Alternate Performance Measures and Organization Structures for Athabasca University

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Growth Not a Measure of How Well We Perform

- Lower fees might produce higher overall revenues if registrations increase.
- Moral obligation to keep student fees as low as possible through wise investment of resources, particularly as an open university.
AU is Being Privatized in Terms of Sources of Revenue

- Declining government funding as % of total revenue (77% to 49% over seven years)
Need New Evaluation Tools to Reflect Reality of

- Growing dependence on market
- Increased competition from private sector
New Initiatives Must Exhibit Net Economic Benefit

- graduate programs other than MBA do not contribute to covering costs of non-academic units like Library, EMD, CS.
Need New Evaluation Tools

- Research tools to determine price sensitivity in marketplace
- Techniques to measure competing demands
  - ROI
Segment Margin Approach

- Analyzes costs on basis of variable and fixed behaviour
- Includes only costs that can be controlled by unit
- Omits all allocations
- Enables sensitivity analysis
Contribution Margin = # of Units x (Per Unit Revenue – Variable Costs)

CM = 9,000 registrations x [Regular fee – (course material + academic expert/marking + Call Centre + communications)]
Segment Margin = CM – Direct Fixed Costs

SM = CM – (Faculty/support salaries and benefits + SME/Course revision fees + software/hardware + promotion/advertising/travel)
<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average regular fee per reg.</td>
<td>$500</td>
</tr>
<tr>
<td>Less variable costs per reg.</td>
<td></td>
</tr>
<tr>
<td>Course materials</td>
<td>$75</td>
</tr>
<tr>
<td>Call Centre</td>
<td>35</td>
</tr>
<tr>
<td>Academic expert/marking</td>
<td>35</td>
</tr>
<tr>
<td>Communications</td>
<td>5</td>
</tr>
<tr>
<td>CM per registration</td>
<td></td>
</tr>
<tr>
<td>CCAS registrations per year</td>
<td>X 9,000</td>
</tr>
<tr>
<td>Total contribution margin</td>
<td>$3,150,000</td>
</tr>
<tr>
<td>Less CCAS fixed costs</td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$(2,400,000)</td>
</tr>
<tr>
<td>SMEs, course revisions</td>
<td>(110,000)</td>
</tr>
<tr>
<td>Technical</td>
<td>(40,000)</td>
</tr>
<tr>
<td>Advertising, promo, travel</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Segment Margin</td>
<td>$500,000</td>
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</tbody>
</table>
University-wide Reporting Needs

- Segment reporting could be accomplished by adding registration revenue and specific course material costs to budget lines of academic units.
- Allow academic units to develop/use alternatives to variable costs like course materials.
New Costing Models

- Segmented reporting of academic units could
  - provide incentives for efficiencies
  - spur innovation
  - inform new program and staffing decisions
Changes to Organizational Structure of AU
“When it comes to organization structures, the challenge [for managers of educational technology] is to develop a system that encourages teaching units to be innovative and able to respond quickly to changes in subject matter, student needs, and technology.”

(Bates, 2000, p. 40)
Postindustrial Organization

- Provision of services that can be rapidly adapted to the changing needs of disparate student groups
- Emphasis on innovation and creative teamwork
- Outsourcing of non-essential functions
- Small and focused organization reliant on alliances and partnerships of limited duration and need
- Global reach

(Bates, 2000)
New Organizational Units

- Create stand-alone academic units responsible for all aspects of course and program development and delivery
- Enable post-industrial organizational structures from the outset
Reliant on Registration Fees
Distance Education Research Focus
Individually Negotiated Salaries and Benefits
Renewable Employment Contracts
Specific, Measurable Objectives
Individual and Group Incentives in Lieu of Contract Increments
Central Services Levy, Rent
Optional Use of Central Services
CCAS Example
Questions