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

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*As the potential stakes for participating in Division I athletics continue to grow, university administrators at private institutions are faced with important decisions regarding the direction of their athletic programs. This study examines Southern Methodist University's continued investment in an NCAA Football Bowl Subdivision program through the theoretical lens of escalation of commitment. Escalation of commitment theory is used to explain why organizations continue to financially invest in deteriorating situations. This escalation of commitment happens despite overwhelming evidence that the course of action is not advantageous to the organization. Eleven (N=11) university stakeholders were interviewed concerning their experiences with SMU over an extended period of time. Findings revealed four primary themes: priority on institutional branding, importance of campus atmosphere, perceived alumni status within the community, and university location and identity. Implications for universities and university athletic departments will be discussed in further detail.*

### **Introduction**

**T**he decision on where to position a university's athletic department (e.g., NCAA, NAIA, regional conferences) is one that institutional administrators have faced for years. Due to the rising costs of operating expenses 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 participating in Division I athletics continue to grow, university administrators at these 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 expenses, the athletic department is forced to borrow money from the university's central fund (Watkins, 2009). This forces the university to divert dollars that could be spent on academic or other student-related endeavors to the athletic department. Since most institutions of higher learning define their mission as one of academic excellence, this redistribution of funds to athletics is often at odds with a university's central mission (Knorr, 2004). Beyer and Hannah (2000) argue that "academic and athletic

programs have long been seen as in competition for resources on American college campuses” (p. 105).

From the athletic department perspective, the money spent on athletics benefits the university as a whole. Due to the increased media exposure on college athletics, it is increasingly important that universities use their athletic programs to help define how the institution is viewed by internal and external parties (Clark, Apostolopoulou, Branvold, & Synowka, 2009; Goff, 2000; Johnson, Jubenville, & Goss, 2009). Institutions that have embraced this strategy have adopted a philosophy which uses the media to promote athletics as the front porch of a university (Putler & Wolfe, 1999). In essence, universities are using this opportunity to brand their institution. Recent history shows that institutions who choose not to make a financial investment in their athletic programs risk the stigma of branding the university as one that does not take athletics seriously (Roy, Graeff, & Harmon, 2008). As a result, small, non-BCS universities such as Southern Methodist University (SMU) have chosen to continue participation at the Division I level without significant financial investments or contributions (e.g., media revenues, conference subsidies). The purpose of this case study was to examine SMU and the institution’s escalating spending on college athletics.

### *Athletics as a Marketing Platform*

With the advent of technology, college athletics has gradually moved away from its regional roots to a more national scope (Sperber, 2000). With this national platform, the question of how a university positions its college athletic teams has taken on a greater importance. The term “position” refers to the “part of a brand’s identity actively communicated to create an understanding in the target audience’s mind of what the brand should mean to them” (Roy, Graeff, & Harmon, 2008, p. 16). In the context of this study, position refers to how people view the university through the image of the institution’s athletic teams. As an example, the University of Texas at San Antonio recently petitioned the NCAA to add a Football Championship Subdivision team to its athletic program. The Football Championship Subdivision operates one rung below the NCAA’s highest classification, the Football Bowl Subdivision. This was done in part to better position the university as a national research institution (Stephens, 2009). College athletics have proven to be instrumental in determining institutional image and building community among institutional cohorts (Judson, Gorchels, & Aurand, 2006; Roy, Graeff, & Harmon, 2008). This is especially true at big-time college sport institutions where there is increased media exposure. Given the increased importance that institutions place on student enrollment and fundraising, the manner in which these universities market their services through their athletic departments have taken on greater importance.

University administrators initiate branding campaigns for purposes of distinction from peer institutions and to make the university more attractive to constituents (Judson, Aurand, Gorchels, & Gordon, 2009). Since athletics are often the most visible aspect of a university and serve as a common dominator among higher learning institutions (Putler & Wolfe, 1999), they are often an important component of branding initiatives. In 1992, for instance, Northwestern University athletics accounted for nearly 70% of university media coverage, while research and academic related articles accounted for less than 5% (Goff, 2000). However, this increase in marketability comes with an increased financial commitment. This financial commitment has caused university administrators to ask “if expenditures exceed revenues in most college athletic programs, why are universities investing so much more each year in these programs” (Frank, 2004, p. 1). Accordingly, university administrators at smaller, private institutions that participate

in big-time college sports are re-evaluating the direction of their programs (e.g., Rice University Report, 2004; Tulane University Report, 2003).

