. This proves that demand for nursery schools is growing, and therefore their growth has objective preconditions.

Figure 3 Children in nursery schools in Prague and the Czech Republic in 2014 - 2017



Source: Czech Statistical Office, 2017

As can be seen from the chart above, the total number of children studying at nursery schools in Prague has been growing steadily in recent years. As of today, 42 711 children are studying there. This proves once again that the market is prospective, and therefore a new private school in Prague has the chances to succeed.

Among the company's main rivals in the market, we should note the nursery schools Školka Bambíno and Indigo Kids located in Praha 2. According to the information provided by Školka Bambíno (2017), the company provides classical nursery school services, focusing on extensive English studies and healthy lifestyles for children. The prices charged by Školka Bambíno vary from CZK 13 150 to CZK 18 900 per month for a 5-day week, depending on the age of the child and the program chosen. The company offers organic food at additional prices, as well as transportation services. The nursery school has loyalty programs and discounts for those families who have 2 or more children studying at the nursery school. As stated by Indigo Kids (2017), the nursery school focuses on the English language for children. The company's fees for a 5-day week range from CZK 13 400 to 16 100, depending on the duration of the day. Meals are included in the price. There is no information on the company's additional services or any loyalty programs. Also, it is worth noting that both Školka Bambíno and Indigo Kids have native English speakers as teachers.

Another international nursery school in Prague which focuses on the provision of education services to children in the English language is Bumble Bee. According to Bumble Bee (2017), „*bumble Bee is an English pre-school for children between 2,5 and 7 years of age which was opened in September 1995. Parents, who have high standards for the creative, intellectual and physical development of their children in a stimulating and educational environment, appreciate our objectives and ideals. Our primary goal is the highest standard of care and nurturing.*” The company states that the main idea behind its activities is to reveal children’s talents from the very beginning of their education, and also to make children ready for the subsequent development of their education and integration in European society through mastery of the English language. The nursery school’s philosophy is based on the non-directive approach which emphasizes children’s own responsibility for their actions, and also promotes mutual respect and a person-centered approach in the communication between teachers and children. In contrast to the two previous schools, Bumble Bee is located in the surroundings of Prague. The nursery school claims that this is one of the main competitive advantages which it has over competitors, as it offers its children with a healthy environment important for their physical development. The company’s basic tuition fee varies from CZK 7 900 to CZK 13 600 a month depending on the age of the child. In addition to basic educational services, the company also offers school bus, extra-class activities, and a range of other options which are available to parents in Prague for improving the process of studies for their children.

Montessori is another of our school’s potential competitors in Prague. It is an international nursery school which focuses on the provision of high-quality education with an emphasis put on the English language to children in Prague. According to Montessori (2017), the company’s key values are to:

- „*enter into a partnership with parents in the education of their children;*
- *ensure the development of intellectual, social, and emotional capabilities, employing the Montessori method as our teaching foundation;*
- *provide a curriculum adhering to rigorous Montessori standards, while continually improving the curriculum by incorporating components and techniques from a variety of teaching methods;*

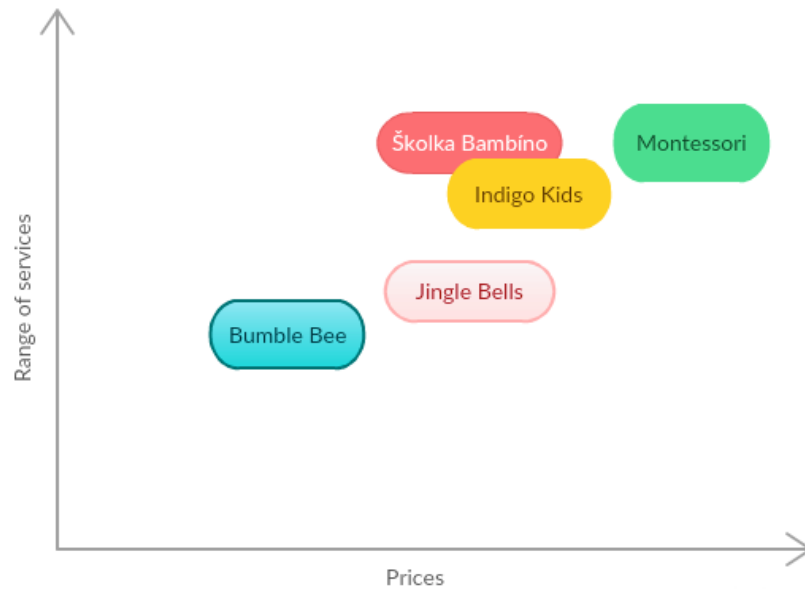
- *emphasize integrity, responsibility, compassion, open-mindedness, respect for others, and community leadership as our values.”*

The school is an accredited facility of the American Montessori Society (AMS). The price for the company’s services ranges from CZK 16 500 to CZK 28 000 a month based on the age of the child, the length of daily studies chosen, and some other parameters. According to Montessori, there is a thorough admission process for studying at the nursery school: *„IMSP places a high priority on identifying families who support our mission and whose values and goals for their children’s education are a close match with those of our school. We regard diversity of backgrounds and abilities as an important element in our community.”* The company’s key competitive advantage is its powerful academic staff, including native speakers of the English language, and the provision of a unique English-speaking program to the children in line with the adaptation to the local realities in the Czech Republic. The company’s powerful international brand image contributes to its popularity among the parents of children in Prague.

