

# Independent Schools Chart Their Futures With Strategic Thinking



## INTRODUCTION

PRIVATE INDEPENDENT SCHOOLS FOR ELEMENTARY AND SECONDARY STUDENTS HAVE BEEN CENTRAL TO THE U.S. EDUCATIONAL CONTINUUM AS LONG AS HIGHER EDUCATION HAS EXISTED, BUT THERE IS NOTHING “OLD SCHOOL” ABOUT THE ENVIRONMENT THEY FIND THEMSELVES IN TODAY. ONCE IDENTIFIED WITH ELITE EDUCATION, PROVIDED BY BOTH SECULAR AND RELIGIOUS ORGANIZATIONS, MODELS OF INDEPENDENT EDUCATION HAVE BROADENED CONSIDERABLY AT THE SAME TIME THAT SOME OF THEIR ONCE-DISTINCTIVE PRACTICES ARE NOW BEING ADOPTED BY PUBLIC SCHOOLS.

Snapshots from K-12 education today suggest the independent school environment is anything but complacent and tradition-bound:

- “Character education,” often considered the province of private schools, is now mandated or encouraged in public schools in more than 20 states.
- Free public alternative charter schools are attracting increasing numbers of students from private schools; in the New Orleans’ suburbs, more than 10 percent of charter school students previously attended private schools.
- A recent study warned that substantial tuition increases are putting independent education out of reach for more and more families, with tuition growth two times the growth in median family income since 1981.

Since the recession, alarms increasingly have sounded that private education is dying out, both in K-12 elementary and secondary schools and in colleges and universities, and some of the more fragile institutions have indeed closed. Today no institution, from pre-K through college is completely immune to at least some of the pressures, such as declining enrollments, unsustainable financial trajectories and competition from innovative “disrupters” such as charter schools and Massive Open Online Courses (MOOCs).

As we look specifically at independent K-12 schools, it’s clear that their major challenges are similar to those experienced by their higher ed counterparts. And, like many colleges and universities, they are adopting more strategically focused planning practices that define a comprehensive roadmap for the future.

### Enrollment Patterns and Increasing Competition

Overall enrollment in private schools has fallen, with nearly half losing students between 2006-2007 and 2013-2014, according to an analysis of 939 schools by the National Association of Independent Schools (NAIS). Nationally about 10 percent of students in the U.S. attend private schools; by 2021, this number is expected to drop to 9 percent. In its “Condition of Education 2015” report, the National Center for Education Statistics said the percentage of students in private pre-K to 12<sup>th</sup> grade schools dropped to 5.3 million students in 2011-2012 – well off the high of 6.3 million in 2001-2002.

- A majority of the declines occurred in parochial schools, but regional economic climate and population growth clearly are factors for all school types. In the East, including New York, New Jersey and Manhattan, nearly 65 percent of independent schools are growing, and half of those schools are considered high growth; the patterns are similar in the West and Southwest. Yet the Mid-Atlantic area has more decliners than gainers, and New England, the Midwest and the Southeast show mixed results. These demographic shifts are affecting colleges and universities as well.
- Conversely, charter school enrollment nationwide has grown significantly from 0.3 million in 1999-2000 to 2.3 million in 2012-2013, with the percentage of all public school students who attended charter schools rising from 0.7 percent to 4.6 percent during that period. Some states, such as Texas, have pronounced gains. Its charter school sector has continued to grow markedly since its 1996 inception to more than 500 schools, according to Stanford University’s Center for Research on Education Options. Importantly, research shows that parents who previously enrolled their children in private school were more likely to switch their children to charter schools if they felt the benefits of private school only moderately outweighed the cost of private school tuition.

### Costs and Affordability

Like U.S. colleges and universities, tuition accounts for independent schools’ most significant income – upwards of 75 percent of their revenues on average. Medium tuition is up by nearly 52 percent in the past decade to \$42,301 at private day schools and \$50,811 at private boarding schools. Meanwhile, the NAIS reported in 2015 that total expenses in independent schools increased by 3 percent in each of the two previous years (more than double the average inflation rates) – led by technology, administrator salaries and benefits. Another driver is the tradition of small class size, which because of the higher associated costs, is now under scrutiny in some schools. Competition from charter schools, for-profits and virtual schools, along with demographic changes and the slow economic recovery, have forced a more comprehensive look at independent school balance sheets – including outsourcing, partnerships, cross-enrollment programs, shared services with other schools, satellite and international campuses and other new models.

### New Educational Styles for 21<sup>st</sup> Century Learners

Classroom trends toward more personalization, interaction and learner control have arisen out of new web 2.0 and 3.0 technologies – as seen in the exploding growth of home schooling, online and blended learning and do-it-yourself YouTube videos. Accelerating this diversification away from the traditional

classroom are trends in problem-based and experiential learning, internships with community businesses and nonprofit organizations and strategic partnerships – even co-location – with colleges and universities. Independent schools are well-positioned to adapt to these changes because of relatively small class sizes, freedom from state standards, close student-faculty mentoring relationships and control over what is taught.

Yet certain charter public school models (the New Tech Network in California) and private school micro-systems with lower-cost business models (Alt Schools in San Francisco) are drawing from the independent school pool with future-focused classrooms and moderately priced tuitions. The more innovative public school systems are also becoming more competitive with their no-cost option, magnet schools, project-based learning rubrics and partnerships with regional businesses to open career pathways.

