

An Online MBA: Effort, Investment, and ROI

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Abstract Every investment considers risks and rewards. Risks can be the funds required for a capital project or the amount of time required for a consulting assignment and the potential gains. Whether an organization or an individual, the process is similar. What are the costs and what are the returns?

When considering an MBA, as an individual, the capital investment (tuition fees) and the operating costs (materials, travel, technical tools) need to be estimated in relation to the potential rewards. The latter is more challenging to predict than the former in many cases. The intangible rewards such as increased knowledge, credibility, and expertise are an unknown commodity at the outset.

Where an individual is assessing an MBA program which must be self-financed, the risks for the individual are much greater and are relatively negligible for their employer.

The author's personal experience was one where as a mature MBA candidate, at 50-years of age, wondered how he could justify the investment – which at the time was 45% of his annual salary. He needed to identify potential job opportunities and the estimated level of income and consider lifestyle choices. The public entity he was working for offered no financial support, and the senior management position he held was plateauing.

Through market research, he felt that attaining an MBA would open more doors than remaining with his status quo having a business diploma. While he enjoyed the challenges of supply chain management, he also considered teaching and or consulting within this field.

Taking an MBA online reduced travel costs by 90%; the online format allowed him to accommodate the studies into his work and leisure time; the career opportunities he identified within the supply field all required an MBA.

Actual outcome: his return on investment provided a payback of less than 5 years. The study time was more than he expected, but the rewards also exceeded his expectations.

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1 Risks

Every investment considers risks and rewards. Risks can be the funds required for a capital project or the amount of time required for a consulting assignment and the potential gains. Whether an organization or an individual, the process is similar. Few public sector organizations at the time financially supported post-graduate programs for staff, which was the case for the individual in this perspective.

As a mature MBA candidate at 50 years of age, without an undergraduate degree, there were several risks to assess prior to considering enrollment. The candidate reflected and felt that his career at a senior management level in supply chain management had plateaued.

As an individual required to self-finance an MBA program, the capital investment (tuition fees) and the operating costs (materials, travel, technical tools) needed to be estimated in relation to the potential rewards. The latter is more challenging to predict than the former in many cases. Additional cost for materials and technical equipment was nominal.

To undertake an MBA program implied changes on a personal and professional level. While his peers and colleagues were reasonably comfortable in similar career roles, few had considered a postgraduate business degree. Most didn't seem to see advanced education to be a priority or thought it wouldn't lead to job promotions within their respective organizations. Many were also deterred by the financial investment.

Retirement plans could be considered within 10 years for himself; traveling sounded very appealing which also involved discretionary spending. Other lifestyle changes loomed such as enjoying more time for leisure activities with a grown family.

After reviewing various MBA programs offered in Canada, the USA, and Great Britain, tuition costs varied between 40% and 90% of his annual salary to complete a program. Would it be possible to recoup this investment without compromising his quality of life?

An online education format reduced travel time substantially and did not require spending vacation time attending classrooms with associated accommodation expenses; online actually enabled more time to be available to allow for part-time workshop facilitations which he had enjoyed doing for several years. Having to enroll in a traditional classroom format would have cost more in tuition, travel, and time and reduced the opportunity to continue part-time teaching. Teaching part time was important to continue to pay for the MBA studies. Online seemed like the best solution to meet budget limitations and address time constraints.

His final project in the MBA program was a paper on the risks and rewards of being a consultant – either on his own or as a part of a larger firm. The coaching advice encouraged him that consulting would be a viable option in his future.

2 Rewards

Rewards for completing an MBA program targeted enriched career path opportunities and an increased income. He also desired to have options when he chose to reduce his workload in the future.

The subject candidate had been involved for several years facilitating workshops primarily in supply chain diploma programs and private sector corporate training. He needed to ascertain whether an MBA would open other doors. His research focused on three key areas – teaching in undergraduate programs, providing consulting services, and attaining a director position in the field of supply chain management.