Another potential competitor of our nursery school is the school Jingle Bells. According to Jingle Bells (2017), the company offers its services in the English language similarly to the previous schools. The tuition fees in the school vary from CZK 11 500 to CZK 19 000, depending on the age of the child, the number of hours passed at the school, the range of additional services ordered by the parents, and so on. The company’s key competitive advantage is the wide range of additional services available to the parents, including afternoon activities for their children. The school also provides extra-school English courses to children aged 4 to 7.

Based on the overview of competitors provided above, we can now develop a map of competitors to allow us understanding better where our new nursery school can aim to enter the market for the purpose of achieving the best commercial results.

Figure 4 Map of overview of competitors in the market of nursery schools in Prague



Source: Own processing

In the map of competitors above, we use a two-dimensional graph, with the X-axis responsible for the actual level of prices charged by the company as its tuition fee, and the range of service offered as the Y-axis. The general trend in the market is that a wider range of prices is interconnected closely with higher prices. Based on the information presented above, it can be stated that there are companies which offer a very wide range of services, at the same time charging major tuition fees from parents. Therefore, the chosen market segment for our nursery schools is the narrower range of services at mid-level prices. This should allow achieving the best coverage of the target audience, and thus should guarantee the best possible revenues in the long-term perspective.

Now, based on the information presented above, we can proceed directly to the creation of the nursery school's plans for the implementation of the project.

4.2 Business Plan for the Nursery School

Our private nursery school will be located in Praha 2 district of Prague, and its key target audience will be families residing in this district or in other districts of Prague but willing to let their children study here. Our business will be focused on the provision of high-quality nursery education services.

The mission of our nursery school will be to prepare children for their subsequent education and for making it easier for them to perform their subsequent socialization. Our vision will be to keep nursery education in line with the changing trends and tendencies in global education under the impact of technological progress and globalization. Our key values will include responsibility, high-quality education, and love and passion for children.

The unique selling proposition of our company will consist in offering up-to-date nursery education services with wide use of English as a language of education combined with interactive technologies. The main idea behind this is to provide children with opportunities of subsequent easier integration in European society in any European Union member state. The use of innovative approaches in studies should also contribute to their better ability to adapt to the changing conditions of external environment, and to allow them manifest their creative thinking and talents.

The school will be located on a territory covering approximately 400 square meters, with easy and comfortable transport connection, so as to allow children and their parents reaching the building easily. Children studying at the school will be divided into groups including 25 to 30 pupils each. There will be teachers assigned to guide the groups. The main focus in education will be put on children's educational and creative development, revelation of their skills and talents. Additionally, extra-class activities will be offered for raising children's interest and for allowing parents to leave their children at the school until the evening, when they come back from work.

The school's main advantage on the initial stage of registration will be the simplicity of procedures. As the district is dominated by state-owned nursery schools, where internal registration procedures are inherently more complex and lengthy, this will serve as an additional advantage of our school in the eyes of parents. In fact, the school's registration requirements will be limited to the provision of sufficient evidence of the ability to pay the required fees, and testing procedures, in which the level of the pupil's development will be evaluated for the subsequent distribution in groups. As stated earlier, a considerable part of the classes will be run in English. In contrast to other schools, this will include not only English classes, but also additional creative activities run in English, so as to ease children's adaptation to communication in foreign languages. This will be another important advantage of our business strategy, particularly taking into account the

fact that the nursery schools' educational services will be offered at prices average for the district, and therefore will be affordable to most of the target audience.

The main weakness of the school will be the fact that it is a newcomer to the local education market, and therefore it is unknown to target customers. It will take time to pass the required legal procedures, and thereafter our nursery school would have to invest in marketing in order to spread the word about itself among target customers. During this time, it should also be borne in mind that possible black PR can be used by competitors. Moreover, another considerable weakness might be lack of sufficient practical experience and the need to accumulate it, which would take time.

The main opportunity of our nursery school is the fact that competition is limited in the district, especially on the part of private schools. Therefore, our school can find its business niche, particularly taking into account the fact that it has its own unique selling proposition. This should contribute to the company's easier adaptation to the conditions of business environment.

The main threat is the fact that customers might be likely to choose the services of those schools which already have their established reputation. Our school will have limited opportunities of attracting customers on the initial stage of its business operation, and will have to overcome this lack of positive perception on the part of target audience through provision of effective and high-quality services.

We should also take into consideration that as a company providing education services to children, our nursery school will have to comply with all applicable legal regulations in terms of not only the quality of its services, but also safety and security, and so on. As our business will be grounded on responsibility, we will be paying the greatest attention to all such details, which will entail greater costs, but at the same time might contribute to the company's positive brand image.

Now, having provided a brief description of the company's overall business strategy and the concept which will be put into its core, we can proceed directly to the creation of its marketing plan to allow the company to achieve the desired results in the market.