### *Athletic Department Funding*

With the tremendous pressure to field competitive athletic teams, the amount of financial resources universities devote to athletics has never been greater (Fulks, 2009). Such institutions as Gonzaga and Butler, who have consistently experienced prominent success within the men's NCAA basketball tournament, have fueled the popularity of escalation at small, private institutions. This pressure to increase athletic spending, and thus keep up with peer institutions, comes from various stakeholders who represent external constituencies of the university. Subsequently, this course of action has resulted in an escalation in spending among athletic departments (Fulks, 2009). Oftentimes, this spending by athletic departments has led to deficits that have been augmented by university finances. Hearn (2002) contends that no athletic department would be solvent if the entire cost of expenditures were expected to be paid by the athletic department. Thus, athletic departments that do not cover their expenses must receive outside support from either university funds or sources directly associated with the university to account for the deficit.

Financial commitments have traditionally come in the form of what campus administrators term soft costs (the university covering the cost of scholarships) and hard costs (increased coach's salaries and the building of new athletic facilities) (Knell, 2007). The most common method of support for athletic departments that cannot cover their expenses derives from university funds. This comes in the form of the university taking money from its central operating budget and transferring that money to the athletic department. In effect, the university is providing a direct subsidy to the athletic department, often affecting the funding of academic programs (Mattox, 2009). Another manner in which an athletic department receives university assistance is through an increase in student fees (Thomas, 2009). This simply means increasing the amount of money that students pay in addition to tuition. The increase in student fees dedicated to athletics is added to ever increasing student fees for various programs offered by the institution. With tuition escalating at alarming rates, university administrators should be leery of increasing the financial burden paid by students (Thomas, 2009).

Many people feel the excess money spent on athletics could be better spent on academic programs, such as research, student development, and community outreach, which are more relevant to the institution's mission (Hearn, 2002). Most universities are willing to field competitive, big-time athletic programs as long as it does not strain the university budget (Duderstadt, 2003). When athletic programs consistently need university funds to remain solvent, it creates unwanted attention from internal stakeholders (Baty, 2008). These internal stakeholders include faculty, administrators, and students who believe money given to athletics could be used for deferred maintenance, faculty raises, and student recruitment. Such stakeholders have recently spoken out regarding the escalating situation in college athletics (Hearn, 2002).

Logically, one might expect behavior in escalation situations to follow a progress akin to conventional economic decision making (Ross & Staw, 1986). Conventional wisdom states that "when an individual has a declining investment, a faulting career, or even a troubled marriage, there is often the difficult choice between putting greater effort into the present line of behavior versus seeking a new alternative" (Staw & Ross, 1989, p. 216). This does not necessarily hold true in college athletics. Due to the increasing media coverage devoted to college athletics, universities often spend large amounts of money on their athletic programs with the intent of

better branding their institution. Interestingly, this money is spent with little hope of ever recouping their investment. This case study will explore how Southern Methodist University has dealt with an escalation situation involving athletics. The following research questions were used as a guide for this investigation:

1. What are the factors that influenced SMU's decision to make long-term investments in its athletic program?
2. How does the notion of "institutional branding" influence the university's decisions to invest in their athletic programs?
3. What role does the internal and external environment play in the university's decision to continue investing in their athletic programs even after their current investments did not succeed in meeting expectations?

## **Theoretical Framework and Review of Literature**

Escalation of Commitment is a theory developed by Staw (1976) which states that individuals and organizations can become locked into a costly course of action. 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. The basic tenets of this theory are twofold: 1) one would anticipate individuals to modify their behavior(s) that result in such negative consequences, and 2) rationale or self-justification plays an important role in the decision making process that led to the escalation (Staw, 1976). In one of his seminal articles on escalation of commitment, Staw (1981) gives a rudimentary example that serves to put escalation of commitment theory in context. In this example, an individual is forced to confront a decision regarding the investment of monetary funds in the stock market. Does this individual continue investing in a stock that is clearly declining or does the individual cut his/her losses:

An individual purchased a stock at \$50 a share, but the price has gone down to \$20. Still, convinced about the merit of the stock, he buys more shares at this lower price. Soon the price declines further and the individual is again faced with the decision to buy more, hold what he already has, or sell out entirely (Staw, 1981, p. 577).

