

# Evaluating Cost Effectiveness of Online Education

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# The Drexel Online Degree

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- ◆ MS in Information Systems
  - Part-time students, full-time professionals
- ◆ Approach
  - All activities online; no face-to-face component
  - Emphasis on interaction and collaboration
  - Student cohorts
- ◆ History
  - 1994: first individual courses online
  - 1996: first students for entire degree online
  - 1999: about 140 in degree program



# Session Overview

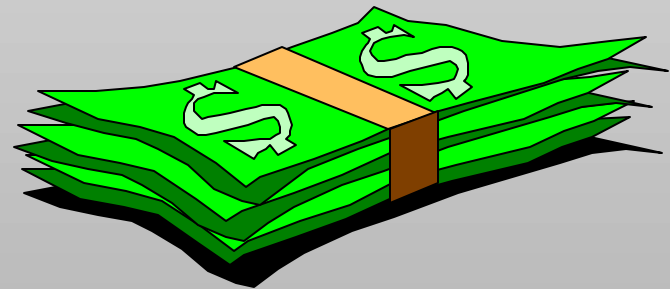
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- ◆ Current cost-effectiveness work at Drexel
  - Create a cost measurement framework
    - ❖ At the degree level
  - Compare ALN to traditional delivery
- ◆ Goals for this session
  - Stimulate discussion of cost measurement
  - Suggest need for
    - ❖ Comparison
    - ❖ Cooperation
    - ❖ Caution

# Broad Cost Measurement Issues

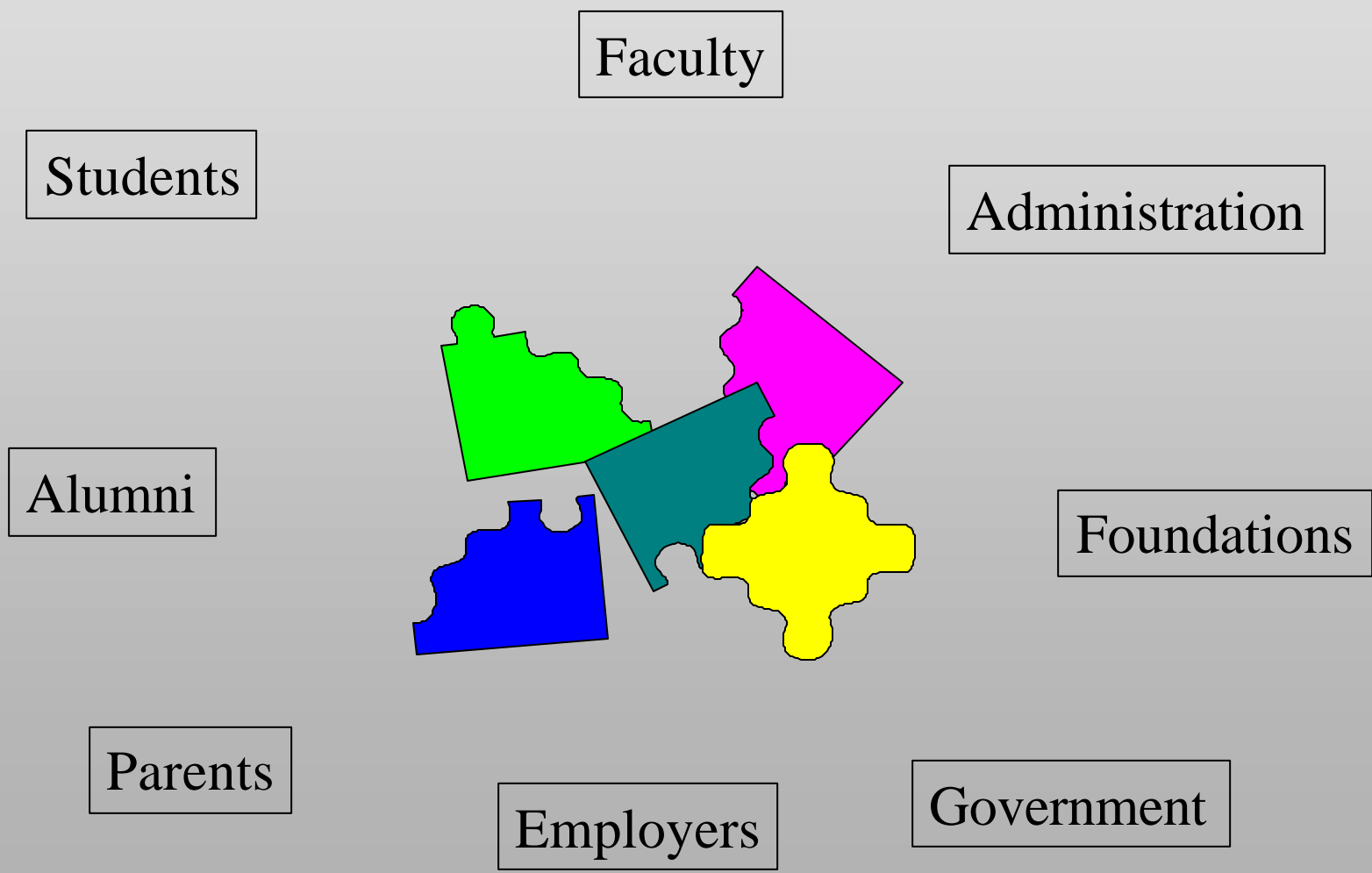
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- ◆ University accounting is not organized by activity
  - Degree program
  - Course offering
- ◆ Cost implications change with perspective
  - Stakeholders considered
  - Time horizon
    - ❖ Short vs. long run
  - Scope of online offerings
    - ❖ Online course / online degree / online institution
- ◆ Best measurement approaches depend on the question to be answered