4.3 Marketing Plan

To describe the marketing plan for our company, let's start off with the identification of the marketing mix composition which will be put into the core of its activities.

As stated earlier in this thesis, the company's product will be nursery education services provided to children in Praha 2 district of Prague. For the provision of services, high-quality staff will be employed by the company, which includes both professional teaching background and a proficient level of English, as a large part of lessons and extra activities will be run in the English language. Furthermore, interactive technologies will be used for making the educational process easier and more entertaining for children, and so as to generate not only children's interest in the process, but also their ability to cope with up-to-date technologies since the early age. All educational services will be provided within the framework of the programs designed specifically by the school's academic staff, and moreover, lessons will also feature a certain degree of customization to each child's particular capacities and talents, so as to reveal the latter to the largest extent possible.

The pricing strategy of the nursery school will be designed in a way to cover the widest audience range possible, but at the same time to guarantee commercial effectiveness of the project and the company's profitability throughout its existence. Detailed financial parameters of the project will be analyzed later in the next chapter of the thesis. At this point, it is worth noting that our pricing strategy will cover the entire middle class, ranging from lower-mid to upper-mid income range segments of the target audience. The pricing strategy will not be adapted, and prices will be the same for all applicants.

The main specificity of the pricing strategy of the nursery school is that it is adapted to the existing market realities. The company can indeed achieve its commercial success in the mid-price segment, where the overall intensity of competition in the market is not very high: there are either cheaper nursery schools offering a narrower range of services or more expensive ones which aim to provide the widest variety of additional services to target customers at once. Therefore, by choosing the strategy of mid-level prices at a moderate variety of additional services offered, and at the same time guaranteeing the highest quality of education in it, the nursery school can indeed be expected to earn significant competitive advantages in the target market, and thus to achieve the desired financial results in its business activities.

As for the place component of the marketing mix, all our education services will be provided at the nursery school's physical location in Praha 2 district of Prague. The area to be covered by the school should be sufficient for hosting the company's total number of pupils and for providing them with comfortable conditions of studies. The schools will have classrooms and sleeping rooms, so as to ensure the opportunity for the teaching staff to organize the full range of activities within the education institution. In addition to this, the school will also be using the Internet channel for providing its services to target customers. The main idea behind this is the fact that the company need to prove that it is an innovative educational institution. The use of online technologies will be required for making the education process more interactive and interesting for children. However, online technologies will only be used as a part of courses, and no full-range distant education services will be provided. This is in line with the general trend in the educational market emphasized earlier in our research: while the online segment is getting more and more popular in the educational market, most people still prefer traditional education, and thus educational institutions should be able to communicate with their customers directly in order to compete effectively in their business.

Particular attention should be paid to promotion as an element of the company's marketing mix, which is mainly due to the fact that the nursery school is a newcomer to the Czech market of education services, and therefore it needs to act promptly in the field of marketing in order to start generating customer interest and forming its loyal customer base.

During the first years of its business activities, the company will focus extensively on advertising as a means to secure its positive image in the eyes of customers. The main types of advertising to be chosen by the school might include advertising in print magazines, on TV, and street advertising on billboards. The last type of advertising will be emphasized within the company's funding, as it is expected to provide the best ratio between costs and expected benefits. Billboard advertising should allow covering the broadest range of the target audience residing in Praha 2, where the school is located. TV advertising is expensive, but can be used on the initial stage in order to spread the word about the company in the quickest manner. In addition to this, online advertising will be used both in terms of ads placed in search engines and commercial announcements in online social networks. This should help the company reaching its target audience, particularly those parents who want their children to study in a technologically friendly and

innovative environment. Moreover, the company can distribute free advertisements in target communities in online social networks such as Facebook, which are dedicated specifically to education in the Czech Republic, nursery schools in Prague, and so on. The main idea in this case is to ensure the widest coverage of potential target audience in order to boost customers' interest in the nursery school since the very beginning of its business activities.

Next, our school will have to invest significant funds in promotion, so as to heat up interest on the part of customers, and to ensure their subsequent loyalty to the educational institution and the desire to spread the word about it among other potential customers. Initially, the school will offer discounts to those two groups of children which are formed first from the target audience. This means that the parents of 50 to 60 children will have to pay less for the company's services, and this should allow us gaining the first customers. Thereafter, if parents do not leave our school for another one the next semester or year, they can be provided with additional bonuses under a loyalty program. Those parents who come to the school based on recommendations provided by others can be provided with additional bonuses as well, just as those who provide such recommendations. The main idea here is to activate word-of-mouth advertising, which should be the best driver of our customers' brand awareness, and thus driver of the nursery school's business success in the long-term perspective.

In addition to the abovementioned promotion methods, the school might organize lotteries or other kinds of similar events, that can be run during familial evenings or holidays, which is destined to make the teaching staff and the parents united, so as to raise the loyalty of the school's target customers. In the course of lotteries organized during such meetings, the school can draw some specific bonuses to be provide either to the parents or to their children in the process of studies. This all should allow raising the level of the school's customers' loyalty, and at the same time contribute to a significant consolidation of the company's brand value and to the maximization of the synergic effect achieved by it in the course of its business activities.

