The State of Independent School Governance
An NAIS Research Study
Introduction

In 2005, BoardSource (formerly the Center for Nonprofit Boards) convened a group of top governance experts to identify the characteristics of an exceptional board. They came up with 12 attributes. Exceptional boards:

1. Govern in constructive partnership with the chief executive.
2. Shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values.
3. Allocate time to what matters most and continuously engage in strategic thinking to hone the organization’s direction.
4. Institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision-making.
5. Are independent-minded.
6. Promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.
7. Promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.
8. Link bold visions and ambitious plans to financial support, expertise, and networks of influence.
9. Are results-oriented. They measure the organization’s progress towards mission and evaluate the performance of major programs and services.
10. Structure themselves to fulfill essential governance duties and to support organizational priorities.
11. Embrace the qualities of a continuous learning organization, evaluating their own performance, and assessing the value they add to the organization.
12. Energize themselves through planned turnover, thoughtful recruitment, and inclusiveness.

Like other nonprofit organizations, independent schools depend on their boards to keep them fiscally strong and viable. To assess how well they do this, The National Association of Independent Schools (NAIS) conducted a research study in spring 2006, generously financed by the Klingenstein Foundation. The study investigated board composition, practices, attitudes, and effectiveness, and was conducted through two surveys—one sent to independent school heads.

and the other to board chairs. NAIS hopes that the results of this study will give school administrators and boards the tools to benchmark their own performance and to identify areas in which they can improve to better serve their schools in the years ahead. For ease of use, this report is divided into five major areas:

1. **Board Composition and Structure**  
   *See page 3.*

2. **Board Service**  
   *See page 8.*

3. **Board Operations and Procedures**  
   *See page 13.*

4. **Board Performance**  
   *See page 19.*

5. **Strategic Issues Facing Schools**  
   *See page 21.*

We urge readers to review the entire report and identify areas for subsequent discussion and action by both boards and school administrators.
PART I

Board Composition and Structure

Board Composition

The independent school board of 2006 tends to have an average of 22 members, with 17.5 of them having voting rights. This is a bit larger than nonprofit boards in general that, according to BoardSource’s latest governance study, tend to average 17 members overall.² However, current governance wisdom suggests that there is no magic number for the size of an effective nonprofit board. Rather, BoardSource suggests, “When determining the size of your board, start by thinking about what your board needs to accomplish. Optimal board size may vary according to the stage in the board’s lifecycle, its mission, its fund-raising necessities, and whether it is a national or a local board.”³

Four-in-10 school boards also have lifetime or honorary trustees as members. However, when lifetime or honorary trustees are included on a school board, they are not usually afforded voting rights (75 percent).

In terms of diversity, nearly 60 percent of an average independent school board is made up of men, while the largest proportion of board members racially is Caucasian (88 percent). African-Americans show a little more than five percent representation on school boards, while Asian-Americans represent just over three percent, and Latino/Hispanic Americans, a little more than one percent. The majority of board members fall into the 36-55 age group (68 percent), with the next largest representation being by those over 55 years old (28 percent). Board representation by those under 35 is still quite small.

Given the average board size of 22, the chart below depicts what the typical independent school board currently looks like in terms of gender, race, and age diversity.

### Board Composition by Gender, Race, and Age

<table>
<thead>
<tr>
<th>Average number of board members</th>
<th>22.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>12.9</td>
</tr>
<tr>
<td>Women</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
</tr>
<tr>
<td>African-American</td>
<td>1.2</td>
</tr>
<tr>
<td>Asian-American</td>
<td>0.7</td>
</tr>
<tr>
<td>Caucasian</td>
<td>18.3</td>
</tr>
<tr>
<td>Latino/Hispanic American</td>
<td>0.3</td>
</tr>
<tr>
<td>Native-American</td>
<td>0.0</td>
</tr>
<tr>
<td>Middle-Eastern American</td>
<td>0.0</td>
</tr>
<tr>
<td>Multi-racial</td>
<td>0.1</td>
</tr>
<tr>
<td>Unsure</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
</tr>
<tr>
<td>Under 35 years old</td>
<td>0.8</td>
</tr>
<tr>
<td>36-55 years old</td>
<td>13.1</td>
</tr>
<tr>
<td>Over 55 years old</td>
<td>5.5</td>
</tr>
</tbody>
</table>

*Note: Not all respondents answered the question(s), therefore numbers may not add up to average.

In his monograph, *Everything You Wanted to Know about Strategy*, business guru Tom Peters suggests, “The Board ought to bear at least some slight resemblance to the market we serve or aim to serve. For example, the women’s market is enormous. The Hispanic

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³ Ibid.
market is by far the fastest growing in the U.S.” How does this advice play out on independent school boards? Are we as a community representative of those we serve?

If you look at the latest statistics from NAIS’s StatsOnline survey (which includes data submitted by more than 1,100 members of NAIS), students of color represent about 21.4 percent of the total enrollment at day schools and 29.4 percent at boarding schools. Thus, currently, our boards are not quite fully representative of the student body. But, as we look to the future, we see the potential for that gap becoming even greater as the demographic makeup of the school-age population becomes more diverse. According to the College Board’s Projected Social Context for Education of Children, “Whites will make up only 58 percent of those in the 0-24 age range by 2015 (compared with 70 percent in 1990). The share of Hispanics over the same time frame is expected to nearly double from 12 percent in 1990 to 21 percent in 2015.”

Adding to that, Harold Hodgkinson of the Center for Demographic Policy forecasts that, due largely to immigration and higher fertility rates among minorities, “half our school children will be non-Anglo American by 2025, and half of all Americans will be non-Anglo American by 2050.” If we are to attract these children to independent schools, we need to think about building more diverse boards today.