# Stakeholders in the Transaction

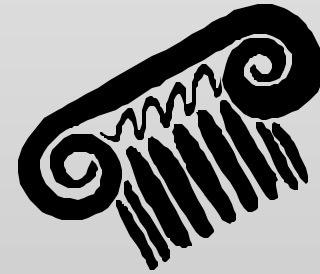
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# Key Stakeholders: Online Cost Impact

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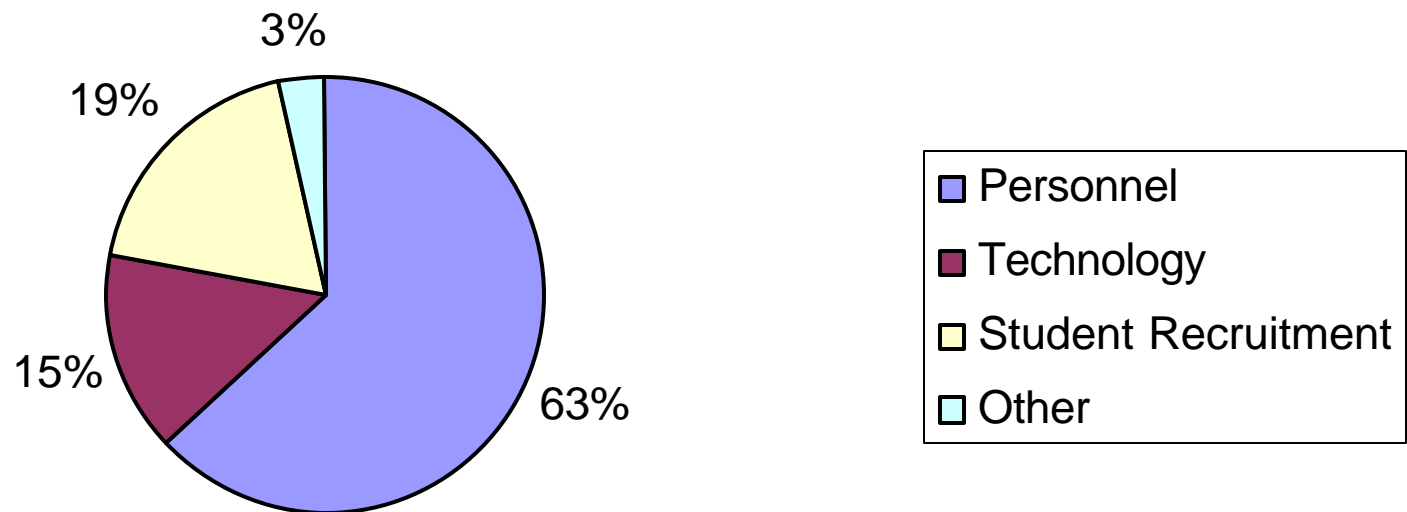
- ◆ The university
  - Program development and delivery
- ◆ The student
  - Tuition and fees
  - Travel (time and expense)
  - Participation time
  - Technology requirements
- ◆ The local community
  - Economic activity of resident students
  - Graduates as a source of workers