The nursery school will also be running effective PR activities. In addition to press releases on the official website, the company will have its accounts in major online social networks such as Facebook, Twitter and Instagram, where it will be posting updates on its achievements, information on its future plans, and other kinds of data relevant for current or potential customers. Also, this will be an important source of bilateral communication

with the customers, as the company will be collecting their feedback and will analyze which steps it should make for the sake of raising the degree of customers' satisfaction and loyalty, implementing innovative approaches, and so on.

Now, based on the understanding of the overall business concept and the marketing activities which should be undertaken for supporting it, we can proceed directly to the analysis of financial estimations of the project for identifying its commercial feasibility.

4.4 Financial Plan and Estimations

For the purpose of evaluating the commercial feasibility of our project, let's provide an overview of potential costs and revenues which we might expect from the business.

First of all, we will be taking our premises on lease, and therefore one of the main cost items will be lease payments. We are expecting the total area of our nursery school to cover approximately 400 square meters, which will amount to CZK 1 440 000 of yearly payments at a price of CZK 300 per square meter per month. Furthermore, we are expecting to enter into a long-term lease agreement with fixed price for 10 years.

Next, a major item of our costs will be payment of salaries to teachers and other staff. The total number of our teachers is expected to be 6 persons, and the rest of the staff will include 8 persons (accountant, cleaners, security). The average pay of teachers is expected to be CZK 35 000 per month, while the aggregate average pay of the rest of the staff is expected to make CZK 22 000 per month. Thus, in the long run, our expenses on salaries in the first year of operations will amount to CZK 386 000 per month, or CZK 4 632 000 per year. Furthermore, we should expect our salaries to grow yearly, which growth might be expected to amount to 2 % per year.

Next, another important component of our expenses will be marketing costs. Our investment in marketing will be the highest during the first two years of our business activities and will drop thereafter. For this purpose, we expect marketing costs to amount to CZK 13 000 per month (CZK 156 000 per year) during the first year of our business activities, CZK 7 000 per month (CZK 84 000) during the second year of the school's operation, and CZK 4 000 per month (CZK 48 000 per year) throughout the next years of business activities.

For the purpose of covering the company's initial investment, we should raise a bank loan. We should consider bank loan as the main option of our funding, as the investors' own funds would be insufficient to cover such large expenses. For the purposes of this project, we are expecting to raise a loan of CZK 7 000 000 at an interest rate of 6,5 % for 7 years of the nursery school's operation. Therefore, the company will be bearing additional costs of repayment of the principal amount of loan equal to CZK 1 000 000 every year, and additionally interest amounting to CZK 32 500 on a yearly basis, up until the eighth year of the company's business operation.

As for potential revenues, we are expecting to provide places for 90 children, with monthly payments of CZK 7 800 per person. Therefore, the school's earnings are expected to amount to CZK 702 000 per month, or CZK 8 424 000 per year. We are also expecting to keep our prices growing throughout the years, at an estimated rate of 2 % per year.

Our profit before taxes will be taxed at a rate of 19 %, the current rate of corporate income tax in the Czech Republic. Based on this, we can calculate the expected amount of the nursery school's net profits, and thus make assumptions on the general viability of the project and its commercial justification.

Now, based on the financial estimations (see Table 2), we can calculate our expected profits and evaluate whether the project is commercially feasible.

Table 2 Financial estimations of the project (neutral scenario)

Year	Repayment of loan principal	Interest on loan	Lease of premises and utilities	Salaries	Marketing costs	Revenues	Profit before tax	Corporate income tax	Net profit	Net profit (cumulative)
2019	1,000,000	455	2,496,000	4,632,000	156	8,424,000	-315	0	-315	-315
2020	1,000,000	455	2,496,000	4,724,640	84	8,592,480	-167,16	0	-167,16	-482,16
2021	1,000,000	455	2,496,000	4,819,133	48	8,764,330	-53,803	0	-53,803	-535,963
2022	1,000,000	455	2,496,000	4,915,515	48	8,939,616	25,101	0	25,101	-510,862
2023	1,000,000	455	2,496,000	5,013,826	48	9,118,409	105,583	0	105,583	-405,28
2024	1,000,000	455	2,496,000	5,114,102	48	9,300,777	187,674	0	187,674	-217,605
2025	1,000,000	455	2,496,000	5,216,384	48	9,486,792	271,408	0	271,408	53,803
2026			2,496,000	5,320,712	48	9,676,528	1,811,816	344,245	1,467,571	1,521,374
2027			2,496,000	5,427,126	48	9,870,059	1,898,932	360,797	1,538,135	3,059,509
2028			2,496,000	5,535,669	48	10,067,460	1,987,791	377,68	1,610,111	4,669,620

Source: Own processing

As we can see from the data presented above, the operation of the nursery school is expected to be bringing losses until the fourth year of its business activities, when the first positive net profit is expected. Since that time, the company is expected to bring profits in

subsequent years. In terms of cumulative net profit, the seventh year of business activities is expected to be the year of the break-even point, i.e. when the investment put in the business project will be actually covered by the company's aggregate net profits for the entire period of its activity. Importantly enough, we should state that net profits are expected to keep rising since the achievement of first positive year-end results. This indicates that the company will be likely to bring profits to its owners as long as the loan is paid out and operating income starts exceeding operating costs.

