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When Mission and Market Forces Intersect



A study of NAIS member schools navigating an economic recession

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Executive Summary

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In 2007, the United States entered an economic downturn that lasted long enough to be deemed, officially, a recession. This report examines the effects of that recession on independent schools. As a subset of private schools, independent schools are self-governing and self-financing institutions that set their own mission statements, programming goals, and policies. Generally, independent schools are not-for-profit entities that operate under the leadership of a board of trustees and a head of school, with a variety of administrators overseeing aspects of day-to-day operations. Currently, approximately 1,400 such schools are members of the National Association of Independent Schools (NAIS); this number represents about 10% of all private schools in the United States.

Because of the self-sustaining nature of independent schools, concern over their financial status in the present economic climate has been discussed by NAIS and schools themselves. There is less agreement, however, on how independent schools have or will

weather such an economic storm. As mission-driven institutions, independent schools structure operations in an attempt to balance their core purposes with their customer base, teaching force, and needs for long-term sustainability. At the same time, such schools always experience tension between the demands of the market and the

demands of the mission; in a time of economic crisis, these tensions may be exacerbated. This study seeks to address a single guiding question aimed at exploring this tension between mission and market:

Independent schools always experience tension between the demands of the market and the demands of the mission; in a time of economic crisis, these tensions may be exacerbated.

- How did the recession impact financial processes and operations at independent schools?

Three key resources are used in this report to answer this question. First, the NAIS database of financial and operational data provided by member schools, along with information on member schools available on the NAIS website, provides a statistical underpinning for assessing global trends among schools such as changes in enrollment, tuition, or teacher salaries. Second, our Survey of Heads and Business Managers (hereafter referred to as the Survey), distributed to approximately 1,300 schools and garnering 988 responses, offers deeper insight into particular perceptions and choices by schools across the nation. Finally, we conducted interviews of numerous school constituents, including board members, parents, teachers, and administrators, at six Southeastern independent schools representing a variety of school types.

Key Findings

Our data revealed a number of key trends among independent schools:

- *Schools reacted to the recession quickly and planned prudently.* Boards, heads of school, and other members of school communities generally invested in initial planning for the recession that included an emphasis on keeping current families enrolled and creating conservative financial plans for the coming years.
- *Schools focused on and maintained enrollment, but experienced some unexpected enrollment trends.* Because independent schools are largely tuition-driven, enrollment was a primary concern of many schools. As a whole, schools did not see a major decrease in enrollment. However, many schools found that families were waiting later to enroll children in the school, that it took longer for families to sign contracts, and that efforts to counteract potential drops in enrollment sometimes led to imbalances in the number of students in each grade level.
- *Schools maintained their programming and many of their financial goals.* In addition to continuing to offer the same level of academic programming, many schools ultimately made only small, and often temporary, budget cuts affecting teaching and learning. Although the recession affected some annual and capital giving goals, as well as endowments, schools generally continued successful fundraising in these areas.
- *Schools made adjustments in a number of areas, either temporarily or permanently, as a result of market pressures.* In particular, schools adjusted their approaches to funding financial aid, faculty salaries, tuition, maintenance costs, online services to parents, and marketing efforts. Schools also revisited their policies and goals concerning diversity, parent organizations and community events, and the accountability of programs to the school mission.

- *Schools experienced three key areas of self-examination and growth of school culture, including:*
 - *The role of school leadership.* School leaders, especially heads of school, took on new importance during the economic downturn. Many schools developed new respect for the role of school leadership during this time.
 - *Community-building.* As schools reacted to market forces, they reexamined their own communities and the importance of those communities to supporting both the school mission and the financial stability of the institution.
 - *Organizational learning.* Schools discovered that many of the adjustments, revised policies, and choices made during the recession represented positive change for the institution; in addition, each school developed a deeper understanding about itself as a learning organization.

Recommendations

Based on these findings, we offer recommendations for further research, for NAIS as an organization and for NAIS member schools. Our recommendations for further research include the investigation of:

- the differences in effects and decision-making between independent and other private schools;
- why and how enrollment shifted at individual independent schools;
- the causes and consequences of several key areas of school operations, including teacher retention, teacher workload and class size, and the age (or “life cycle”) of schools.

For NAIS, we suggest measures to help individual independent schools across the nation prepare for the possible shifts suggested in the study, including recommendations to:

- help schools understand and plan for the changing landscape of financial aid and admissions;
- help schools prepare for the possibility that student populations will be comprised differently in the future;
- devote attention to the role of parent associations and parent events;
- collect data more consistently from non-independent private schools and other school competitors;
- collect data from independent schools in key areas: marketing strategies, enrollment by grade, the effects of competition, and faculty salaries by variables such as tenure of employees.

Finally, for NAIS member schools, we offer ten guidelines drawn from the data and examples offered in this study. While some of these guidelines apply specifically to negotiating times of economic crisis, many may serve as ongoing principles for independent school operations. We suggest that schools:

- consider the new landscape of financial aid and admissions and plan accordingly;
- plan early and prudently (while still intending to grow and succeed) in times of crisis;
- consider possible new populations for enrollment;
- even in times of crisis, continue to set and work to meet new goals for physical, financial, and organizational growth;
- invest in social media as a marketing tool;
- in an economic downturn, watch entry grade level enrollment carefully;
- promote and structure organizational learning within the school to learn from change;
- benchmark thoughtfully against similar NAIS schools in addition to non-NAIS schools in the immediate community or region;
- focus on the internal school community;
- in all of these actions, stay true to the mission.