

Business Case
Online Education Program

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1. EXECUTIVE SUMMARY

This business case outlines how the integration of an accredited online education program can increase University revenue while minimizing cost associated with increased enrollment.

1.1 Issue

The 2012-13 UC Budget for Current Operation includes cuts ranging from 6% to 35% to academic and administrative costs. For the first time students are paying more towards their education than the State. According to the Public Policy Institute of California, by 2025 our state will face a shortage of one million college educated workers. If the UC does not step up to fill that gap, surely someone else will.

There has been a fundamental shift in the education paradigm. With the advance of information technologies, universal access to quality education can finally be achieved. As supply is shifting to meet this new demand for education, the UC system of education has failed to meet the challenge.

Latest technology has given rise to a new form of collaborative education, and the market is responding favorably. iTunes University offers lecture courses from esteemed Universities such as Yale, Stanford, and Duke with over 70,000 views per month of their 25,000 lectures (Maqubela, 2012).

For-profit Universities such as the University of Phoenix have had the online education market to themselves since the early 90's. They pioneered a revolutionary system of education, providing not only global access to quality education but degrees as well.

Taking these two models, combining collaborative education with a profit driven approach, we can offer a full range of online course study without compromising the quality of education the UC system is known for.

1.2 Recommendation

Existing classes would be expanded to incorporate online-only variants of course study, utilizing screen capture and video hardware already embedded in the classroom units. With the

assistance of UC Learning Technologies Course designers and engineers, Professors would be able to use lectures and existing course materials to build an online version of their course. Additional TA's would be budgeted for each course to maintain and administer online course material. Adapted course study would continue to be reviewed and approved by departments to assure academic quality and integrity.

1.3 Justification

In the current economy driven by technology and innovation, continued cuts to the educational system are undermining our own growth. If our country is to compete in the global market, higher education is a necessity.

To fill educational demand, we must increase the scale of our current business model. We are reaching a point where we can no longer increase physical enrollment. We lack resources. The UC system is underfunded and understaffed while classrooms are overfilled. The education industry is leaving us behind because our current business model is no longer sufficient to meet rising demand and rising costs. Prospective students who might be interested in a prestigious degree from a 4 year university are instead turning to for-profit schools who offer more convenient opportunities online.

If we can move past our inherit fear of new technologies, UCSC will in a unique position as a leader in online education. We have access to some of the greatest minds in education, business, and learning technologies already working or teaching at the University. If we pool our knowledge and expertise, we can revitalize the current system of education.

In the course of my research, I found these ideas are already gaining momentum. In October of 2011, the UCOP rolled out the Online Instruction Pilot Project (OIPP), currently referred to as UC Online Education (UCOE). I will attempt to integrate my original research with that of the UC project, discussing at length the mitigating concerns and possible solutions.

2. PROBLEM DEFINITION

2.1 Problem Statement

The University of California, Santa Cruz is faced with problems not unlike those of other businesses. How to increase revenue and drive down costs? We must, however, find a way to do this without compromising our core values and mission (UCOP Budget and Capital Resources, 2012):

Educate the workforce

Conduct research that fuels the economy

Be a key source of innovation

Improve the health of Californians

Work with K-12 schools

Assuming a 10% budget cut in 2014 we are forced to re-evaluate our current business model. In the past we have reduced the number of available classes, combined classes, and increased class capacity all in an attempt to cut costs while still increasing total University enrollment. We have also made cuts to faculty and staff. We can not continue this strategy without compromising the quality of our institution.

2.2 Alternatives Analysis

No Project (Status Quo)	Reasons For Not Selecting Alternative
Do not offer online variant of existing courses.	Does not provide UCSC with any additional revenue. Offers no feasible way to increase enrollment or add additional cost savings.
Alternative One	Reasons For Not Selecting Alternative
Offer online access to lectures and materials through third party distributor such as iTunes University.	Does not provide UCSC with any additional revenue.
Alternative Two	Reasons For Not Selecting Alternative
Allow UCSC to create a campus only online-instruction program	UCSC does not currently have the resources for this alternative.
Alternative Three	Reasons For Not Selecting Alternative
Create a centralized UC online-instruction program.	Preferred alternative.

2.3 Summary of Preferred Alternatives

Upon initial analysis it was thought the best way to preserve the campus culture and program diversity was to have UCSC responsible for the development and implementation of the online-instruction program. However upon further research and several interviews with UCSC ITS professionals, it was concluded that Learning Technologies lacks the appropriate resources to accomplish this type of endeavor. Even given funding from UCOP, UCSC lacks the talent to design optimal and dynamic course content.

It is suggested that we move forward with a centralized UC online-instruction program. This is similar to the existing UCOE project but with minor differences. The UCOE fails to utilize already existing courses in the implementation of its online-only variations; each online course would be separate and distinct from its classroom centric counterpart. They also plan to open online courses to non-matriculated students through summer and extension programs only, and at this time courses are only offered for transfer credit, not for degree opportunities.

For this proposal, we are suggesting that online-instruction courses should not replace a traditional course but be taught in tandem with a traditional course, giving students an option for a classroom setting if they choose. The focus of this program would be to offer accredited online degree programs as quickly as course content could be adapted.