Therefore, we can state that the financial estimations for the project rather testify that it might be commercially viable and justified, and the business owners might expect the business project to start generating profits in the future. If the company is able to fulfil the recommendations outlined above for its business and marketing plans, it will be likely to achieve the figures stated in these financial estimations, and thus achieve effective business performance.

However, this was the neutral estimation of our business project's possible financial performance. In order to evaluate the full picture of possible financial results, we need to analyze additionally a pessimistic and an optimistic scenario, which are the cases in which the company's financial performance would be either affected by additional costs, or the company would be gaining additional profits. This is required in order to test the viability of the project under different expected conditions, and thus to make ultimate conclusions on whether the project indeed is commercially attractive and whether funds should be invested in it.

Let's evaluate first the pessimistic scenario. For the pessimistic scenario, we assume several key preconditions. First of all, we assume that the lease of premises will grow by 10 % on the fifth year of the nursery school's operation. Thus, in these terms we assume that the initial lease agreement will only be entered into for 4 years, and thereafter the price will grow. Thus, the yearly lease price from the 5th year of business operation will amount to CZK 2 745 600. Our second assumption is that the salaries of the staff will be growing at an average yearly rate of 3 % instead of 2 % as in the neutral scenario. Finally, we assume that the company's marketing costs will not decrease, and thus will remain fixed, amounting to CZK 156 000 throughout the first 10 years of business operation. We assume that the revenues will remain unchanged in this case, i. e. that the company won't change its pricing policy, and the number of students to be expected is the same. (see the following Table 3):

Table 3 Financial estimations of the project (pessimistic scenario)

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000			
455,000	455,000	455,000	455,000	455,000	455,000	455,000			
2,496,000	2,496,000	2,496,000	2,496,000	2,745,600	2,745,600	2,745,600	2,745,600	2,745,600	2,745,600
4,632,000	4,770,960	4,914,089	5,061,511	5,213,357	5,369,758	5,530,850	5,696,776	5,867,679	6,043,709
156,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000
8,424,000	8,592,480	8,764,330	8,939,616	9,118,409	9,300,777	9,486,792	9,676,528	9,870,059	10,067,460
-315,000	-285,480	-256,759	-228,895	-451,548	-425,581	-400,658	1,078,152	1,100,780	1,122,150
0	0	0	0	0	0	0	204,849	209,148	213,209
-315,000	-285,480	-256,759	-228,895	-451,548	-425,581	-400,658	873,303	891,631	908,942
-315,000	-600,480	-857,239	1,086,134	1,537,683	1,963,264	2,363,922	1,490,618	-598,987	309,955

Source: Own processing

As we can see from the information provided in the chart above, in the case of the pessimistic scenario, the nursery school can be expected to achieve its first profits by the

year 2026, i. e. the 8th year of its business operation, which is 4 years later compared to the neutral scenario. However, if we speak of cumulative net profit, which is of essential importance for understanding the possible time for the achievement of the break-even point, it can be expected to be achieved only by the end of year 10 of the company's business activities, which is 3 years later compared to the neutral scenario.

On the one hand, we can state that the term for achieving the break-even point increases definitely in the pessimistic scenarios, which is understandable, as the company incurs greater costs, and our initial assumption is that it refrains from raising prices in order to maintain the current positioning in the target market and to generate maximum customer interest. However, despite this, we can state that the project is still commercially attractive and potentially beneficial. The time for returning the initial investment is 10 years, but given the large scale of the project and the sector in which the company is going to operate, we can assume that this period is commercially justified, and thus doesn't mean the company's deteriorated financial potential. So, the financial estimations for the pessimistic scenario confirm further the previous findings of our research and indicate that the project can be recommended for implementation and the investment to be done in it has high chances of becoming effective and bringing significant returns to the business owners in the long-term perspective.

Now, let's analyze the optimistic scenario and the possible financial results which the company might expect to achieve under this scenario.

Within the optimistic scenario, we expect that the company's costs remain absolutely the same as in the neutral scenario. At the same time, in contrast to the neutral scenario, we assume that the company's yearly revenues will be growing at an average rate of 3 % every year, and not 2 %. (see the following Table 4):

Table 4 Financial estimations of the project (optimistic scenario)