Independent school board members today represent a wide variety of occupations, ranging from bankers to educators.

Considering that school heads told NAIS in its most recent Hot Issues survey that “financing the affordable school” was their most pressing issue, it is not surprising that some of the most represented occupations on boards are entrepreneurship, law, and banking. Although, staying true to their mission, education is one of the top three most represented fields on independent school boards. The table on page 5 outlines how a typical board is constructed by occupation of its board members.

Those serving on independent school boards also have varying relationships to the school. Roughly one-half are current parents, about one-in-five are parents with children who have already graduated from the school, and a similar proportion are alumni/ae. External community reps and other types of board members account for about one-tenth of the membership on boards. Faculty make up very few voting board members, and no schools have current students as voting members.

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Board Composition by Occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number on Board (out of an average of 22 board members)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>2.0</td>
</tr>
<tr>
<td>Clergy</td>
<td>0.5</td>
</tr>
<tr>
<td>Construction</td>
<td>0.8</td>
</tr>
<tr>
<td>Contracting</td>
<td>0.4</td>
</tr>
<tr>
<td>Education</td>
<td>2.5</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>3.4</td>
</tr>
<tr>
<td>Government</td>
<td>0.4</td>
</tr>
<tr>
<td>Homemaker</td>
<td>2.5</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.4</td>
</tr>
<tr>
<td>Law</td>
<td>2.2</td>
</tr>
<tr>
<td>Medicine</td>
<td>1.0</td>
</tr>
<tr>
<td>Nonprofit/Social Services</td>
<td>1.0</td>
</tr>
<tr>
<td>Public Relations</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td>2.6</td>
</tr>
</tbody>
</table>

*Note: Not all respondents answered the question(s), therefore numbers may not add up to average.

It is important for a board to have a balance of representation from all of its constituent groups because each brings a unique perspective. In NAIS’s *Trustee Handbook*, author Mary DeKuyper offers the following thoughts on representation by various constituent groups:

- Parents bring a deep interest in the school. However, they can be focused on the present, generalize from their children’s experiences, and become more involved in operational matters.

- Alumni bring a spirit of gratitude for their education and are living examples of the fulfillment of the school’s mission. Occasionally, however, they are so enamored of the past that they have difficulty adapting to and embracing change.

- Having faculty members serve on boards is not a recommended practice; rather, they should be included on committees and task forces where their expertise will be of value.

- Past parents and grandparents may constitute the best of all worlds for trustee service. They’re committed, knowledgeable, and distant from current school issues.

- Friends of the school can bring the most objectivity as well as expertise not found within the immediate school community. Educators, especially heads, often serve as valuable trustees as they bring the experience of other independent schools.

As we look to the future, DeKuyper suggests looking at board composition in a whole new light: “Although constituent-based boards have been the frame of reference for independent schools in the past, contemporary thinking in the nonprofit governance world suggests a new concept: visionary boards where trustees are selected less for the constituency they may represent

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Committees and Task Forces

To accomplish their work, nonprofit boards typically form committees and task forces. Independent school boards follow this practice, too, but they differ somewhat on the types of groups they form. Practically all school boards (98 percent) include a finance committee and a development committee (94 percent). The overwhelming majority (at least eight-in-10) also have an executive committee, a governance/nominating committee, and a committee for buildings and grounds. About one-half of school boards have strategic planning committees, while just over four-in-10 have committees to specifically address education. Only 21 percent have admissions committees and 19 percent have diversity committees. Hardly any boards (only two percent) have seen the need to create ethics committees. Although, given the current trends in business, we may see more and more of these cropping up on independent school boards.

What does NAIS recommend as best practice in terms of types of committees?

General practice suggests that a school’s board should include finance, development, trusteeship, and buildings and grounds committees. Some boards add personnel, diversity, and investment committees, and, occasionally, an education or program committee. The latter can be a double-edged sword. Too often, education committees are created without a particular charter or charge, and then cast about in search of something to do. The result is often strained relations between professional educators and trustees. On the other hand, if a school faces a strategic decision about its curriculum, it is advisable to put together a task force that includes trustees as members. Of late, the trend has been to move away from standing committees to task forces. The latter have specific charges and timelines, do task work, report back to the full board, and then disband. These task forces work much like an audit committee that has a specific task and goal.

The following chart supplies a complete breakdown of types of committees on independent school boards.

Board Committees

<table>
<thead>
<tr>
<th>Committee</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission</td>
<td>21%</td>
</tr>
<tr>
<td>Buildings and Grounds</td>
<td>83%</td>
</tr>
<tr>
<td>Development</td>
<td>94%</td>
</tr>
<tr>
<td>Diversity</td>
<td>19%</td>
</tr>
<tr>
<td>Education</td>
<td>44%</td>
</tr>
<tr>
<td>Ethics</td>
<td>2%</td>
</tr>
<tr>
<td>Executive</td>
<td>89%</td>
</tr>
<tr>
<td>Finance</td>
<td>98%</td>
</tr>
<tr>
<td>Governance/Nominating</td>
<td>88%</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>49%</td>
</tr>
<tr>
<td>Other</td>
<td>45%</td>
</tr>
</tbody>
</table>

A number of school board committees include non-board members in their ranks. Almost all diversity committees include external members, as is the case for about seven-in-10 admission, buildings and grounds, development, and education committees. On the other hand, very few executive committees include non-board members (six percent).

Including non-board members on committees or task forces is generally considered a good practice for two reasons. It can expand the kinds of expertise available to the school and it gives a board the ability to assess potential board members in action.

