

Assignment 2

Short paper on one of the required readings.

OMDE 608-9040

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Introduction

For this paper I have chosen a chapter written by Thomas Hulsmann” The Two Pronged Attack on learner support: Costs and the Centrifugal forces of Convergence.”

This chapter is about costs and budgets in distance education. The author gives an analysis on how distance education follows a different pattern as compared to the traditional education when different types of costs are considered. He further illustrates this by mathematical equations and a graph. The author discusses the cost structure in different types of communications to support distance learners.

My claims for this paper are:

- The cost for learners’ support may be cut down without compromising the course quality.
- Distance education may not be a cost effective solution over a traditional education.

Theory

Budget for the program

As in any budget, there are some fixed costs as well as variable costs. Buildings, equipments, infrastructure are fixed costs and design and production of materials, instructors’ and tutors’ fees etc. are variable costs. In distance education, materials are produced as a course

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requirement and needs to be developed initially. Costs of production for instructional material are much higher than the cost of materials for the traditional education. According to the Total Cost formula

$TC = F + V * N$ where F = Fixed cost, V = variable cost and N = number of students. We can then calculate the Average Cost as $AC = TC / N$ or $AC = V + (F/N)$ (Rumble, 1997). If we plot a graph of Average Cost per students against the number of students, then we can see the initial AC is very high but it significantly declines as number of students' increases and then becomes stable. In a traditional education, variable costs per student are higher than those of distance education costs. So even the number of students is increased, variable costs of distance education are lower than the traditional education. Thus, distance education is believed to be more cost effective.

Communication types to support the students.

The author classifies the communication in two main types

1. Type-i technology where information is communicated through digital formats such as recordings, CD's or downloadable files from the internet. This is CBT or Computer Based Training.
2. Type-c technology is instructor-student or student-student interaction in either synchronous or asynchronous mode. This is CMC or Computer Mediated Communications.

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Type-i technology

In type i technology, information can be downloaded from the internet or distributed via CD- ROMS. The cost of design and production of such digital medium is higher which increases the Fixed Cost F . A quality instructional material is essential in distance education courses. Higher F can be controlled by increasing the number of students, which may not be possible in every scenario. To compensate for the increased fixed costs, tuition can be increased which may lead to lower enrolment. The only factor remains is to control the variable cost per student.

Type-c technology

In type-c technology, communication, either synchronous or asynchronous is done between students and the teacher. The cost factor is teacher's time. Synchronous communication is possible through videoconferencing or live chats and it requires extensive use of technology and teacher's availability. Co-ordination and planning of synchronous communication is also a tedious process. Asynchronous teaching can be done via learning management systems through conferences and emails.

Type-i technology increases the fixed cost F and type-c technology increases the variable cost per student. Since both types of technologies are crucial in distance education, overall cost of the program increases.

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Arguments

- The cost for learners' support may be cut down without compromising the course quality

Moore (2005) has defined a transactional distance education as a concept where students and teachers are separated geographically and the lack of communication and understanding is minimized by proper methods of communication and course design. He identifies the three main components as Dialogue (Verbal communication between student and teachers), Structure (Course Design) and Autonomy (Self study) to support the distance education. While studying the economics of distance education, Autonomy does not play any role but the Dialogue or type-c technology or Structure or type-i technology are very important factors to consider. To make a quality course, both the technologies are equally essential which in turn can drive up the cost of the overall program. Since $TC = F + V * N$, increase in the fixed costs and the variable costs ultimately results in increase in Total Cost. Identifying cost drivers is a crucial step in budget planning. (Rumble, 1997)

To minimize the fixed costs on the development and the production of the digital study material, sharing can be a good option. Since distance education courses are getting more popular and in demand, course structure can be made universal and the material can be shared by many institutions. In other words, creating "text books" digitally, which are available for sharing to the participating institutions. This way fixed cost of production and development can be divided. Collegial materials development model (Bates, 2005) is a good model for producing and

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sharing digital material. That way, the cost of production and labor required in production is shared amongst different institutions.

Distributing course development, learners support, and actual course conduction over various institutions can help lower the cost of the overall program. Various institutions can pool together different courses. This may help reach the goal of minimum number of students to run a cost effective course.(Hulsmann, 2004). Consortium Certification Model and Consortium Service Provider Model (Srivastava M. and Reddy V.V., 2002) are some models to consider. In these models, different institutions conduct same courses by combing students together but may not have an authority to issue a certificate. By making appropriate changes to these systems (authority to issue a certificate, combined teaching lessons etc.), cost effective courses can be developed.

- Distance education may not be a cost effective solution over a traditional education.

Even though it is believed that the average costs per student eventually decreases with the increase in the number of students, there some crucial factors to be considered. Fixed costs are initially higher and then they fall down as the number of student increases but this is not a reliable factor. Student population may not reach to the point of break-even point for every course. In that case, distance education may not be considered as a cost effective education.

Secondly, marketing is a required thing for high enrolment which can be grouped as a variable cost per student. More students are likely to be enrolled with higher marketing. This is a

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risky factor and not always reliable. Marketing costs may add up to the variable costs and the average costs may not decrease due to low student enrolment.

Student dropout rate is also an important point. If the dropout rate is higher than expected, then the initial cost is hard to recover. This may change the breakeven point for institution's budget plan. Again, to attract more students and to keep them, heavy marketing, better course designing, better learner support system are required. This in essence adds up to the initial cost.

Theoretically, distance education may be a cost effective over traditional education but in practice, we cannot have control over all the factors.

Conclusion

Budget is a fundamental aspect in any type of course development. Distance education is theoretically considered as a cost effective solution over the traditional education. But there are many parameters on which we do not have any control. Fixed costs of development and production of the materials, marketing and maintaining costs are the factors by which the total costs shoots up. Learners' support is another necessary cost driving factor. By increasing the enrolment and by distributing and sharing the course development and execution procedure by many institutions, the overall cost of the program can be lower down.

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