While taking into account the many factors that influence any one decision, this example illustrates that decision making can be influenced by the reluctance of individuals to acknowledge previous mistakes or the need to defend past behavior (Staw, 1976). However, this example also indicates that individuals and organizations can lose sight of the larger picture when making decisions.

### *Determinants of Escalation*

Staw and Ross (1987) have characterized escalation as a four part process consisting of four determinants. Each of these determinants – project, psychological, social, and organizational – play a vital role within the escalation process. By breaking down the process, Staw and Ross

(1987) demonstrate that it is possible for small individual factors to lead to an escalation scenario.

*Project Determinants.* This classification involves assessing the economic prospects on many variables of a certain project decades into the future. This determinant consists of objective project aspects including closing costs, salvage value, the cause of the setbacks to its completion, and the economic merits of pursuing or dropping it (Ross & Staw, 1993). Research by Northcraft and Neale (1986) revealed that accurate financial information is necessary in order to withdraw from a failing course of action. Oftentimes, uncertain cost estimates of a project make it difficult for decision makers to withdraw.

*Psychological Determinants.* This classification includes reinforcement traps (e.g., difficulties in withdrawing from a previously rewarded activity), individual motivations (e.g., the need for self-justification), decision making errors (e.g., attempting to recoup “sunk costs”), and information processing biases (e.g., tendencies to slant data in the direction of preexisting beliefs) (Platt, 1973; Ross & Staw, 1993). Nisbett and Ross (1980) determined that individuals have the tendency to bias facts in accordance with accepted beliefs and norms. Further, as indicated by previous research, individuals are more likely to attribute negative outcomes to external instead of internal causes (e.g., Miller & Ross, 1975; Nisbett & Ross, 1980; Staw, McKechnie, & Puffer, 1983).

*Organizational Determinants.* Within this classification, such variables as the level of public support for an organizational project, the level of economic and technical “side-bets” (i.e., additional investments incurred by the organization with respect to the project), and the extent of the project’s incorporation of and alignment with organizational values and objectives (March, 1978; Goodman, Bazerman, & Conlon, 1980; Pfeffer, 1981). An example of a side-bet involving athletics might be how universities currently use their athletic programs as a marketing vehicle for the institution instead of the original intent of serving as student sponsored competitions.

*Social Determinants.* This classification consists of interpersonal processes that could potentially lead to excess commitment (e.g., the desire to justify losing projects to potentially hostile audiences), modeling others’ behavior in comparable situations, and cultural norms favoring consistent or strong leadership (Brockner, Rubin, & Lang, 1981; Fox & Staw, 1979; Ross & Staw, 1993; Staw & Ross, 1980). In lay terms, social determinants refer to the unwillingness to lose credibility in the face of unexpected losses. According to Ross and Staw (1986), “decision makers may persist in a course of action not only because they do not want to admit to themselves that they have made a mistake, but because they may also be especially hesitant to expose their errors to others” (p. 277). By withdrawing their athletic programs from NCAA Division I status, a university might lose credibility with their alumni, students, peer institutions, and, certainly, the media.

*Contextual Determinants.* While not a part of Ross and Staw’s (1993) a priori model, contextual determinants play a key role in this case study. Contextual determinants are defined as issues “larger than the organization itself, involving forces beyond the organization’s boundaries” (Ross & Staw, 1993, p. 719). As typical in discussions regarding universities and outside influences, the forces that extend beyond the institution’s boundaries are explored. This

is especially true when discussing athletic departments at Division I institutions. An athletic department has many stakeholders with varying degrees of influence. Within the scope of this investigation, SMU has wedded its athletic department with the larger external forces that shape big-time college athletics in this country.