# University Cost Perspective

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## Online Course Expenses



# Personnel Cost Issues

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- ◆ Administrative and support staff
  - Accurately estimating time on task
    - ❖ Workload is not level over time
- ◆ Faculty
  - Adjustment for research funding / subsidy
  - Adjustment for possible difference in faculty time to deliver the course
  - Actual or average faculty cost
  - Mix of full-time and adjunct faculty

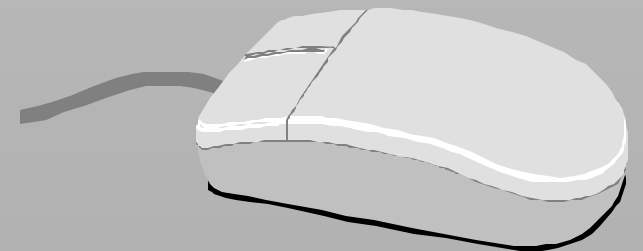
Actual vs. average or typical costs

# Technology Cost Issues

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- ◆ Estimating impact on university network
  - And translating that impact into cost
- ◆ Use of on-campus facilities by online students
  - Drop in PC lab space
- ◆ Shared use technology
  - Servers
  - Email

Marginal operating costs



# Recruiting Cost Issues

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- ◆ Fairly major expense, but perhaps transitional
  - Introduction of a new product
  - Need to educate the public
- ◆ Difficult to compare to traditional degree
  - Diffuse nature of university image advertising
  - Higher local value of “brand name”

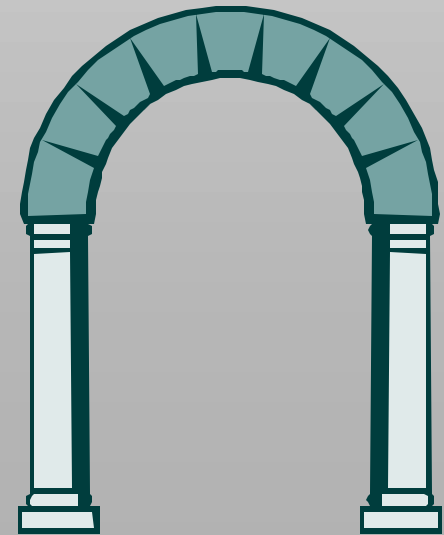
Understanding start-up costs and brand name value

# Land and Building Cost Issues

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- ◆ Lack of accurate data
- ◆ Deferred maintenance
  - Short run view: lower cost of capital
  - Long run view: growing “liability”
- ◆ Historical value
- ◆ Rental space comparison
  - Profit vs. non-profit
  - Impact on supply and demand on price

Long-term value of fixed assets



# Conclusions

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- ◆ The need for cost studies
  - Very little has been done
  - Studies are fairly complex to do right
- ◆ Generality of cost study results
  - Studies will be very specific to situation
  - Beware of summary numbers
- ◆ Steps to better understanding
  - Shared cost frameworks
  - Reporting with detailed, explicit assumptions
  - Sensitivity analysis

Your mileage may vary...