

# School Governance that works in the 21<sup>st</sup> Century

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## Introduction

If it ain't broke, why fix it? However good governance requires us to question on a regular basis why we do things – could we do them better a different way, is there anything else we should be doing or are we doing things the best possible way already?

We must constantly challenge the way we do things. The most important thing I want you to take away with you today is the question “why?”.

Throughout this presentation, I will refer to the board of directors – you may refer to your governing body as a council, board, or trustee, but for the sake of consistency and to remind us of our obligations under corporations' law, I will refer to the governing body of a school as the board. I am also assuming that the majority of schools are companies limited by guarantee or of similar structure, and therefore the board members are directors of the company. If your school does not fall into this category, then the principles discussed can still be applied to your school as they cover the modus operandi of a board and not just the legal responsibilities.

Throughout this paper I will refer to the way that we have done things at Trinity Grammar School, Kew over the last couple of years. This is by no means the perfect or only way to operate within a governance framework. However, I hope to use Trinity's experience to illustrate a number of theoretical dimensions and therefore allow you to better relate the theory to your own school.

During 2002, the Board of Trinity Grammar School, Kew undertook a self-appraisal process. This involved a questionnaire completed by all members of the board evaluating all aspects of board operation and performance.

Shortly afterwards, the Board looked at the issues of governance within schools and other not-for-profit institutions with a view to reviewing our own processes. There does not appear to have been any research performed in Australia in relation to governance issues within schools and there had only been limited research in the area of governance within not-for-profit companies.

In 2002, the University of Melbourne and Philanthropy Australia undertook the Accountability and Corporate Governance in Not-for-profit Companies Project. This was a survey on company law issues affecting not-for-profit companies. 1,688 not-for-profit companies limited by guarantee (including a number of independent schools) completed the survey (response rate of 39%).

The typical respondent board of directors:

- was comprised of 8 unpaid, non-executive directors. 77% had boards comprised entirely of non-executive directors.
- Does not represent a particular stakeholder: 85% do not have any donors as directors; 79% said they did not have a director that represented the interests of stakeholders other than members
- Makes decisions based on a consensus based style: only 9% vote without using consensus methods

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This survey looked predominantly at the information that not-for-profit institutions made available to the public. The survey data shows a disparity between the level of disclosure that the majority of respondents believe should be available to the public (namely, summary financial information) and the level of disclosure that they are, in fact, required by the Corporations Act to make (namely, full audited accounts).

These findings, along with the other data contained in the report will be incorporated into a full report of data and recommendations for possible law reform in 2004.

## Educational research

However, detailed research on governance within educational institutions has been performed in the USA by Richard Chait, professor of higher education at Harvard Graduate School of Education and his associates. The research involved 108 board members and presidents at 22 independent liberal arts and comprehensive colleges in the US and took place over a three-year period.

The aim of this research was to determine:

- What characteristics define and describe effective boards of directors of independent colleges?
- Do the behaviours of effective and ineffective boards differ systematically?
- What is the relationship, if any, between board effectiveness and institutional performance?

It was ascertained that there is a positive and systematic association between the board's performance, as measured against these competencies, and the college's performance, as measured against some conventional financial indicators. This was not a causal relationship, but a strong congruence was identified.

Interestingly enough, the information gathered on structure of boards revealed no systematic patterns of association between board effectiveness and factors such as the board's size, the number and duration of board meetings, and whether there were limits on a board member's length of service. Seemingly those boards that had more members desired to be smaller, and those boards that had fewer members desired to be larger! So I'm afraid there were no easy answers on the right structure for a board!

However, the research did identify 6 dimensions within which boards operate and therefore characteristics that are required within each dimension. It is these dimensions that Trinity has used to develop our strategy for review of the Board. We used this theory because it had been proven to work and therefore was more relevant to our operations than some of the corporate models.

## Contextual dimension

The contextual dimension is key when looking at governance within schools. This dimension ensures that the board understands and takes into account the culture and norms of the organisation it governs.

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Within the contextual dimension, the board:

- Adapts to the distinctive characteristics and culture of the school's environment
- Relies on the institution's mission, values and traditions as a guide for decisions
- Acts so as to exemplify and reinforce the organisation's core values

It is important to consider governance best practice within the corporate world and industry. The recently released Australian Standard AS8000 on Good Governance Principles assists in this process. However, any lessons learnt from these areas must be applied within the context of governing within a school environment.