The overwhelming majority of boards (83 percent) also create special task forces, that is, committees or sub-committees assigned a specific task with a limited time frame. While the specific task forces are extremely varied, most schools have created task forces for strategic planning. Other common issues warranting a task force include the following: search (for heads of school), technology, building/facilities, capital campaigns, and marketing.

### Actions Boards Should Consider

1. Chart the make-up of your current board in terms of age, race, gender, occupation, and relationship to school. In terms of age, does your board represent the past, the present, and the future? Is your racial make-up representative of your community? Of the community you wish to become? Are you over- or under-represented by any one group? What effect does this have on your ability to govern?

2. Put in place a strategic plan for how you will identify future board members. Ensure that the plan is reviewed periodically so that it is working to meet your governance needs. On the NAIS website, you’ll find a resource entitled “Board Recruitment: Desirable Attributes,” which provides general information about the attributes you should look for in new board members: Enter in this URL: www.nais.org/resources/article.cfm?ItemNumber=144886 or search for the title.

3. Review your current committee structure. Is it enabling the board to get its work done quickly and efficiently? Would the creation of task forces with specific charges and start and end dates be more effective in accomplishing board work?

4. Ensure that you have written statements on the vision, mission, and roles for each of your committees and task forces. A resource on the NAIS website entitled “Committee Charges” provides sample committee job descriptions/charges.
Terms, Time Commitments, and Motivations

Service is indeed what it is all about for those who are members of independent school boards. Ninety-six percent of parents, alumni, community leaders, and others who chair independent school boards report that they do so because of their commitment to and interest in the schools they serve. Only a small minority (17 percent) are motivated to join a school board because of professional development, the prestige of joining a board (five percent), or contacts made on boards (five percent). Interestingly enough, when heads were asked what they see as the motivating factor for service, 99 percent agree that trustees serve because of their commitment to the school’s mission; however, 31 percent of responding heads speculate that the prestige of joining a board also plays a role.

The vast majority of independent school board members (81 percent) have a stated term of three years, and this term is most often renewable (83 percent). The stated term for board chairs is more variable—around three-in-10 chair their boards for only one year, the same proportion for two years, and similar again for three years. As with board members, terms for board chairs also tend to be renewable.

For the majority of independent school boards (65 percent), the election process for board members is self-perpetuating by a vote of the board. Roughly one-in-10 board elections also include either parents in the voting process or a vote by the corporation. Very few boards use governance committee (five percent) or parental votes (one percent) exclusively. In fact, NAIS counsels that the corporate model of a self-perpetuating board is preferable to the “parents’ cooperative” model on the basis that the former model makes “self-interest” and “generalization on the basis of one’s own subjective experience” less of an issue. Self-perpetuating boards with balanced membership (i.e., less than 50 percent of the board composed of current parents) are much more likely to stay away from trespassing into the domain of management and more likely to stay focused on the big-picture, strategic, and “generative” issues. (Please refer to page 23 of this report to see the definition of “generative” as defined by Richard Chait and co-authors in the book Governance as Leadership.)

Certainly, commitment to the mission of the organization is a crucial first step in ensuring an effective board. But to ensure that the board performs like a well-oiled machine, new board members need to be oriented and their roles and responsibilities need to be clarified. Nearly all boards (88 percent) have a formal orientation for new members. However, only a small proportion of boards (19 percent) require trustees to sign a formal letter outlining their board membership requirements. Only one percent of schools provide board members a fee or honorarium for their service. In her monograph, Nonprofit Governance: Steering Your Organization with Authority and Accountability, governance consultant Berit Lakey suggests:

Part II

Board Service
Clarity about roles and responsibilities is a crucial factor in board member involvement and board performance. The board should be straightforward about its expectations of board members during recruitment and should provide adequate orientation for new members. Prospective board members should receive a written explanation of the board’s roles and responsibilities along with a board member job description that spells out what the board expects of its members. This information will help prevent misunderstandings, integrate new members into the board’s work, and provide a basis for the board’s assessment of its performance.

Board service today takes not only devotion to the mission of the school, but also a serious commitment of time. Around three-in-10 board chairs (31 percent) spend one to four hours per week on board work, another three-in-10 (28 percent) spend five to six hours each week, and another three-in-10 (30 percent) spend seven to 15 hours (that is, 1 to 2 hours per day) on work related to their school board. One-in-10 trustees (10 percent) spend even more than two hours per day on board-related matters. When asked how much time they think their board chair devotes to board work, a little more than half (56 percent) of heads of school report that their board chairs spend an average of four hours or less on board work per week, while almost four-in-10 (38 percent) believe that the board chairs spend five hours or more on a weekly basis. Although trustees themselves believe that they are spending

more time on school governance than what heads perceive, both understand that to govern well means putting in the hours. Given the time it takes to serve effectively, trustees and heads of school should be clear about the time commitment when inviting others to service.

Trustees also tend to serve on independent school boards for a considerable amount of time. Almost six-in-10 trustees (58 percent) have served more than six years on their current school board.

For those who govern our schools, service to other sectors of the nonprofit community is also important. Although only eight percent serve on other school boards, 65 percent serve on some other kind of nonprofit board.

Board/Staff Roles

Trustees appear to be united on why they choose to serve, but do they have the same views on their board role? For responding board chairs, the most important roles of a school board are serving as an oversight body assuring the school’s accountability and as a group supporting the chief executive. Ninety-eight percent rate the former as very important or important, while 99 percent rate the latter the same way. They also rate fund raising (94 percent) and policy making (93 percent) as highly important, as well as the ability of a board to serve as a community ambassador for its school (82 percent).

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School heads agree with trustees on the key roles of the board, with 96 and 95 percent respectively responding that the top roles are assuring accountability of the organization and giving support to the head.