2028			2,496,000	5,535,669	48,000	10,991,409	2,911,741	553,231	2,358,510	8,543,162
2027			2,496,000	5,427,126	48,000	10,671,271	2,700,145	513,028	2,187,117	6,184,652
2026			2,496,000	5,320,712	48,000	10,360,457	2,495,745	474,192	2,021,554	3,997,535
2025	1,000,000	455,000	2,496,000	5,216,384	48,000	10,058,697	843,312	0	843,312	1,975,981
2024	1,000,000	455,000	2,496,000	5,114,102	48,000	9,765,725	652,623	0	652,623	1,132,669
2023	1,000,000	455,000	2,496,000	5,013,826	48,000	9,481,286	468,460	0	468,460	480,046
2022	1,000,000	455,000	2,496,000	4,915,515	48,000	9,205,132	290,617	0	290,617	11,586
2021	1,000,000	455,000	2,496,000	4,819,133	48,000	8,937,022	118,889	0	118,889	-279,031
2020	1,000,000	455,000	2,496,000	4,724,640	84,000	8,676,720	-82,920	0	-82,920	-397,920
2019	1,000,000	455,000	2,496,000	4,632,000	156,000	8,424,000	-315,000	0	-315,000	-315,000
	Repayment of loan principal	Interest on loan	Lease of premises and utilities	Salaries	Marketing costs	Revenues	Profit before tax	Corporate income tax	Net profit	<i>Net profit (cumulative)</i>

Source: Own processing

As we can see from the table above, in the optimistic scenario, we can expect the company to bring first net profit by year end already in the third year of its business activities. In this case, the first net profit can be expected 1 year earlier compared to the neutral scenario. At the same time, the first year of cumulative net profit for the company, and thus the year of its break-even point can be expected to occur on the 4th year of its business operation under the optimistic scenario, which is 3 years earlier compared to the neutral-case scenario. Therefore, in these terms, we can state that the project is very attractive in terms of an investment alternative, as it might offer a quick break-even point and the generation of quite substantial profits thereafter. Nevertheless, we should not forget that this is an optimum-case scenario, and in practice we should not expect such high returns, as this might affect the soundness and effectiveness of our managerial decisions. The estimations above only serve to illustrate how beneficial the project might be to the business owners in case that all external conditions are favorable, and the company is able to achieve the desired results in terms of profitability.

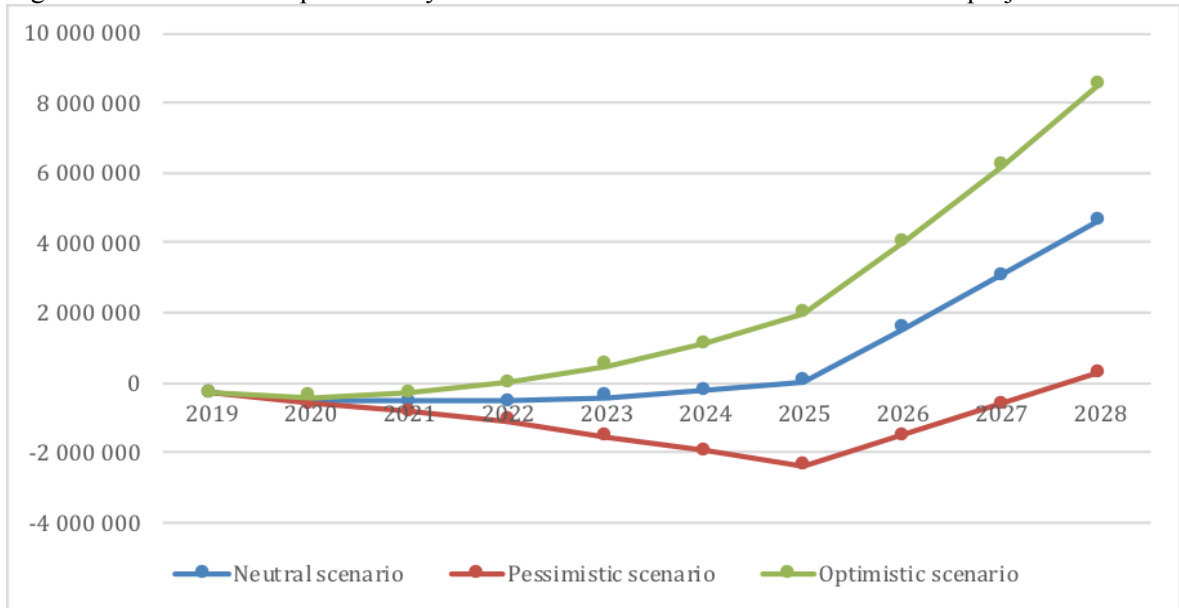
Now, taking into account the facts outlined above, let's provide a graphical comparison of the cumulative net profitability indicators which we can expect from the project under the three different scenarios highlighted in this chapter.

Table 5 Cumulative net profitability under different scenarios for the investment project, in CZK

	Neutral scenario	Pessimistic scenario	Optimistic scenario
2019	-315	-315	-315
2020	-482,16	-600,48	-397,92
2021	-535,963	-837,239	-297,031
2022	-510,862	-1,086,134	11,586
2023	-405,28	-1,537,683	480,046
2024	-217,605	-1,963,264	1,132,669
2025	53,803	-2,363,922	1,975,981
2026	1,521,374	-1,490,618	3,997,535
2027	3,059,509	-598,987	6,184,652
2028	4,669,620	309,955	8,543,162

Source: Own processing

Figure 5 Cumulative net profitability under different scenarios for the investment project