Appendix C of the Standard goes some way to addressing the issue of context but school boards need to look at the mission statement and core values of the school and govern in light of these. It is therefore important that the mission statement and core values of the school are clearly defined and stated. Key decisions should also be measured against these core values.

Board members should attend as many school functions as possible to ensure that they remain focussed on the needs of students and to soak up the atmosphere and ethos of the school.

This dimension also highlights the imperative for the vision and direction of the school to come from the top and for the board to re-iterate the values of the school whenever appropriate. Having members of the board who were present when the most recent mission statement or strategic plan were formulated are invaluable when it comes to ensuring that there is continued understanding of these values at board level. Having terms of office for board members that allows for the provision of institutional memory can therefore be beneficial to the school. At Trinity, we have a number of board members who have been on the board for in excess of 10 – 15 years. As long as there is balance between the number of longer serving board members and more recent appointments, then the contribution of those who have had long discussions on the values and traditions of the school in the past can assist in keeping the board on track and not making decisions that are contrary to the school's core values.

Church or religious schools should consider the way in which their vision and value statements relate to those of the church or organisation to which they are affiliated and to ensure consistency between the two. Schools whose educational philosophy is based on a particular philosophical stream should also ensure that their mission statement correlates and is consistent with the values of the philosophy with which they are associated.

## **Educational dimension**

The educational dimension considers the education of board members. Given that the majority of school board members are volunteers who operate in a wide variety of businesses and environments and for many this is their only directorship, it is important to ensure that they are continually developed in their own understanding of the school's operations and their role of governance. This dimension ensures that the board takes the necessary steps to ensure that board members are well informed about the school, the profession, and the board's roles and responsibilities and performance.

Within this dimension, the board:

- Consciously creates opportunities for director education and development

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- Regularly seeks information and feedback on its own performance
- Pauses periodically for self-reflection, to diagnose its strengths and limitations, and to examine its mistakes

A key element in the education process of board members is the induction process. What information do you provide your board members prior to their first meeting?

At Trinity we are developing a handbook for board members which will contain, amongst other things:

- The newly revised constitution
- The school's mission and value statements
- A brief school history
- Map of the school
- The roles and responsibilities of directors
- Charters of each of the board sub-committees
- Delegations of authority
- The current 5 year strategic plan, including financial plan
- Previous year's audited statutory accounts
- Contact details for other board members
- Meeting dates for the year

Our induction process will provide new board members with the board handbook, along with 2 or 3 recent sets of board minutes and associated papers, a copy of the most recent school magazine and recent newsletters. The chairman and headmaster will also meet with the new board member to discuss current issues and to conduct a tour of the school. The induction process should take at least half a day.

However, the education process should not just be directed at new board members. The educational environment is an ever-changing and evolving one, and it is important that board members keep abreast of emerging issues and their impact on the school. Professional development for board members should include developing the individual members' knowledge of the school but also of their obligations as a director of a company.

The board of an independent school several years ago instituted a playful yet useful idea to foster trustee education. Once or twice a year, the chairman administers a "pop quiz", a brief true-false and multiple-choice test for board members on basic institutional facts and trends on enrolments, finances, facilities and programs. Everyone grades their own tests, and no scores are announced, so no-one is publicly embarrassed. It is simply this board's way of reminding board members to stay current and of helping them to see for themselves whether they are in fact doing so.

It is important to review the board's effectiveness and performance in order to continually improve its effectiveness. This can be done through an appraisal process. This process can either be conducted internally or an external consultant can be employed to take the board through an evaluation process.

Generally, both approaches utilise a questionnaire to be completed by board members covering a number of areas of particular interest to the board. This can be followed up by

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interviews with individual board members, or simply by then having a group discussion based on the results of the questionnaire.

Appraisals are a subject in themselves, so I won't attempt to provide all the answers now! However, you should also consider the issue of individual appraisals for board members and not just appraisals of the board as a group. Especially if you do not have limited tenure of board members, it is important to assess the individual's contribution to the board to ensure that all of your board members are fully contributing to the governance of the school.

## Interpersonal dimension

In order for the board to operate effectively there needs to be cohesion within the group. This is particularly important for boards that are made up of different representative groups (eg past students, church, parents). Many of these members may feel that they have an allegiance to the group that they 'represent'. However, it's an important principle of being a director that, once you become a member of the board of directors of a company, that you act in the best interests of the company as a whole.