3. RECOMMENDED ACTION

3.1 Organizational Impact

It is important that in implementing online course study and credential opportunity that the University does not tarnish the integrity of the UC system. Currently each UC campus retains autonomy with respect to curriculum. The proposed Online Education Program would follow the same rigorous approval by faculty and departments. Because the program would be centralized for all UC campuses, organizational impact to the UCSC campus would be minimal. The Academic Information Systems (AIS) would need to be programmed to communicate with UC centralized registration, leading to possibly significant changes to the UCSC registrar. ITS departments would function as normal providing assistance and feedback when necessary.

3.2 Impact on University Mission and Other Services

“Access. Affordability. Quality. These characteristics are the hallmarks of the University of California and the foundation of its public service commitment. Their preservation remains the University's highest priority.” Mark G Yudof, President

The proposed Online Education Program fits the vision of the UC program. Online-instruction at a lower cost than other industry leaders opens up accessibility to an entirely new demographic of students.

3.3 Risks

There has been great debate over the value of online-instruction. The University Council – America Federation of Teachers (UC AFT) is protesting because they believe such a program will lead to additional faculty layoffs. Many opponents of the program also argue that it diminishes the “elite” reputation of the UC system (Keller, 2010). Online-instruction is said to be a poor substitute for classroom learning, and faculty worry that the program would be a risk to the quality of the education system.

These complaints are not without merit. Schools such as Cal State University Bakersfield have created e-programs and replacing instructors with lower paid TA's (Horwitz, 2011). The UC AFT would require that no one loses a course or a job, that the program takes into consideration faculty work load, that intellectual property is protected, and that academic freedom is

preserved. These demands are reasonable and seen as paramount to the success of the Online Education program. There is no reason the Online Education Program and faculty layoffs need be mutually exclusive. The intention behind this program is to save jobs.

Although institutions like UOPX have higher documented drop out rates, there is nothing to suggest the quality of education is any less. Surveys conducted during the research for this case would actually indicate the opposite. Many students currently enrolled in online-instruction based degree programs find the course work more rigorous and taxing than classes they took at their community college or 4 year college.

There is always risk associated with change to an organization's business model, but many fear a change simply because it unbalances the status quo. The real risk to reputation comes from whether we succeed or fail, not from trying.

3.4 Technology Migration Plan

The UC already has resources in place to make the transition relatively seamless. Current contracts with vendor partners like Sakai and rSmart include support for online instruction. Since initial phases of the program would be limited to current UCSC students, registration platforms would remain relatively unchanged. Future phases would include opening registration to non-matriculated students which would require additional software to manage the data transfer between the campus and the centralized UC registration. Migration would mostly effect registration and academic reporting structures which are also supported by vendor contracts.

PROJECT OVERVIEW

4.1 Goals and objectives of transformation

Business Goal/Objective	Description
Increase student enrollment	Project provides large growth potential for student enrollment. The only limitations to class size would be in recruiting quality staff to facilitate the environment.
Create additional source of revenue	Increased enrollment without added strain to physical plant.
Reduce overall costs	Increased enrollment without added strain to physical plant.
Educate the workforce	Fulfills the UC mission to provide the state with quality affordable education for the growing CA work force.
Conduct research that fuels the economy	Uses resources more efficiently to free up more time for quality research.
Be a key source of innovation	Not only does the program promote innovation through the education of our community, but is an example of innovation in the education sector.

4.2 Major Project Milestones

Milestone Descriptions
Undergraduate
Lower Division – transferable credits
Accept faculty proposals for course build
UC course approval
Faculty and LTS meet to design online-instruction
Department approval
Implementation of class on UC Sakai server
Access to non-matriculated students – transferable credits
Implementation of middleware between UC registration and underlying UCSC Peoplesoft/AIS system software
Accept faculty proposals for course build
UC course approval
Faculty and LTS meet to design online-instruction
Department approval

Implementation of class on Blackboard
Upper Division – degrees available
Same as *Lower Division – transferable credits
Access to non-matriculated students – degrees available
Same as *Access to non-matriculated students – transferable credits
Graduate
Submit additional proposal for Graduate online-instruction

COST BENEFIT ANALYSIS

5.1 Impact on revenue

USOP is on record with an initial estimate of \$350 per credit. Adding an additional online-instruction section of 50 students to each 5 unit course would create an additional revenue of \$87,500 per course. For a typical transfer degree of 45 units, each student would contribute an additional \$15,750 in revenue and a 4 year degree of 90 units, an additional \$31,500. Total annual revenue expected if online-instruction enrollment is kept to 50 students per class, \$315,000.

5.2 Impact on cost

UCOP currently budgets \$250,000 per course. UCSC is expecting \$55,000 per course to cover development faculty and technologies. Overall budget for UC program is \$5-6 million which will come from revenues, foundations and donors. They are hoping faculty can compete for funding grants. The bulk of the cost is estimated to come from a new Blackboard contract at \$4.29 million for an 18 months. UCSC can utilize existing vendor contracts with Sakai and rSmart with no additional cost.

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