### *Utilizing Escalation of Commitment*

Escalation of Commitment theory has been primarily applied in public policy literature to describe how governments become engaged in escalating situations and in strategic management literature to describe certain business situations that affect for profit firms (Allison, 1971; Ross & Staw, 1986; Staw, 1976). The escalation concept has proved popular because it provides a behavioral science explanation for the otherwise difficult to understand, but observable reality related to investment in failing endeavors (Ross, 2003). Variations of this theory abound in both academia and everyday life. Organizational behaviorists refer to this theory as job embeddedness (Mitchell, Holtom, Lee, Sablinski, & Erez, 2001). Scholars use the term job embeddedness to argue that individuals tend to remain in organizations because they feel connected to a social network. In the social psychology literature, much research has been written regarding the phenomena of entrapment (Brockner & Rubin, 1985) and conflict resolution (Teger, 1980). Within the conflict resolution context, Teger (1980) has published literature that revolves around the “too much invested to quit” rationale. This rationale simply states that the more time, money, and effort one puts into any endeavor, the more difficult it is to quit.

The behavioral economics literature discusses the effects of “sunk costs” (Mcafee, Mialon, & Mialon, 2010). Sunk costs are considered to be previously spent costs that cannot be recovered. Everyday lay terminology refers to “throwing good money after bad” to describe a situation in which one continues down a path of escalation despite negative consequences. These theories attempt to address issues related to when an individual should remove him/herself from a situation that is no longer advantageous. As discussed, such tendencies have been examined in several psychological and social contexts. In addition to these fields of study, escalation of commitment theory can also be applicable to the sport context, namely within the intercollegiate athletics setting.

### *Institutional Branding and College Athletics*

Universities nationwide are making a concerted effort to focus on developing a brand identity (Judson et al, 2009). Increasingly, a university’s athletic programs are viewed as a manner in which the institution can effectively communicate their message. Within higher education, a brand identity is defined as “the essence of how you would like alumni, prospective students, legislators, and the public to perceive your institution” (Lawlor, 1998, p. 19). Consequently, this brand identity helps the university better position itself within a crowded marketplace (Judson et al., 2009). Roy, Graeff, and Harmon (2008) define brand positioning as “the part of a brand’s identity actively communicated to create an understanding in the target audience’s mind of what the brand should mean to them” (p. 16). However, marketing scholars state that brand positioning is only successful if it is properly aligned with the overall brand mission of an institution (Chapleo, 2005; Clark et al., 2009). In the case of many higher learning institutions, the university mission is to create an effective brand identity for the institution. This brand identity, according to Judson, Gorchels, and Aurand (2006), has encouraged universities to

modify institutional positioning strategies in an effort to attract targeted groups of prospective students.

As higher education moves to a more market driven environment, it is increasingly important for universities to invest in initiatives that will promote their brand. Most institutions hope that positioning their athletic teams – either within NCAA Division classifications or regional athletic conference affiliations – will help better position the university to attract students and increase alumni giving. Using athletic programs to better brand a university has been a primary factor for the addition of varsity football programs over the last decade. One of the institutions that recently added varsity football was the University of North Carolina-Charlotte. In announcing the University of North Carolina-Charlotte's decision to add a football program, Chancellor Phillip DuBois stated "I do believe that football will enrich the student experience here, enliven school spirit, and serve as one more bond of engagement between the students and their university" (DuBois, 2008, p. 8). DuBois' statement reiterates what many campus leaders believe: there is a link between institutional branding and college athletics.

## Method

### *Institutional Context*

The history of football at SMU, a private, religious affiliated university located in Dallas, Texas, is rich in tradition. The university can boast an undisputed national championship team (1935), a shared national championship (1982), and countless All-Americans. The success of SMU was heightened by the fact that there were no professional sports teams in the Dallas metro area until the late 1960's. It was a historic era for football at SMU, as the growing metropolis embraced the hometown team. From 1980-1985, SMU was the most winning Division I football program in the nation. This era came to an end after the 1986 season when the NCAA investigated the University for illegal monetary payments 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. After achieving reinstatement in the 1989 season, the university implemented a low cost strategy typically employed by small, private institutions (McNabb, 1987). Consequently, such a strategy mandated lower coaches salaries and minimal spending, subsequently explaining the achievement of only one winning season in the previous two decades (McNabb, 1987).