There are two steps to dealing with board members who feel that they represent a particular faction within the school community, which don't involve knocking their heads together! Working within the educational dimension is the first step. Board members should be educated on the role and responsibilities of being a director. The second step is to ensure that the board develop common goals and that performance against these goals is monitored, measured and recognised. By focussing on the common good, there is less opportunity to push a particular agenda for a specific faction within the school.

This dimension therefore ensures that the board nurtures the development of the board members as a group, attends to the board's collective welfare and fosters a sense of cohesiveness.

Within the interpersonal dimension the board:

- Creates a sense of inclusiveness among directors
- Develops group goals and recognises group achievements
- Identifies and cultivates leadership within the board

Do your board members spend any time getting to know each other? Do they know more than just the name and occupation of the person sitting opposite them at the board table?

Trinity board meetings occur in the evening. We meet at 7pm for a light meal and informal catch-up prior to a presentation at 7.30pm from an area of interest or focus within the school. Our meeting formally commences at 8pm and concludes by 10pm where there is an opportunity for board members to stay behind for a drink and chat before departing. These opportunities for social interaction enable board members to relate better to one another and therefore to mature as a body. This also creates a sense of inclusiveness. If one of your board members always makes an excuse not to attend such functions, make a point of encouraging them to do so. As board members learn to relate better to one another they will become a more cohesive group, be more willing to express opinion as they become more comfortable with one another and therefore be more effective decision makers.

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The chairman of the board is one of the key personnel within the school. The selection of the chairman is therefore crucial in ensuring that board meetings are run effectively, there is a strong relationship with the Head and that the board remains strategically focussed. Succession planning for the chairman should be seen as an ongoing requirement of the nominations committee. Whether you have a structure of deputy chairman who automatically becomes chairman when the chairman retires or resigns, or whether you have a structure within which there is an open election, the process and possible outcomes should be reviewed regularly so that the board is prepared at all times.

However, it is not only the chairman who has leadership role. Chairs of board sub-committees are also important. Apart from being a training ground for potential chairmen of the future, you should also ensure that the appropriate board members are chosen to chair specific sub-committees. I would suggest, for example, that the treasurer should chair the finance committee if you have one, as they are more likely to understand the issues and therefore ensure that the agenda focuses on the relevant strategic issues.

## **Analytical dimension**

As we have already established, it is important for the Board to act in the best interests of the school as a whole and not to represent an individual faction within the school. The analytical dimension assists with this process in ensuring that all issues are examined comprehensively and differences of opinion expressed prior to a final consensus decision.

A review of what and how information is reported to Board is relevant within this dimension. Are the main issues being addressed in the reporting from management or are operational issues the only ones discussed round the Board table?

Within this dimension therefore the board recognised complexities and subtleties in the issues it faces and draws upon multiple perspectives to dissect complex problems and to synthesize appropriate responses.

The board:

- Approaches problems from a broad institutional outlook
- Dissects and examines all aspects of multifaceted issues
- Raises doubts, explores tradeoffs and encourages the expression of differences of opinion

It is important within the mix of people on the board to cover a range of areas of expertise from which experience can be drawn when analysing different situations and circumstances. At Trinity our newly formed nominations committee has considered the ideal profile of a board for our school and would aim to try and fit in with this profile when looking for new board members.

Once the ideal profile is identified, it is important that each member (who has been selected for the specific expertise that they can bring to the board) is given a chance to comment and express opinion openly on each issue that is discussed. For key discussions, it is often pertinent for the chairman to go round the table allowing each person to contribute to the discussion and therefore allowing the issue to be addressed and examined from all angles. At the discussion phase, there should be an acceptance within the board that differences of

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opinion can be expressed – in fact, should be expressed to ensure that issues are dealt with completely. At that stage, the board can then come to a consensus opinion, assuming that differences of opinion have been understood and accepted. Once a consensus has been reached, it is important that all board members present a united front to those outside the boardroom in relation to the final outcome.

## Political dimension

Schools have a number of stakeholders such as parents, current students, staff and past students. The political dimension considers these stakeholders and Board's interaction with them. It ensures that the board accepts as one of its primary responsibilities the need to develop and maintain healthy relationships among key constituencies.