Of the respondents, only 19 percent note that it is very important and 33 percent note that it is important to be a group representative of the group with which one is identified (“the group you serve,” i.e., parent, alum, etc.) This rate of response is worth noting in that clearly, a large number of trustees understand that their main purpose is to ensure the well-being of the school, not to be a representative of the parent or alumni body. However, since a slight majority see this as a key role, it is important, through a formal board orientation, to make clear what “hat” one wears when serving on a board.

One of the age-old discussions among trustees and school administrators surrounds how their roles differ. Some see this as very clear cut, while for others the lines are a little more blurred. However they see their various roles, trustees and heads are in close agreement when asked to rate the importance of various duties usually carried out by a school head. When asked to rate 14 functions of the school head, with one being the most important and 14 being the least important, trustees and heads agree that instilling climate/values consistent with the school mission and recruiting and hiring quality staff and faculty members are the most important. They also agree that counseling personnel, negotiating salaries and benefits, enacting appropriate disciplinary measures, and teaching classes are the least important roles for a head. Although there are subtle differences in how heads and trustees rate the importance of other roles, these differences are not significant. See the table on page 11.

**Importance of School Board Roles as rated by trustees**

<table>
<thead>
<tr>
<th>Role</th>
<th>Very Important</th>
<th>Important</th>
<th>Somewhat Important</th>
<th>Not Important</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>An oversight body assuring accountability of the organization</td>
<td>83%</td>
<td>15%</td>
<td>1%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>A group to give support to the chief executive</td>
<td>79%</td>
<td>20%</td>
<td>2%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>A fund-raising body</td>
<td>59%</td>
<td>35%</td>
<td>5%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>A policy-making body</td>
<td>58%</td>
<td>35%</td>
<td>6%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>Community ambassadors for the organization</td>
<td>43%</td>
<td>39%</td>
<td>18%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>A group of experts who can be called upon for professional advice</td>
<td>20%</td>
<td>41%</td>
<td>33%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>A group representative of those you serve</td>
<td>19%</td>
<td>33%</td>
<td>35%</td>
<td>12%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Very Important: Green
Important: Blue
Somewhat Important: Orange
Not Important: Red
Don't Know: Brown
The Board’s Role in Fund Raising

We all have heard the adage that board members should “Give, get, or get off.” Independent schools certainly recognize the need for trustees to take an active role in fund development for the schools, but how they structure that varies from school to school. Forty-seven percent of respondents note that they require their board members to make a monetary contribution to the school. Of those boards that require financial contributions from members, only 31 percent suggest a minimum contribution. Of these, one-half expect their members to contribute up to $1,000, about one-fifth expect between $2,000 and $3,000, and about one-in-10 suggest a minimum contribution greater than $3,000. Many boards only offer guidelines, suggesting that members give according to their means. By and large, however, independent school board members tend to be quite generous. According to NAIS’s StatsOnline survey, the average trustee gift to a school in the 2004-05 year was $5,115 for boarding schools and $4,638 for day schools.
Giving themselves is not the only role the board plays in fund raising. Most board members understand the importance of their taking a leadership role in fund raising, from cultivation of donors to stewardship of gifts. Ninety-four percent of trustees see fund-raising activities as a very important (59 percent) or important (35 percent) role. (See the table on page 10.) In the Trustee Handbook, author Mary DeKuyper suggests that trustees should be involved in fund raising in a number of ways:

- Assessing the capacity of giving prospects;
- Identifying and assisting in the cultivation of donors;
- Making the initial contact for solicitations;
- Ensuring that the school's case matches the donor's interest;
- Asking for donations to the school;
- Thanking donors personally;
- Monitoring progress toward reaching fund-raising goals.

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**Actions Boards Should Consider**

1. Create job descriptions for officers and board members so that trustees know exactly what is required of them. Make sure to give potential trustees a chance to review these job descriptions when inviting them to service on the board.

2. Consider asking trustees to sign a statement of trustee responsibility when they join the board. The sample of a board contract on the NAIS website will give you some ideas on how a statement could be structured: Type in this URL [www.nais.org/about/article.cfm?ItemNumber=145176](http://www.nais.org/about/article.cfm?ItemNumber=145176) or search on “Board Contract.”

3. Before nominating someone for the board, appoint him or her to a committee or task force to observe his or her level of interest, expertise, and commitment.

4. Devote a portion of orientation to discussing the appropriate roles for the board and how they differ from the staff.

5. When inviting a potential board member to service, be sure to outline giving expectations for trustees—be clear and specific.

6. Educate your board members about their role in fund-raising. Consider holding role-playing sessions to assist them in learning how to make asks on behalf of the school.

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10 DeKuyper, pages 82-83.
PART III

Board Operating Procedures

Board Meetings
There seems to be no clear consensus as to how frequently school boards should hold meetings. Only 16 percent meet every month, 50 percent meet at least every other month (six to 10+ times per year), and about 35 percent hold board meetings less often. The table below demonstrates how varied these meeting schedules are.

Frequency of Board Meetings

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a month</td>
<td>16%</td>
</tr>
<tr>
<td>Once every 3 months</td>
<td>9%</td>
</tr>
<tr>
<td>3 times per year</td>
<td>12%</td>
</tr>
<tr>
<td>5 times per year</td>
<td>14%</td>
</tr>
<tr>
<td>6 times per year</td>
<td>13%</td>
</tr>
<tr>
<td>7 times per year</td>
<td>9%</td>
</tr>
<tr>
<td>8 times per year</td>
<td>12%</td>
</tr>
<tr>
<td>9 times per year</td>
<td>8%</td>
</tr>
<tr>
<td>10 times per year</td>
<td>7%</td>
</tr>
<tr>
<td>More than 10 times per year</td>
<td>1%</td>
</tr>
</tbody>
</table>

Most meetings run for a maximum of four hours, with one-half of school board meetings running about two to four hours, and nearly four-in-10 running less than two hours. While nearly all boards (87 percent) hold executive sessions, only a small proportion of boards (26 percent) hold open meetings.