When Steve Orsini took over the athletic director's job at SMU on June 1, 2006, he was given a directive by the President and the Chairman of the Board of Trustees: lower the subsidies the university was providing athletics and put all SMU teams in a position to finish in the top 25 in their respective sports. President R. Gerald Turner noted the need of high caliber athletics at SMU and emphasized SMU's commitment to high quality in every endeavor (Southern Methodist University, 2007). In 2008, Orsini hired June Jones as head football coach for a reported salary of \$2 million per year. Although Jones' track record as a head football coach was impressive, not all internal stakeholders agreed with the allocation and distribution of university expenditures. According to *Hilltopics*, an SMU periodical, one student contended that:

By hiring Jones to such an expensive contract, SMU has publicly announced its commitment to winning at football, but it has also simultaneously announced something much less glamorous: that \$2 million a year will not be spent bettering

the education of its students or realizing its core mission, but on an extracurricular activity (Baty, 2008, p. 1).

According to interviewees, SMU administrators believed that boosting the institution's name recognition would help meet their goals of attracting quality students and increasing the endowment. Parlaying the benefits of SMU as the only university in Dallas to compete in Division I athletics, administrators looked to use athletics as an avenue for creating institutional visibility (Southern Methodist University, 2007). This visibility was intended to eventually result in increased enrollment and alumni giving, specifically targeting the university's endowment. Membership in the BCS would place SMU in one of the six premier college athletic conferences and allow the university to benefit from significant media coverage and monetary rewards.

### *Case Study Methodology*

For purposes of this investigation, the case study methodology was chosen because it provides an avenue for the examination of both theory and data. According to Yin (2003), "the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, organizational and managerial processes, neighborhood change, international relations, and the maturation of industries" (p. 2). Staw and Ross (1987) suggest that case studies are necessary in the research of escalation for two reasons. First, previous research on escalation has become detached from the field. Second, additional theoretical research should search for broad patterns, or prototypes, of escalation. This case study will be structured in a descriptive and explanatory context, pragmatically describing the current happenings at SMU and their rationale behind undertaking such a course of action. In order to examine escalation in a field based study, situational characteristics must meet the following conditions: (1) ongoing as opposed to a one-shot decision, (2) ambiguous or negative feedback, and (3) an opportunity to commit additional resources over time (Staw, 2005). Based upon these characteristics, SMU fits the criterion for such an examination.

### *Participants*

This research investigation draws from interviews with current and former senior level university administrators, current and former senior level athletic department personnel, current and former faculty members, and other campus leaders. Eleven (N=11) interviews were conducted in a semi-structured format with key stakeholders. These participants were chosen because of their knowledge concerning SMU and the SMU athletic department. Participants were identified as a result of several discussions with professors and university officials currently involved within the researcher's academic program. Participants were sent an e-mail that included a detailed description of the researcher's background, research agenda, and request for an interview at the participant's convenience. In the initial correspondence, all participants were made aware that the interviews would be recorded and transcribed. Two participants requested that their interviews not be recorded and primarily used to supplement background information. In both cases, their requests were honored.

### *Data Collection*

Each interview ranged from 30 to 45 minutes in length. Data were collected via on-campus face-to-face interviews and telephone interviews. In order to facilitate analysis of the

collected data, each interview was audio taped and transcribed verbatim following the completion of individual interviews. Additionally, detailed notes were taken regarding the subject matter. Following the completion of each interview and interview transcription, a follow up phone call was initiated to further discuss the main points of the interview. This was undertaken to ensure that participant responses were clearly understood and represented appropriately. Sampling was considered complete once no new themes emerged from the data, indicating a saturation of the data. Depending upon the scope of the investigation, this saturation point (i.e., exhaustion within the data) informs researchers that additional interviews may or may not prove beneficial (Singer, 2009).

Since SMU and their football program are both well chronicled in the popular press, there were a plethora of documents detailing the subject matter. Thus, in addition to interviews, document analysis was performed by the examination of local and national articles, newspaper clippings, and popular books related to the subject matter. Internal documents such as board of trustees and faculty senate minutes were obtained from the Fondren Library on the SMU campus and were subsequently revisited throughout the data analysis process. Additional detail regarding the interviewing and document analysis processes will be discussed below.

