

Subject	External Quality Assurance
Module	External Quality Assurance Agencies Emerging Challenges
Topic	5.7 The Cost of Quality

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1. Introduction



The costs related to EQA agencies have prompted concern and debate among the key players – the agencies, HE institutions, and governmental bodies. We will consider both costs and effects, and more specifically, the cost-benefit and value-for-money perspectives on quality.

Objectives: The Cost of Quality

Upon completion of this topic, you should be able to

- discuss the issues of concern related to the cost of external QA
- identify some measures that QA agencies can take to control costs and maximize the benefit of QA
- identify some 'key performance indicators' (KPIs) that EQA agencies should use to evaluate their performance
- identify some ways to measure the cost and benefit of quality

2. Cost of EQA Agencies

Institutions in countries with long-standing external quality systems (such as the U.S. and many Western European countries) are accustomed to paying fees to external accreditors and assessors. Accreditation may even be a budget item. Thus, while not actually welcome, fees are viewed as part of the cost of doing business. As demands for accountability grow, along with the number of EQA agencies, more institutions find themselves dealing with EQA agencies for the first time. Many are confronted with EQA agencies at the institutional and program level, as well as governmental bodies, such as auditors-general, monitors of student access and welfare, equity and affirmative action bureaus, ombudsmen, and so on. Institutions are therefore more conscious of these costs as 'additional expenditure', so it is no wonder that institutions often protest the 'regulatory overload' that prevents them actually doing the work that the regulators wish to check. A popular expression in the U.K. is "over-evaluated and under-funded."

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Therefore, EQA agency costs have attracted an increasing amount of negative attention. However, complaining about cost in isolation is like moaning that food costs more today than it did 30 years ago (overlooking the large increase in wages, salaries, and operating expenses over that period). A more complete consideration covers both costs and effects, including value-added, and then looks at cost-benefit and value-for-money.

3. Costs

Some of the questions that agencies ask are:

- How much do we pay a given agency?
- How much does an engagement with the review team cost?
- How much time do staff have to spend on this interaction? Does that imply a cost?

These are just some of the issues that an agency must address when estimating its value. But let us “sharpen our pencil” and go further. Assume that QA and accreditation are required for access to government funding, direct or as tuition revenue. How much revenue does that bring in for the institution or program?

Assume that internal QA is a normal cost of doing business, including the cost of gathering and analyzing information. That is an internal management function which contributes to EQA. Compute the externally-derived costs of QA and accreditation (including the peers, visitation, consultants, dedicated faculty time, etc.) and subtract the total EQA cost from the total revenue dependent on favorable EQA. What is the net amount? For another shade of meaning, work out a cost per student or the revenue per student associated with EQA. Factor in the revenue that could be lost, including institutional revenue for goods and ancillary services sold to students.

It is essential that all parties (governments and the EQA agencies) pay attention to the sustainability of external QA regimes. A current issue, which is actually not new, is how to ensure the quality of individual programs, when the load is too great for them all to be externally accredited. The president of a very large U.S. public institution, speaking at an accreditation conference, put it this way: “You people mean well, but you think that university presidents want all programs to meet or exceed your standards all the time. In fact, we preside over a form of triage, in which some programs really should perish.” Thus, it may be quite reasonable for programs to be withdrawn, with care for student interests, as an institutional option.

In 2007, the Australian national EQA agency (AUQA) estimated the total institutional cost for one of its audits, including staff time and facilities, and apportioned that cost between the occasional comprehensive self-evaluation that the institution should do as part of its internal QA activities, plus the additional cost of AUQA audits. The proportion was about 2:1, so the cost of AUQA audit was about one cup of coffee per student per year. A similar calculation in India arrived at an even lower cost.

Nonetheless, the total load – and corresponding cost - created by an EQA agency is a valid question. EQA agencies should be able to demonstrate that they perform their tasks in an efficient and economical manner and they should collaborate whenever possible. If an institution is subject to the attention of multiple EQA agencies whose scope overlaps, at the very least the EQA agencies should ensure that they do not impose conflicting requirements; they should attempt to share data and information provided by the institution rather than demanding fresh data in a slightly different form; they should refer to each other's decisions and judgments, and if possible, conduct their quality activities jointly.

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4. Discussion

Discussion: The Cost of EQA Agencies

To understand the cost side of the debate, it may help to examine the financial statements that appear in EQA agency annual reports. With a view toward transparency and their quasi-governmental role, many agencies have such reports on their website. Try to find a suitable institutional accreditor and a substantial program accreditor. The U.S. might be fertile ground, given its many rules on public accountability and transparency (e.b., North Central Association or Middle States Association, ABET-Engineering, AACSB-Business).

Look for these elements:

- A. Total gross revenue and expense.
- B. Significant revenue and cost sources, including accreditation if specifically identified.
- C. Total agency number of accredited institutions or programs.
- D. Direct costs: total fee charged per each institution or program.
- E. Net revenue after expense.
- F. Financial surplus, if any.