A firm schedule is merely the first step in well-run board meetings. How the board spends its time while in those meetings is the key to effectiveness. As DeKuyper states in the *Trustee Handbook*:

> No matter how a board is organized, its meetings need to focus on issues that further the school’s mission and vision; evaluate current policies; and assess the performance of the school, the head, and the board itself. Meetings should not end up as events where intelligent, talented, and thoughtful people gather to approve minutes and listen to reports that just as easily could have been mailed. Fifty percent of the meeting time should be devoted to education, training, and strategic-issue discussion.

Budget
To complete their work effectively, many independent school boards today have an operating budget. According to our respondents, one-half of boards today have operating budgets. Of those boards that do have a formal yearly budget, amounts vary greatly: more than four-in-10 (43 percent) have less than $5,000, 32 percent have between $5,000-$10,000, and around one-quarter have more than $10,000.

Professional Development
*Trustee Handbook* author Mary DeKuyper notes that, “as a means to better serve their schools, the best boards regularly pause to advance their own training and knowledge.”

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11 Ibid, page 177.
12 Ibid, page 103.
However, according to survey respondents, most boards (66 percent) don’t budget for professional development. Of those that do, about two-thirds (66 percent) budget less than $5,000, around one-quarter (27 percent) earmark between $5,000 and $10,000, and a small minority (six percent) budget more than $10,000 for professional development. Professional development dollars are most likely to be used to send trustees to outside development events, to buy publications for board members, or to bring in outside speakers for the edification of board members. Additionally, the vast majority (83 percent) of independent school boards hold annual retreats for their members.

Use of Professional Development Dollars

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bring in outside speakers for board education</td>
<td>(125) 25%</td>
</tr>
<tr>
<td>Send trustees to professional development events sponsored by outside organizations</td>
<td>(148) 30%</td>
</tr>
<tr>
<td>Buy professional development publications for board members</td>
<td>(133) 27%</td>
</tr>
<tr>
<td>Organize professional development events led by board members</td>
<td>(37) 7%</td>
</tr>
<tr>
<td>Organize professional development events led by school staff</td>
<td>(39) 8%</td>
</tr>
<tr>
<td>Other</td>
<td>(10) 2%</td>
</tr>
</tbody>
</table>

Board Policies

As trustees, independent school board members hold fiduciary responsibility for their schools. Therefore, it is important that they put into place policies that support the school’s mission and address potential risks for the schools. In the Trustee Handbook, Mary DeKuyper lays out some additional reasons that boards need to ensure proper policies are in place:

- To focus energy and resources;
- To delegate authority while still allowing the board to keep control;
- To provide a framework in which decisions can be made and work can be carried out;
- To ensure consistency of action, especially in difficult and stressful situations; and
- To define the ways in which the school wishes to work and the board wishes to govern.

Nearly all school boards (around nine-in-10) have approved written policies on conflict of interest and investments. The overwhelming majority (around eight-in-10) also have approved written policies on endowment, sexual harassment, and financial aid, while two-thirds of school boards have policies on compensation/benefits and admissions. About one-half of school boards have approved written policies on issues such as diversity, crisis management, substance abuse, AIDS, or disabilities. The table below

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outlines the percentage of boards with approved written policies in the most significant areas of responsibility:

### Approved Written Policies

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict of Interest</td>
<td>87%</td>
<td>11%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>87%</td>
<td>11%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>82%</td>
<td>15%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Sexual Harassment</td>
<td>80%</td>
<td>19%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Financial Aid</td>
<td>78%</td>
<td>19%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Compensation &amp; Benefits</td>
<td>67%</td>
<td>29%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>65%</td>
<td>29%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>62%</td>
<td>27%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Diversity/Equity &amp; Justice</td>
<td>59%</td>
<td>36%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Crisis Management</td>
<td>58%</td>
<td>38%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Substance Abuse</td>
<td>57%</td>
<td>37%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>AIDS/Communicable Diseases</td>
<td>55%</td>
<td>37%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Students/Employees w/ Disabilities</td>
<td>52%</td>
<td>40%</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Finally, practically every board (99 percent) hires an external auditor to conduct an annual external audit of their school’s finances.

### Board and Head of School Evaluations

Governance consultant Berit Lakey, in her monograph on nonprofit governance, suggests that boards should regularly assess their own performance for the following reasons:

- To send a signal to the rest of the organization about the importance of accountability;
- To identify ways in which a board could improve its operations;
- To help to develop a shared understanding of the board’s responsibilities;
- To improve communication among board members and with the chief executive.

Independent school boards understand the importance of self-evaluation as noted by responses to this survey—around eight-out-of-10 school boards formally conduct evaluations of their own performance. In addition, of those that conduct self-evaluations, 82 percent do so annually.

One of the key functions of any nonprofit board is to evaluate the chief executive officer. A board that does not do this on a regular basis is neglecting one of its key oversight responsibilities.

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14 Lakey, page 23.
responsibilities. In *Assessment of the Chief Executive: A Tool for Governing Boards and Chief Executives of Nonprofit Organizations*, the authors note that this process should have three main goals:  

1. To clarify expectations between the board and the chief executive on roles, responsibilities, and job expectations;
2. To provide insight into the board’s perception of the chief executive’s strengths, limitations, and overall performance;
3. To foster the growth and development of both the chief executive and the organization.

According to survey respondents, more than nine-in-10 boards (92 percent) formally evaluate the head of school’s performance, almost always on a yearly basis.