Source: Own processing

As can be seen from the information outlined in the chapter, under the pessimistic scenario, we can expect the deepest cavity in cumulative net profit to expect by the year 2025. This would be the main critical point for the project, where the mass of net cumulative losses would be quite high to affect the level of investors' confidence. Neither in the optimum nor in the neutral scenarios can we find similar dips. Nevertheless, even in the pessimistic-scenario case, cumulative net profitability can be expected quite soon after the dip. Therefore, even under the worst-case scenario, the investment project can indeed be assumed to be quite beneficial and thus justified for subsequent investment. At the same time, the neutral scenario, which is the likeliest to occur can indeed be considered as very effective for the company: it contains no major dropdowns, and the risks are minimized. The way toward cumulative net profitability is expected to be gradual. But as soon as the break-even point is achieved, the company's cumulative net profitability can be expected to keep growing at quite a rapid pace, which is overall positive for its business and provides important commercial opportunities for the investors. Now, taking into account the information presented above, we can proceed to discussion of results and discussion.

5 Results and discussion

Based on the business plan developed for the project of nursery school in Praha 2 district in Prague and the associated marketing and financial plans, we can state that the project seems to be overall commercially feasible and even attractive in the mid-term perspective. The company will have to invest quite significant funds for the purpose of starting its business activities and attracting customer interest, but already within the nearest 8 years it might expect to achieve the break-even point and start generating cumulative net profits. This allows us evaluating the project as positive for implementation. However, at the same time we should take into account those threats which might affect the company's operation and provide advice for the nursery school to keep its business effectiveness over the long-term perspective.

First of all, it should be noted that a major threat to the company's operation might be changes in Czech legislation, which might require the company to pass additional licensing or invest funds in additional activities. This factor is beyond the company's control but should be taken into consideration when planning its activities, as this could not only raise the nursery school's cost, but also affect in general its business activities and financial performance. This also relates to the requirements imposed on educational institutions when accepting new children. Any changes to the legislation might require the company to change its approach to the interaction with customer audience, which in its terms might affect the nursery school's positive business image.

Another factor we should be aware of is the importance of reputation. Any inappropriate actions on the part of the teaching staff will be associated by the company's customers as errors or failures on the part of the school itself, and not on the part of its individual staff members. Therefore, the company should avoid any possible conflicts, and should apply the most thorough approach to its recruitment and HR management procedures.

Nevertheless, the human factor cannot be excluded fully, even in case of very effective recruitment procedures and the availability of high-quality staff to provide education services to children. Therefore, specific attention should be paid by the school to communication with the customers. The institution needs to be aware of all existing problems and all possible sources of customers' discontent. The management should react

quickly to any such issues for the purpose of eliminating them quickly and prevent the customers from making negative advertising for the company.

Also, it should be borne in mind that the implementation of the project requires significant investment, and funding from borrowed sources. Therefore, in order to ensure effective operation of the education institution, the management should focus on elaborating grounded and justified business plans for each subsequent year of the company's activities. It is vital to assess every year the company's actual achievements, and to compare the figures of its financial results with what has been planned initially, and thus to make changes and amendments to the company's current business strategies and policies.

We should also note in particular that the company should emphasize its risk management activities, and should run effective market research in order to reveal in a timely fashion all possible factors which might threaten the educational institution's effective business performance over the long-term perspective and its financial stability.

If the company takes into account the above recommendations and is able to fulfill them effectively, it will be likely to raise its chances for attaining commercial success and guaranteeing financial stability.

We should note however that all financial estimations for the project were carried out in this thesis proceeding from our main assumptions. For implementing the project in practice, a more detailed evaluation of all financial parameters and associated risks would be required. Within this thesis, such detailed research is limited by financial and time constraints. For real investors, it would be indispensable for making a grounded decision on whether funds should be indeed invested in the project. At the same time, potential investors can be recommended to evaluate investment alternatives within other projects, so as to choose the most advantageous project in terms of expected financial benefits.

6 Conclusion and recommendations

The findings of this research prove that business planning is vital for any company wishing to succeed in its business activities, as the creation of plans allows systematizing business activities and designing effective business strategies and policies to guarantee the firms' business effectiveness over the long-term perspective.

The system of business planning in corporate entities is designed in a way to forecast possible expenses and to evaluate possible revenues which companies can be expected to generate in the course of their business activities. Business planning takes into account possible changes in the external conditions and different market dynamics, As a result, companies get an opportunity to assess their current condition and to analyze where they can be in the future. Moreover, business planning serves to establish clear and distinctive business goals and key performance indicators which the company seeks achieving in the years to come. Based on the plans which it develops, the company is then able to evaluate its actual achievements and thus to reveal where it underperformed and where additional improvement to corporate business activities should be sought. This is a key task to maximize financial performance in the long run.

In addition to the facts outlined above, business planning is of vital importance to the general corporate policy-setting. Thanks to business planning, companies are to finalize their business strategies and policies and maximize their effectiveness as applied to particular business goals to be achieved in the future. This also serves to improve the staff's understanding of what is required from it and how this should be achieved.

Based on the findings revealed by this research, we can answer the research questions stated in the beginning of the thesis.

- RQ1: Can the project for opening a nursery school in Prague be evaluated as commercially justified for investors?