### **Differentiation and Sustainability through Strategic Thinking**

Historically the independent school sector has experienced a pattern of somewhat episodic, reluctant, volunteer-led planning exercises by boards and parents who partner with academic and administrative leadership – and in many cases, with relatively tactical and short-term outcomes. Yet boards, parents and alumni want to help shape more lasting results. An NAIS survey of 807 heads of schools and board chairs last year found that 41 percent did not think their board spent enough meeting time discussing issues of importance to the school’s long-range future and that 30 percent believed meetings tended to focus more on current concerns than preparing for the future.

Clearly new approaches are underway. As a writer for *Independent School Magazine* noted: “...Most independent schools have been playing defense, hoping more or less to preserve their traditions while appeasing families with a nod toward change. But there are also some courageously inventive schools rapidly breaking ground on a very different system of learning. The latter are proactive, offensive-minded – focusing on strategic thinking that leverages creative, novel, and even quirky ideas that restrengthen the alignment of their core learning values with evolving consumer demands.”

Our experience is that many independent schools are indeed thinking differently and are engaging professional strategic counsel to facilitate this work and apply best practice models and rigorous processes. The involvement and perspectives of students, parents, alumni and boards are extraordinary assets for these schools; as we have observed, their partnership with administrators and faculty unleashes high levels of energy, commitment and expertise. Participation is more personal and ground-level, and their collective engagement also builds community, momentum and buy-in.

In an environment of increased competition and changing expectations of parents and students, these planning activities are resulting in customized and well-defined value propositions, frameworks for “schools of the future,” diversified revenue streams and much more. They are developing these plans in an atmosphere of transparency and broad community engagement, as illustrated by the website for Goals for St. Mark’s IV strategic planning project at St. Mark’s School of Texas in Dallas ([www.smtexas.org](http://www.smtexas.org)).

And, when completed, these plans are designed to be adaptive. “While acknowledging that all plans are evolutionary, this plan will help prepare us for the opportunities that inevitably await...We are excited by the possibilities of Loyola School’s Ignatian, global, and technologically advanced future,” wrote Tony Oroszlany, president of Loyola School in Manhattan’s Upper East Side, in a preface to the school’s new strategic plan, *Inspiring Greater Glory* ([www.loyolanyc.org](http://www.loyolanyc.org)).

In these and other planning exercises, independent schools are coalescing discussions around current and emerging realities, such as:

**Global citizenship:** Research suggests that once-comfortable 20<sup>th</sup> century models must give way to different needs in the 21<sup>st</sup> century, or schools will become irrelevant. That means strengthening so-called “soft skills” (clearly a misnomer today), such as collaboration within teams and networks, critical thinking and adaptable problem solving and the ability to assess and analyze information. Students have new mindsets about technology and use it differently to learn and communicate, so expertise with technology is not a luxury but a necessity. That’s expensive and it requires retooling of classrooms, re-educating teachers and developing new ways of teaching and learning.

**Character education:** While character education has enjoyed a resurgence since the late 1990s, even in public schools, independent schools typically have led the way because of closer partnerships between families and schools, more consistency around shared values and greater flexibility to operate without political and legislative controversies over definitions, standards, assessments and policies. Gallup Polls have shown that over 90 percent of American adults support character education’s key tenets – qualities such as justice, diligence, compassion, respect and courage.

**Access and affordability:** Parents, teachers and administrators understand their students must be able to live and work successfully in a highly diverse society regardless of their economic standing or profession. Yet private school tuitions upwards of \$40,000 per year in New York City and in the \$20,000 range in much of the nation are cumulatively more than most families can afford even for college. One-quarter of private school students now receive financial aid versus 17 percent ten years ago, according to the NAIS. A well-rounded school community is also cited as a *value* so the campus culture more closely resembles the real world.

**Financial strength and sustainability:** More sophisticated and professionalized fundraising and institutional marketing strategies are increasingly evident in engaging parents (current and former) and lifelong alumni networks. Independent school endowments are growing to secure the long-term future, relationship-building through scaled down models of corporate marketing and communications and advanced data-mining software to target growth opportunities. Meanwhile, philanthropic and community partners, along with current and potential parents, are requiring assurances that their investments are well-stewarded, support sustainability and yield the outcomes promised. Working to become more inclusive and generate more income, schools are expanding the reach of their fundraising efforts, noted Sue Cunningham, president of the Council for Advancement and Support of Education (CASE), at the recent CASE-NAIS conference in New York. In this context, she added, new industry donors – from high tech, finance, venture capital and the like – are more likely than traditional donors to ask schools about return on investment.

## Thinking Comprehensively – What’s Your Value Proposition?

The “why” and the “what” schools deliver are central to their success, reputation and ability to recruit students, parents, donors and community investors. Similarly, the “how” of forming and communicating strategic direction that is both adaptive and relevant to future needs of students in college, careers and adult life is essential to distinction and differentiation in a competitive marketplace.

Our experience is that well-facilitated planning processes bring out the wisdom of the closely involved stakeholder groups, while allowing leadership to drive the highest-value activities for the good of the whole. As independent schools confront 21<sup>st</sup> century realities, already the data is mounting that even high-income parents will choose public systems and charter schools committed to reinventing education. That is, unless private schools demonstrate superior performance in teacher quality, student preparation, the overall student experience, value-added engagement of the extended “campus community” and the overall return on such a significant financial investment.

*February 2016*

### Resources Cited:

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