Teaching in undergraduate business programs required a postgraduate degree with an MBA being the most common requisite. Consulting service qualifications varied quite widely and considered work experience along with education. An undergraduate degree was usually a minimum requirement. Most senior managers or principals in business consulting organizations held recognized degrees. Supply chain director roles did not always require an MBA, but the degree was a differentiator in hiring selection criteria.

As stated, with a career path that had run out of rungs, an MBA seemed like a means of opening doors which would otherwise remain closed. Teaching in an undergraduate program sounded appealing, and the idea of being a consultant – either as a part of a larger organization or with his own shingle – was equally enticing.

Shortly after receiving his MBA, he was interviewed and was hired for a position at a local polytechnic university in their school of business. Initially this was with one supply chain management-related course which ran in the evenings. Again, this allowed him to concurrently work full time and enjoy another income stream. The problem faced for him at this university was there was very little chance of receiving a full course load where he could quit his current job and be a full-time instructor. He continued teaching part time for this university for 4 years, worked full time in supply chain management, and facilitated workshops.

Within 4 years of receiving the MBA, he was interviewed for a director position in a large public institution where the MBA was a preferred credential. This provided a significant salary increase. Due to the workload, he left his part-time teaching position with the local polytechnic university. Within a couple years, he left the large public institution and decided he did not want to continue to work full time. “Been there, done that.”

At the age of 60, after discussions with his family, he opted to provide consulting services under his own company name. This career shift worked well. There was less focus on income at this time as the lifestyle change was a great trade-off. He could work at what he enjoyed, helped many clients and nonprofit organizations with their supply chain operations, and enjoyed more leisure time off with family and friends. He continues to consult and teach.

3 The ROI

The published costs from the online institution allowed him to make a financial assessment prior to registration. The tuition fees over a 2.5-year period (considered full-time attendance) allowed for a budget with cash flows over a 3-year period. The tuition fees were recognized as tax deductions by Revenue Canada. Therefore, while the tuition fees were the equivalent of 45% of the candidate's annual salary, the investment could be spread over a 3-year time frame along with tax benefits.

As he gained more confidence during his studies, the candidate wanted to complete the MBA program earlier rather than later. The online program offered optional classroom courses on select weekend and weeklong formats. The candidate opted to spend the money to attend several of these sessions to accelerate his studies. The additional travel and accommodation costs were acceptable although these added an additional 7% to the investment.

Upon graduation, the teaching at the polytechnic university provided an additional 8% income per year.

During this period, he taught in the diploma program for a professional supply chain management association which set an MBA for their hiring criteria. He was then qualified to facilitate three more diploma workshops per year which equated to an additional 15% in revenue. The increased salary when joining the large public institution as a director was equivalent to another 38% income increase.

Summarily after his investment and associated costs for the optional courses, he could show a payback from his initial investment and costs within a 5-year window of graduation. The professional recognition while not a true ROI did contribute to a form of brand goodwill. While this market value is debatable, the degree did lead to new opportunities with virtually no advertising costs.

Currently as a supply chain consultant, he earns a satisfactory income from these assignments and projects. Based on his expertise and brand, he was contracted by a lawyer to teach online workshops and webinars and facilitate in-house client sessions on competitive bid laws and practices. These provide an incremental annual revenue stream as they continue into their fifth year of collaborations. A large research university contracted with him to develop and facilitate online supply chain-related courses which provided revenue for several semesters. As of this writing, he has gone full circle. He teaches supply chain management courses online for the alma mater which awarded him his MBA.

The ROI was seen to be well worth the investment and provided a good income. The degree allowed a transition into a lifestyle with more discretionary time, and he continues to be involved in the supply chain profession. Would all of this have been possible without the MBA? He honestly does not think so. The MBA led to a depth of knowledge that he shares with clients who appreciate his wide industry expertise complemented by the business degree. His investment continues to pay dividends in many ways.