**Head of School Compensation**

In addition to evaluating the head, it is also the responsibility of the board to determine the head’s compensation package. According to NAIS authors Ray Cotton and Debra Wilson in their monograph, “NAIS Guide to Intermediate Sanctions and Rebuttable Presumptions,” in today’s legal landscape, this is becoming a more complex proposition, particularly in the era of “intermediate sanctions.”

Under intermediate sanctions rules, if an excess benefit is paid or provided to a “disqualified person” (i.e., any person who is in a position to exercise substantial influence over the institution, like its head or even a family member of the head), he or she will be liable for an initial excise tax of 25 percent on the value of excess benefit. This tax is imposed in addition to the individual’s other income taxes. He or she will also be liable for an additional excise tax of 200 percent if the excess benefit is not repaid to the organization, along with an amount equivalent to what the organization would have lost for the time value of money or the loss of the property involved. In addition, any manager of an organization (officers, board members, trustees, etc.) who knowingly participates in an excess benefit transaction may be subject to a 10 percent tax on the excess benefit, up to $10,000, unless his or her participation was not willful and due to reasonable cause.

How do boards protect themselves and heads of schools against these penalties? Principally, when setting compensation, it is crucial that the board uses accurate and reasonable benchmarks in determining the head’s compensation package. What constitutes reasonable though? According to Cotton and Wilson,

> Determining what compensation is reasonable is not easy since there are no “bright line” tests. Anticipating that the IRS and tax-exempt organizations might not

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always agree on what is reasonable, Congress established the concept of a rebuttable presumption of reasonableness in setting compensation and directed the IRS to adopt a set of “safe harbor” processes and procedures that would effectively preclude the second-guessing of legitimate business decisions by board members who establish compensation for disqualified persons. If the prescribed processes and procedures are followed, and if appropriate documentation is maintained, and if the compensation and benefits decisions are supported by appropriate data, the rebuttable presumption shifts the burden of proof to the IRS if it seeks to challenge the board’s compensation decisions.\textsuperscript{17}

Most boards (73 percent) use outside sources for benchmarking purposes when renegotiating this package. Statistics from NAIS (62 percent) and/or state or regional associations of independent schools (52 percent) are the most common outside source(s) used for renegotiating a head’s compensation package.

Finally, nearly all boards (92 percent) carry director’s and officer’s liability insurance.

\textsuperscript{17} Ibid, page 3.
Actions Boards Should Consider

1. Assign to one board committee (generally Trusteeship/Governance Committee) the responsibility for trustee professional development and ensure that this is discussed and acted upon annually.

2. Conduct a simple evaluation at the end of each board meeting to assess how well you are spending your time: Is too much time being taken up by matters that could be resolved in committees? Are you spending time on the issues that most concern the long-term viability of the school?

3. Assign to one board committee the responsibility for an annual review of board policies. Do you have policies on the most critical issues (see list in the “Policies” section of this report)? Are they current with changing federal, state, and/or local regulations?

4. Create a schedule for annual board assessments and head evaluations. Consider using the same tool so that you can benchmark results from year-to-year. NAIS partnered with BoardSource to create two assessment tools for independent schools: the Board Online Assessment Tool and the Head Online Assessment Tool. Contact NAIS at wood@nais.org or go to www.nais.org and search for these tools.

5. Distribute information to your board members on intermediate sanctions and ensure that they understand the rules and potential penalties. If you are on the board of an NAIS member school, you can ask your head of school or board liaison to download the “NAIS Guide to Intermediate Sanctions and Rebuttable Presumptions”: www.nais.org/government/article.cfm?ItemNumber=147254.

6. Become more familiar with trustees’ fiduciary responsibilities. See the 2006 NAIS booklet Holding the Trust: An Independent School Trustee’s Guide to Fiduciary Responsibilities. To order it, call (800) 793-6701 or go to the online bookstore at www.nais.org.

7. Work with the school’s business officer to develop compensation benchmarks for the head of school. If the school is a member of NAIS, he or she can help the board to get needed benchmarks from NAIS’s StatsOnline system.
Satisfaction with Trusteeship

Given the substantial time commitment of serving on an independent school board, how satisfied are board chairs with their service? Fifty-one percent report to be extremely satisfied with the governance experience, while an additional 39 percent report to be very satisfied. The high level of satisfaction bodes well for schools being able to attract new trustees to service in the future. However, since serving as a board member is a demanding job, boards should include an assessment of board members’ satisfaction as part of the annual board assessment process. Dissatisfaction can weaken an overall board’s performance and keep the school from reaching its goals. Annual assessments can pinpoint problems and identify underlying causes.

Assessing Performance

Trustees come to the job of governing from many different backgrounds. Some bring skills from their own professional lives, some bring a sense of passion about the school, and still others bring extensive governance experience. Despite this diversity, an effective board needs to operate like a well-oiled machine, all working together for the good of the order. When assessing its own performance, how effectively do boards think they operate as a unit? Responding board chairs rate their boards as doing extremely well or very well in terms of providing effective fiscal oversight (91 percent), selecting and supporting the head of school (90 percent), and determining the school’s mission and purpose (90 percent). The board is also seen as performing extremely or very well in terms of maintaining board structures and operations (80 percent), strategic planning (78 percent), and understanding the relationship between the staff and the board (75 percent).