Within the political dimension, the board:

- Respects the integrity of the governance process and the legitimate roles and responsibilities of other stakeholders
- Consults often and communicates directly with key constituencies
- Attempts to minimise conflict and win/lose situations

During our review of the constitution, it was decided that within the board membership there should be one position nominated by the Old Trinity Grammarians Association, one position nominated by the Parents' Association and 2 positions nominated by the Archbishop. It has been clearly stated that these are not representatives of these groups.

As a result of looking at this dimension, Trinity now includes a section in the school magazine that provides summary financial results to assist the stakeholders in understanding decisions made by the Board.

The board has also decided to try and be more visible at functions.

In the development of our strategic plan for the next 5 years, there was comprehensive consultation with our stakeholders. Current students, parents and staff were all requested to complete questionnaires which covered the issues identified by the school executive and Board. The response rate was approximately 40%. Focus groups were then formed to ensure that the key issues had been identified by the statistical results of the questionnaire responses. These focus groups included a staff member, parent and student from the junior school and the senior school and were chaired by a member of the school executive.

## Strategic dimension

The strategic dimension ensures that the board helps envision and shape institutional direction and helps ensure a strategic approach to the organisation's future.

Within this dimension, the board:

- Cultivates and concentrates on processes that sharpen institutional priorities
- Directs its attention to priorities or decisions of strategic or symbolic magnitude to the institution
- Anticipates potential problems and acts before issues become urgent

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As a Board we try and have at least one day a year when we meet to discuss strategic issues. Some boards set aside a whole weekend for this purpose. We are currently developing a strategic plan for the next 5 years and this will be discussed at the Board planning day at the end of July. The plan has been prepared by the Headmaster based on the recommendations from the school executive in relation to the issues identified by the questionnaire and the focus groups.

The Board must think on a long-term basis and look at emerging issues in educational thought and development. Other strategic issues that should be considered include:

- Whether or not a single sex school becomes co-educational
- Long-term financial sustainability in the context of a threat of loss of government funding
- Policy determination eg class sizes
- Long-term marketing plan
- Positioning of your school within the marketplace

## Questions

1. Who are the board's key internal and external constituencies? What are the legitimate claims of each on the governance process (ie in what areas or domains should they reasonably expect to have a voice in decision making)?
2. What are the key components of education for your board members? Are they intended primarily for newcomers to the board, or are there also ongoing efforts directed at the board as a whole?
3. How does your board know how well it is doing? What criteria and standards does it apply? What sources of evidence does it use?

## Conclusion

To summarise, the process that we have undertaken at Trinity has been to look at a number of areas in a systematic way. Don't ever think that you can become a board who governs under best practice overnight!

For example, we gave ourselves an 18-month timeframe to finalise our constitution. This has enabled us to be sure that the changes we are making are consistent with our philosophy and to be able to undertake a consultation process.

It is also quite possible that you might decide to change very little in the way that you govern. However, at least you have the assurance that you know why you have made those decisions and can then be confident in your decision making.

The process that we undertook at Trinity was as follows:

- Evaluation of board committee structure and rationalisation of committees (each committee had to justify its existence and we moved from 12 committees to 7 committees)
- Development of charter for each board committee
- Review of articles of association and development of new constitution

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- Development of board handbook

More specifically, a committee charter should incorporate the following elements:

- Objective
- Committee composition
- Schedule of meetings
- Functions and responsibilities

Many of us have directors who give of their time voluntarily. In the 21<sup>st</sup> Century, time is becoming an even more scarce resource and therefore it is vital that we ensure that we conduct our Board affairs in an efficient way that best utilises the time that our Board members have available. It is likely that this will continue to reduce over the coming years, and we need to be prepared for that. One thing that we have attempted at Trinity is to hold a couple of committee meetings on the same evening (eg one starting at 6pm and the next one at 8pm), which means that those directors who are on both committees only need to come out for one evening, rather than two.

In conclusion, for every process or function, just think 'why?!'

## Resources

- AS8000 – 2003 Australian Standard Good Governance Principles
- The Effective Board of Trustees - Richard P Chait, Thomas P Holland, Barbara E Taylor – Oryx Press ISBN 0-89774-806-9
- Improving the Performance of Governing Boards - Richard P Chait, Thomas P Holland, Barbara E Taylor – Oryx Press ISBN 1-57356-037-5
- The Book of the Board – David Fishel – The Federation Press ISBN 1-86287-443-3