Based on the financial estimations we delivered in the course of this research, it can be stated that the business project of a new nursery school in Prague indeed seems to be commercially attractive and justified in terms of the required investment and possible return on such investment. Thus, under the pessimistic scenario, cumulative net profitability of the project, i. e. the break-even point for investment in it is expected to

occur in the year 10 of the company's operation. In the case of the optimistic scenario, the break-even point is expected to be achieved by the end of the year 4. Finally, under the neutral scenario, this is expected to occur in the year 7 of the company's operation. The market is quite saturated, but the demographic situation in Prague favors the creation of new private nursery schools. Moreover, the business environment of the Czech Republic can be deemed positive and favorable for such projects. Finally, we can state that the overview of competitors proves that there is room for newcomers in the mid-price segment. Based on all these assumptions and findings, we can evaluate the project as indeed commercially justified and attractive.

- RQ2: What are the main risks for the implementation of the project?

Based on the findings of our research, we can state that the implementation of the business project for opening a private nursery school in Prague is associated with a great number of risks and threat factors. Namely, those factors might include changes in Czech legislation in the field of education, competitors' market impact, lack of positive business image in the target market, and force majeure factors associated with deterioration of reputation, and so on. Thus, the market of educational services of Prague is quite saturated, particularly on the segment of nursery schools. There are many competitors which follow generally the same model of corporate business, offering educational services to children largely based on the English language and the use of advanced pedagogical approaches. Therefore, the new nursery school planned within the framework of this thesis would have to withstand such fierce competition and find a niche in which it would be able to maintain leading positions against its competitors. The risks associated with the external environment exist too, but we can state that in overall terms, the political, economic and legal environment of the Czech Republic is rather stable, and this contributes to positive expectations associated with the operation of the firm.

- RQ3: Based on the business plan developed for the nursery school to be opened in Prague, what are the main suggestions for it to avoid the risk of failure?

In order to avoid the impact of those negative factors, the educational institution should follow several recommendations. First of all, it should be noted that the company needs to create effective business plans for each year of its business activities so as to

ensure continuous and uninterrupted monitoring and control, and thus quick adaptation of its business strategies and policies to changing market conditions. Also, it is vital to build effective communication with customers, as the company's business success is preconditioned to the largest extent by the positive attitude of its customers and the information which they spread on it on the public. The company needs to monitor and react quickly to all complaints on the part of children and parents, and to make possible steps to minimize their discontent. Also, the nursery school should run effective and continuous market research in order to reveal in a timely fashion negative tendencies in external environment and implement the required risk management measures.

In the context of customer communication, a particularly important recommendation for the nursery school is to use actively the online channel, and namely online social networks. This is a common trend in the educational sector on the global scale, and therefore by using effectively the online channel of communication, the school will be able not only to follow the trend, but also to maximize the effectiveness of feedback collection, and thus to ensure its best image in the eyes of both current and potential customers.

In addition, the school should focus on effective marketing campaigns in the offline environment too. For instance, it might provide discounts to parents who leave more than one child for studies in it. Additionally, if a family invites another family to come to the school, it can be offered an additional discount or some bonus with the aim of promoting such customers' loyalty. The school can also organize mutual evenings to make the parents of children feel closer and more mutually committed to the effective studies and social integration of their children. Different contests can be organized for some bonuses to be enjoyed by parents' children in the course of studies, and so on. All this should consolidate the value of the nurse school's brand, and thus should ensure the brand's popularity among target customers, and their loyalty in overall terms.

The hypothesis to tested in the course of the research was the following:

- H1: The project for opening a nursery school in Prague can be commercially effective within a 10-year time span in different circumstances.

As shown earlier in this chapter of the thesis, the project for opening the nurse school in Prague indeed seems to be commercially justified and potentially profitable

within a 10-year timespan under all the three different scenarios considered: the pessimistic, optimistic and neutral ones. This proves that the project deserves a more detailed evaluation and can be subsequently used for the purpose of its practical implementation. For a project of this kind in the market of education, we can consider even the 10-year term under the pessimistic scenario to be quite justified and commercially reasonable. Therefore, in the long run, the implementation of the project can be expected to bring commercial benefits to the business owners, hence it should be brought to life. The hypothesis can be confirmed.

The business, marketing and financial plans developed for the implementation of the project to open a private nursery school in Praha 2 district in Prague, Czech Republic, prove that the project is commercially feasible and might be attractive in financial terms. Despite the fact that the project requires quite significant investment, our estimations demonstrate that it might start bringing cumulative net profits already by the 7th year of its activities under the neutral scenario. Based on these estimations, we can recommend the project for fulfilment, and can evaluate high its opportunities for subsequent business success.

Investors in the project can be recommended to run a detailed evaluation of other investment opportunities, and to assess the expected benefits they can generate. Thereafter, choosing this project, they need to monitor steadily its performance and to support the company's best performance by making timely changes to its policies.

If the company is able to fulfil the recommendations outlined above, it will be likely to preserve its business effectiveness and financial stability over the long-term perspective.

In overall terms, the project of opening a nursery school in Prague can be recommended for implementation.

7 References

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