School Board Performance as rated by trustees

<table>
<thead>
<tr>
<th>Category</th>
<th>Extremely Well</th>
<th>Very Well</th>
<th>Adequately</th>
<th>To Some Extent</th>
<th>Not Well at All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing effective fiscal oversight</td>
<td>49%</td>
<td>42%</td>
<td>8%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Selecting and supporting the head of school</td>
<td>52%</td>
<td>38%</td>
<td>8%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Determining the school’s mission and purpose</td>
<td>52%</td>
<td>38%</td>
<td>10%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Maintaining the board structure and operations</td>
<td>28%</td>
<td>52%</td>
<td>18%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Engaging in strategic thinking and planning</td>
<td>33%</td>
<td>45%</td>
<td>16%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Understanding the relationship between board and staff</td>
<td>23%</td>
<td>52%</td>
<td>20%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

However, it appears that for responding trustees, school boards could use some improvement in selecting and orienting new members, enhancing the school’s public image, and approving and monitoring the school’s programs and policies. Only 54 percent of responding trustees think that the board does well in the area of monitoring
school programs and services, and 50 percent think the same in terms of their role in enhancing the school’s public image. The lowest marks are given for selecting and orienting new board members.

School heads should consider what kind of resources they can make available to boards to help them in these key areas. One such resource is the organization BoardSource. As part of NAIS membership for the 2006–07 school year, school heads receive a free membership in BoardSource, which provides them print and online periodicals, discounts on publications and workshops, and access to an online library of resources. To learn more about its resources in the area of board orientation, go to www.boardsource.org.

School Board Performance (cont.) as rated by trustees

Interestingly enough, school heads are almost in complete agreement with board chairs as to the board’s performance in various roles. Eighty-seven percent report that they think the board performs extremely or very well in providing fiscal oversight, 85 percent in determining the school’s mission and purpose, and 82 percent in supporting the head of school. They give the board the lowest marks in approving and monitoring the schools’ program and services (60 percent), enhancing the school’s public image (58 percent), and selecting and orienting new board members (48 percent).

Actions Boards Should Consider

1. Create a mechanism for discussing board performance routinely and acting on areas that need enhancement. There are many resources on the NAIS (www.nais.org) and BoardSource (www.boardsource.org) websites to assist you in addressing issues of board performance.

2. Conduct an orientation session annually that educates new trustees on both general aspects of trustee service and those issues specific to your school. Have new trustees evaluate the orientation directly after it occurs and then six months into service to ascertain how the process can be enhanced.
PART V

Strategic Issues Facing Schools

Leading a school in the ever-changing 21st Century landscape is a challenge for both school boards and key school administrators. To get a sense of the greatest challenges facing schools, NAIS asked survey takers to comment on what they see as the most challenging issues confronting them by choosing, from a list of 12, those top five issues facing their schools today. The good news is that their views are in close alignment. Seventy-three percent of trustees and 74 percent of heads identify recruiting, retaining, and compensating faculty as the top issue.

The fact that heads and trustees agree on the key issues means that overall, heads and trustees are on the same path in working towards the sustainability of the school. But also, with a dwindling workforce at our door combined with a new generation of workers who will demand greater flexibility, NAIS sees workforce management issues as some of the most pressing for schools in the next five years. Clearly, heads and trustees also see this as a front and center issue.

For trustees, four other issues take top billing—54 percent see renovating and enhancing school facilities as a key concern, while 52 percent report developing a sound five-year financial plan, marketing/branding the school, and expanding parent and alumni giving support as top issues. Heads are in fairly close agreement. Fifty-two percent see marketing/branding the school as the second most pressing issue with developing a sound five-year financial plan, renovating/enhancing school facilities, creating a 21st Century curriculum and program, and expanding parent and alumni giving support close behind with 46 percent, 45 percent, 45 percent, and 44 percent of heads, respectively, identifying these as key concerns. Interestingly enough, with all of the press about hard-to-manage parents, only 19 percent of trustees and 15 percent of heads identify this as a top issue.

<table>
<thead>
<tr>
<th>Rated Issue as Being One of the Top Five Issues Facing Their School</th>
<th>Trustees</th>
<th>Heads of Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting, retaining, and compensating quality faculty</td>
<td>73%</td>
<td>74%</td>
</tr>
<tr>
<td>Renovating/enhancing school facilities</td>
<td>54%</td>
<td>45%</td>
</tr>
<tr>
<td>Developing a sound five-year financial plan</td>
<td>52%</td>
<td>46%</td>
</tr>
<tr>
<td>Marketing/branding the school</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Expanding parent and alumni giving/support</td>
<td>52%</td>
<td>44%</td>
</tr>
<tr>
<td>Creating a 21st Century program and curriculum</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Increasing availability of financial aid</td>
<td>44%</td>
<td>41%</td>
</tr>
<tr>
<td>Identifying sources of non-tuition revenue</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Creating a diverse/inclusive school community</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>Communicating with internal and external audiences</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>Managing and expanding use of technology</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Improving parent/school relationships</td>
<td>19%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Actions Boards Should Consider

1. If you don’t currently have one in place, create a board strategic planning process identifying when and how often it should occur, who will lead it, and how will the results be analyzed and implemented.

2. Give a committee of the board or a liaison to the board the responsibility for conducting ongoing environmental scanning to keep abreast of outside trends and how they could affect the school. NAIS routinely posts trend updates on its website. One of the most comprehensive is the recent NAIS Opinion Leaders Survey, which can be viewed and/or purchased in bulk via the NAIS online bookstore at www.nais.org.
CONCLUSION

On Governing Well

The state of governance at independent schools has improved greatly since NAIS first conducted a similar study in the early 1990s. But is good governance more than the sum of all of its parts? In their book, *Governance as Leadership*, authors Richard P. Chait, William P. Ryan, and Barbara E. Taylor explore a new framework for governance of nonprofit boards. They suggest that there are three modes of governance that constitute governance as leadership:

- **Type I**—the fiduciary mode, where boards are concerned primarily with the stewardship of tangible assets;
- **Type II**—the strategic mode, where boards create a strategic partnership with management;
- **Type III**—the generative mode, where boards provide a less recognized but critical source of leadership for the organization.

