

Dashboard Indicators – Toward Financial Performance Measurement in Intercollegiate Athletics

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Background The National Collegiate Athletic Association (NCAA) has compiled perhaps the most ambitious and most comprehensive study to date of the financial performance of the organization's Division I institutions. Drawing on the literature of the "balanced scorecard" in Kaplan and Norton (1996), the NCAA devised an instrument that assesses 23 dimensions of financial performance, called dashboard indicators. The objective of the NCAA study is to establish benchmarks for performance, which members can use for comparison purposes and as a tool informing decision making in financial management.

Instrument The principal part of the instrument inquires into financial indicators. Five of these items exclusively concern revenues: total revenues of the athletic department; the percentage of athletic revenues derived from athletic operations; the percentage of athletic revenues provided by institutional subsidy; football generated revenues as a percent of total generated revenues; and men's and women's basketball generated revenues as a percent of total generated revenues. Nine other questions specifically involve expenditures: total expenditures, as well as the ratio of all the following to total expenditures: athletic student aid; athletic salaries and benefits; coaches' compensation; athletic administrative compensation; severance payments; participation and game expenses; facilities maintenance and administration; and miscellaneous expenses (NCAA, 2008). Two indicators link revenues and expenditures: the difference between them, i.e., "net revenues", and the ratio of athletics generated revenues to total athletics expenditures, entitled "revenue self-sufficiency". Further ratio analysis addresses total athletic expenditures per student athlete and the percentage that athletic expenditures represent within total institutional expenditures. Similarly, another item compares the rates of change in athletic and university expenditures. Three questions explore athletic debt: debt as a percentage of athletic expenditures; annual debt service as a percentage of athletic expenditures; and debt as a percentage of university debt. The final indicator computes "return on capital", athletics-generated revenues as a percent of athletics plant funds (NCAA, 2008).

Method The authors of this proposal used the data from the NCAA study in order to conduct further analysis. The dependent variables were the financial indicators described above. The independent variables were: subdivision of competition (Football Bowl Subdivision and Football Championship Subdivision); level of athletics expenditures (\$ 0-10 million, \$10-20 million, \$20-50 million, and over \$50 million); institutional control (public and private); and conference (Atlantic Coast, Big East, Big Ten, Big Twelve, Pacific Ten, and Southeastern). A non-experimental ex post facto research design was utilized. The data analysis consisted of a series of median tests. Alpha was set at .01, correcting for experiment-wise inflation.

Results With the obvious differences between subdivisions of competition and among levels of expenditures, the most salient findings were in respect to the conferences. Big Ten and Southeastern conference institutions reported total athletic revenues significantly greater than the median. Big East conference institutions generated significantly less revenue from athletics than did the other five conferences and relied significantly more on revenue allocated from their institutions. Hence, revenue self-sufficiency was significantly lower in the Big East. Southeastern conference institutions generated a significantly higher percentage of revenue from football than the median, while Big East institutions relied on basketball revenue at a percentage significantly higher than the median. Total athletic expenditures were significantly higher than the median in Big Ten and Southeastern conference institutions. Pacific Ten conference institutions reported facilities expenses as a percentage of total athletic expenditures significantly lower than the other five conferences. Total athletic expenditures per student athlete were significantly higher than the median in Big Twelve and Southeastern conference institutions. Both athletics debt as a percentage of athletics expenditures and athletics debt service as a percentage of athletics expenditures were significantly above the median in Big Ten and Southeastern conference institutions, while both metrics were significantly lower in the Big East and Pacific Ten conferences. Atlantic Coast and Southeastern conference institutions reported athletics debt as a percentage of university debt significantly higher than the median, while this measure was significantly lower in the Big East and Pacific Ten conferences. Return on capital was significantly higher than the median in Big Twelve and Big Ten conference institutions.

Importance of the Study and of the Proposal The NCAA study of dashboard indicators provides an unprecedented breadth and depth of information on the financial management of intercollegiate athletics. Two authors of this proposal have documented the development of the business model in athletics (Adams and Guarino, 2005). Evidence of a business approach to athletics is

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found in the expansion and renovation of facilities, negotiation of television contracts (Suggs, 2000), market-based compensation of coaches, particularly in revenue generating sports, and the rapid growth of athletic department staff (Lundy, 2003), with functional responsibilities resembling those of for profit businesses (Johnson, 1999). These trends drew Congressional attention in 2006, when the United States House of Representatives Ways and Means Committee investigated the tax exempt status of intercollegiate athletics. Drawing on the NCAA study of dashboard indicators, the authors of the proposal hope to add further insight into the path of financial management for intercollegiate athletics.