Consider these questions:

1. Can you roughly estimate the total revenue and total cost for the accreditation of an institution or program?
2. Does it appear that the agency produces a profit or surplus?
3. If item 2 is "yes", is anything said about where those funds go?
4. Is it your impression that accreditation is a profitable business?

5. Effects of EQA Agencies

What are the expectations for EQA agencies? Purposes of different EQA agencies include:

- Registration/authorization of new institutions and programs;
- Capacity-building for quality within institutions;
- Checking on the handling of government funds;
- Overseeing a qualifications framework;
- Carrying out institutional quality audit;
- Carrying out programmatic accreditation;
- Researching, training, publishing, advocating about quality; and
- Providing public information about institutions.

Now, the same question can be asked about EQA agencies as about institutions, i.e., are you achieving your objectives (*fitness for purpose*)? One might also ask whether they were the right objectives in the first place (*fitness of purpose*). The setting of such objectives usually predates the existence of the agency which cannot be held responsible for them -- but operational experience should enable the agency to make recommendations on necessary or desirable changes in its objectives.

In addition to specific questions related to an EQA agency's stated objectives, more general questions are increasingly being asked. These questions are less precise but go directly to the purpose of the EQA agency, include:

- Do EQA agencies make a difference?
- Do they have an impact?
- Do the verified impacts affect a range of stakeholders?
- What changes can be seen as a result of the work of the agency?
- What is the evidence of quality improvement?

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There are various ways to answer questions about objectives and effect. One way is to emulate what EQA agencies' impose on the institutions, namely an independent review following on a thorough internal self-review.

Many agencies have now undergone an external review. However, both the internal and external self-reviews require relevant data on which to base their findings. For this, agencies should set 'key performance indicators' (KPIs) in relation to their activities:

- For review, these might include the number of audit / accreditation recommendations carried out by institutions or programs, feedback from institutions and the visiting team about the audit / accreditation process, etc;
- For capacity-building, participation in and satisfaction with training, appraisal of resource materials, etc.
- Broader interest in learning from the EQA agency, signalled by speaking invitations, consulting requests, visitors, etc.
- Media observation

A European Union program, implemented through the Latin-American network RIACES, with INQAAHE support, is developing ways to measure the effect of EQA agencies. Most stakeholder enquiries produce a generally positive response about an agency's effect, but it is difficult to obtain systematic and definitive answers, because the HEIs are subject to so many forces it is hard to isolate the specific effects of just one.

6. Cost-Benefit

In a purely commercial venture, the effort justifies the cost if the new returns outweigh expense. In academia, however, certain benefits have no monetary equivalent by which the returns can be valued. EQA agencies are then reduced to showing only that they operate economically. Some leaders in the quality movement used the phrase 'quality is free' to imply that poor quality has a cost, so quality assurance procedures pay for themselves. In education, this calculation is not easily done, given all the assumptions that must be made. Thus, institutions are more conscious of the cost of quality than the value of its benefits.

Some of the questions to be asked are:

- How many more students are attending the institution than would have, if the institution was not externally reviewed and accredited?
- What does this represent in terms of income?
- Does EQA help to bolster the institution's reputation, and therefore its ability to obtain contracts and to generate research income?

The last question was added, perhaps suggesting that institutional fortunes are measured at some distance from the ordinary business of education. Indeed, contracts and research are often housed in separately governed (or owned) research institutes, some of which depend on government/industry partnerships and funds. Such things are, for all practical intents, ensconced on another planet.

The greatest challenge is to provide evidence (if it exists!) of a causal link between the operations of an EQA agency and any observed effects, particularly student learning outcomes. This is something that needs our attention.

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7. Summary

This topic covered the following main points:

- The total regulatory load – and corresponding cost - created by an EQA agency has become a concern and point of attention for HEIs.
- EQA agencies should
 - demonstrate that they perform their tasks in an efficient and economical manner; and
 - collaborate whenever possible.
- If an institution is subject to multiple reviews, EQA agencies should
 - ensure that they do not impose conflicting requirements;
 - share data and information provided by the institution rather than requiring fresh data in a slightly different form;
 - use each other's decisions and judgments; and
 - conduct their quality activities jointly, if possible.
- The debate on the costs of EQA agencies has led to questions about the effects of these agencies. Most stakeholder enquiries produce a generally positive response about the EQA agency's effect, but it is very difficult to offer a systematic and definitive answer.
- EQA agencies should set some 'key performance indicators' (KPIs) in relation to their activities:
 - For review activities: Number of audit / accreditation recommendations carried out by institutions, feedback from institutions and expert panel members about the audit / accreditation process, etc.
 - For capacity-building: Attendance at and satisfaction with training, use of and comment on resource materials, etc.
 - Broader interest in learning from the EQA agency, signalled by speaking invitations, consulting requests, visitors, etc.
 - Media monitoring
- In academia, it is not easy to measure the returns on investment in quality, such that HEIs are more conscious of the cost of quality rather than the value of benefits received.