Organizational Escalation to an Uncertain Course of Action: A Case Study of Institutional Branding at Southern Methodist University

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The decision on where to position a university’s athletic department, either within the NCAA or conference affiliation, is one that college administrators have faced for years. Due to the rising costs of operating an athletic department at the Division I level, this decision is exacerbated at small, private institutions that choose to continue competition in this classification. As the potential stakes for participation in Division I athletics continues to increase, university administrators at private institutions are faced with important decisions regarding the direction of their athletic programs (Roy, Graeff, & Harmon, 2008). As is often the case at both public and private institutions, if athletic department revenues do not match their expenses, they are forced to borrow money from university funding. This in turn requires the university to divert funds that could be spent on academic programs to the athletic department. Southern Methodist University (SMU) has provided significant financial commitments to its athletic department in hopes of attaining national athletic recognition and university brand exposure. The purpose of this case study is to examine SMU’s escalating spending on college athletics and investigate the link between escalation of commitment theory and their organizational decision making.

The history of football at SMU is rich in tradition. The university can boast an undisputed national championship team (1935), a shared national championship (1982), and countless All-Americans. From 1980-1985, SMU had the most winning program in Division I football. This era came to an end after the 1986 season when the NCAA investigated the university for illegal payment to players for the second time in five years. The penalty called for SMU to effectively shut down the football program for two years, garnering the strictest penalty ever received by an NCAA member institution. Although the football program was reinstated in the 1989 season, the program has achieved just one winning season in the previous two decades. Southern Methodist University justifies their large expenditures on athletics by stating that such programs (particularly football) aid in the overall university branding initiative. Thus, the following research questions were determined to guide this investigation: a) Why is SMU using scarce financial resources to subsidize Division I athletics, and b) What role does the internal and external environment play in the institution’s decision to continue investments in Division I athletics?

In order to fully investigate the research questions, escalation of commitment theory was utilized as a theoretical framework. Escalation of commitment theory states that individuals/organizations can become locked into costly courses of action (Staw, 1976). In a laboratory study, Staw (1981) demonstrated that when individuals were personally responsible for a failing course of action, they often increased their investment instead of withdrawing and accepting a loss. Staw and Ross (1987) characterized escalation as a four part process, with each determinate (i.e., project, psychological, social, and institutional) playing a vital role within the escalation process. The escalation concept has proven popular because it provides a grounded behavioral science explanation for an otherwise difficult to understand, commonly observable reality in which individuals and organizations often continue investing resources in failing endeavors (Ross, 2003). Two case studies examining issues of escalation of commitment within the study of organizations were used to frame the analysis for this study. These two studies include Ross and Staw’s (1986) study of British Columbia’s decision to host the 1986 World Fair, and Ross and Staw’s (1993) study of the Shoreham Nuclear Power Plant. These studies revealed that escalation situations are more dynamic than originally believed and often involve numerous variables at multiple layers of analysis. This investigation attempts to draw a comparison between this theory’s application in public policy and business scenarios to a private institution’s athletic program.

Data for this investigation were gathered from several sources. Documents analyzed in this study included published reports from the Dallas Morning News (e.g., 1987, 1989, 2000, 2007), USA Today (e.g., 2007), books (e.g., Whitford, 1989), and internal university archives (e.g., board of trustee minutes). Additionally, this investigation drew from interviews with university administrators, athletic department personnel, and faculty/staff personnel (N=8). Interviews were conducted in a semi-structured format with questions primarily focusing on the individual’s experiences with SMU over an extended period of time. Several techniques were applied in order to fulfill the
components of trustworthiness. Such techniques as triangulation, audio recording, interview transcription, member checking, and peer debriefing were employed to ensure credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985).

Results revealed three primary themes relating to SMU’s decision to remain at the Division I classification: institutional branding, alumni, and location of the university. One of the central themes gathered from interviewees was the desire to use athletics as a tool for branding the university. As college athletics continues down a more commercial path, increased media attention is focused on the university. Numerous interviewees stated that the money spent on athletics at SMU was being spent with the hopes of increasing university visibility and promotion of the campus atmosphere, resulting in the potential increase of student enrollment. Additionally, interviewees consistently expressed the opinion that the SMU alumni base was crucial for future university endowment, especially since private institutions do not receive state funds and must heavily rely upon third party support. Unlike corporate executives who must only appease firm shareholders, college administrators have many stakeholders with varying degrees of influence. Appeals to SMU alumni for cash infusions might change the short term economic fortunes of the athletic department, therefore making withdrawal unlikely, but will probably do little for the long term financial health of the athletic department. Finally, interviewees repeatedly stated that if the university was going to reach its full potential, it must take advantage of being the sole Division I institution in the Dallas area. Interviewees for this study noted that SMU clearly hopes to leverage its location into an invitation to a more prestigious conference.

In conclusion, rational economic thinking should dictate university decision making, specifically in that institutions losing money either move down in classification or eliminate non-revenue sports. This thinking seldom enters the discussion at most universities, as market forces such as going out of business simply do not apply. As Meyer and Zucker (1989) noted, it is sometimes possible for an entity to become a permanently failing organization, perhaps by absorbing resources from third parties or somehow generating enough revenue to offset continuing losses (Ross & Staw, 1993). In college athletics, particularly at small private Division I institutions, the university is often the third party that absorbs the losses. With the recent conference reorganizations and the creation of the BCS, an unintended consequence has been the creation of a group of institutions that do not have the resources to compete yet battle constant isomorphic pressures to stay the course regarding their athletic pursuits. Pragmatically, these universities must evaluate the benefits of continued participation in Division I athletics. Additional conclusions and implications will be discussed in further detail.