Most independent school boards today, as evidenced from the results of this survey, function fairly well in Type I and somewhat well in Type II, but few even have an understanding of what it means for a board to operate in a generative mode. The authors describe the generative mode in this way: “Generative thinking provides a sense of problems and opportunities. When individuals produce a new sense of things through generative thinking, others admire their wisdom, insight, or creativity. When an entire field or profession gains a new perspective, we recognize it as a paradigm shift.”

To engage in generative thinking, boards need to look for those opportunities when a new sense of things is desired. In an independent school, this can occur at a number of milestone occasions like searching for a new head of school or establishing a new division. Problems or opportunities—like a decline in enrollment or heavy staff turnover—can also provide an opportunity for generative thinking. The authors suggest that specific characteristics of an issue can suggest a role for generative thinking such as:

- **Ambiguity**—there are multiple interpretations of what is going on;
- **Saliency**—the issue means a great deal to many;
- **Stakes**—the stakes are high;
- **Strife**—the prospects for confusion and conflict and the desire for consensus are high;
- **Irreversibility**—the decision or action cannot be easily reversed.

While all of this seems very complicated, generative thinking can be like exercising a little-used muscle—the more you flex it, the easier it gets. We envision the well-oiled board of tomorrow operating like a symphony orchestra, switching from instrumental solo to full orchestra effortlessly, changing tempos seamlessly, and operating on many different levels, all in concert with each other.

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19 Ibid, pages 79-80.
To help boards become more efficient and strategic, NAIS offers the following resources. Many of the resources offered online are available to NAIS members only.

Ensuring Good Practices

NAIS Board Online Assessment Tool:
E-mail wood@nais.org to sign up and find sample questions and reports at www.nais.org.

Professional development opportunities:
- Leadership through Partnership: A Workshop for Heads and Board Chairs
- NAIS Annual Conference (featuring a track of workshops for trustees)

Available to download at www.nais.org:
- Principles of Good Practice for Boards and Trustees, www.nais.org/go/pgp
- “Sample Board Contract” and other samples
- NAIS Legal Advisories (on such subjects as bylaws and the Sarbanes-Oxley Act)
- Governance Articles (on such topics as the critical relationship of board and head)

Training New Trustees

Available from NAIS Publications:

Available to download at www.nais.org:
- “Trusteeship 101” Webcast presentation

Assessing and Compensating the Head

- NAIS Head Assessment Tool — E-mail wood@nais.org to sign up and find sample questions and reports at www.nais.org.

Available to download at www.nais.org:
- StatsOnline Benchmarking Reports — Heads and business managers have access to the benchmarking tool of StatsOnline.

Available from NAIS Publications:
- The NAIS Head Search Handbook

Maintaining Fiscal Sustainability

Available from NAIS Publications:
- Holding the Trust: An Independent School Trustee’s Guide to Fiduciary Responsibility
- Financing Sustainable Schools Workbook

Planning Strategically

Available to download at www.nais.org:
- NAIS Opinion Leaders Survey: Forecasting Independent Education to 2025
- PowerPoint Presentations (including titles such as “Good to Great: Strategic Thinking”)

To order publications, call (800) 793-6701 or go to the NAIS online bookstore at www.nais.org.
Note on Methodology/
Profile of Survey Respondents

To collect the information contained in this report, 1,248 heads of school were sent a hardcopy survey in the mail. A total of 501 heads of school completed the questionnaire, representing a participation rate of 40 percent. The vast majority (81 percent) represent day schools, with very few heads of boarding schools (3 percent) or mixed day/boarding schools (15 percent) responding. Around four-in-10 (39 percent) are heads of an elementary-through-secondary school and one-third (33 percent) preside over an elementary-only school. One-in-five (16 percent) are in a middle-secondary school and one-in-10 are heads of secondary-only schools, with very few in middle-only schools (1 percent). Almost four-in-10 heads represent schools with an enrollment of 500 or more children at their school, while one-quarter lead schools that enroll between 300 and 500 students, and around one-third have fewer than 300 students. The vast majority of participating heads (85 percent) represent coeducational schools.

To further enhance the study, 1,255 trustees also were sent a hardcopy survey in the mail, either sent directly to the trustee or in care of the head of school. A total of 292 trustees completed the questionnaire, representing a participation rate of 23 percent. The vast majority of trustees serve on the boards of independent coeducational day schools (at least three-quarters). Around four-in-10 are trustees at rather small schools (300 students or fewer), one-quarter serve schools with populations of 301-500 children, and another four-in-10 represent schools with an enrollment of more than 500 children. The distribution by grade level finds the highest representation among elementary-through-secondary (39 percent), followed by elementary only (32 percent), middle-secondary (15 percent), and secondary only (14 percent). As with the heads of school participation, there are very few middle-only schools represented (1 percent).
WHAT IS NAIS?

The National Association of Independent Schools (NAIS) is a voluntary membership organization of nearly 1,300 independent schools and associations in the United States and abroad. NAIS acts as the national voice of independent pre-collegiate education and as the center for collective action on behalf of its membership. It serves and strengthens its member schools and associations by articulating and promoting high standards of educational quality and ethical behavior, by working to preserve their independence to serve the democratic society from which that independence derives, and by advocating broad access for students in affirming the principles of equity and justice.

To order copies of this report, call (800) 793-6701 or go to the online bookstore at www.nais.org. This booklet is priced in bulk so you can share copies with members of your board.

Item B113 NAIS Discount $5; List Price $7
Item B113A (package of 25) NAIS Discount $90; List Price $135.