### *Data Analysis and Credibility of the Investigation*

In an effort to ensure a thorough and accurate representation of the analysis process, content analysis was implemented. The application of content analysis effectively removes any foregone conclusions and presumptions of the phenomena in question “to identify the data in pure form, uncontaminated by extraneous intrusions” (Patton, 2002, p. 485). The content analysis process simplifies and organizes the data into components of meaning in an effort to uncover underlying tendencies among study participants (Lincoln & Guba, 1985). Interview data were assembled into groups of ideas based upon the frequency of participant response recurrence. Throughout this data organization process, categorical ideas emerged. These initial ideas were subsequently reorganized and coded into broader, more encompassing thematic categories. Upon the completion of content analysis, an understanding and interpretation of four primary themes regarding institutional escalation within the intercollegiate athletics context emerged.

In order to ensure credibility within this investigation, the techniques of triangulation, audio taping, transcription, peer debriefing, and member checking were employed. According to Lincoln and Guba (1985), triangulation involves the use of “multiple and different methods, investigators, sources, and [or] theories” (p. 305) to obtain corroborating evidence. This technique aids in the reduction of chance association and biases, providing increased confidence in the results of an investigation (Fielding & Fielding, 1986). For purposes of this investigation, interviews and document analysis were data collection methods applied to fulfill triangulation. Qualitative research has been divided into two broad categories: human-to-human methods and artifactual methods (Lincoln, 1992). According to Lincoln (1992), human-to-human methods include “interviewing, participant and non-participant observation, and nonverbal communication,” (p. 376) while artifactual methods involve “the use of documents – such as letters, memoranda, project descriptions, evaluation reports, diaries, descriptions of curricula, and the like – records, and unobtrusive measures” (p. 376).

Both human-to-human and artifactual methods were employed for this investigation. Human-to-human interviewing was the principal method utilized in order to fully apply the flexibility of the interviewing process. Interviewing allows researchers to better evaluate

stakeholder experiences, while further allowing them to restate events that have occurred throughout their lifetime (Rubin & Rubin, 1995). This method has been effectively implemented in similar capacities within previous sport management settings (e.g., Kram & Isabella, 1985; Mincemoyer & Thomson, 1998). In addition to interviewing, document analysis was also conducted on several artifacts, including popular press articles, newspaper articles, board of trustees senate minutes, university press releases, and athletic department press releases. Although sometimes disregarded as sources of information, documents and records are useful sources of information, specifically with initial research investigations (Lincoln & Guba, 1985). Document analysis involves the examination of available and stable documents and/or records for the purpose of corroborating other implemented research methods (Lincoln & Guba, 1985). These documents were subsequently used throughout the data collection and analysis processes as a reference for interviewees, and also to inform the results and implications section.

In addition to these triangulation techniques, the credibility of the methods employed was enhanced by audio taping and transcription of the interviews. Audio-taping provides an opportunity for the researcher to revisit the discussion in an effort to confirm perceptions and themes within the interview. In order to maintain consistency, it is useful to combine audio-taping with transcription. Therefore, following each interview, audio tapes were transcribed and compared to the audio records. Each of these data collection methods and credibility techniques were then used to support and corroborate research findings. The second credibility technique utilized for this study involved the use of peer debriefers. Professors within the sport management and business subject areas were employed as peer debriefers. These peer debriefers looked over transcripts and field notes throughout the data collection and analysis processes. As thematic points emerged from the analysis, discussion and revalidation of the data was also discussed with each peer debriefer. The final credibility technique employed was member checking. Member checks were conducted throughout the course of the investigation to ensure accuracy, clarify statements, and explore any additional meanings. Each interview participant received a copy of their interview transcripts via e-mail for review. Any requested changes were made and the transcripts returned back to the participant. In addition to any necessary adjustments, member checking allowed for any supplementary thoughts or comments formerly overlooked to be added to the interview.

## Findings

Data collected revealed four main themes regarding escalating spending on athletics at SMU. These four themes were 1) priority on institutional branding, 2) importance of campus atmosphere, 3) perceived alumni status within the community, and 4) university location and identity. Within these themes, several sub-themes were also present, including student enrollment and increased endowment.

### *Priority on Institutional Branding*

SMU's institutional branding plan involved increasing university visibility and developing a better campus atmosphere. This was done in hopes of increasing student enrollment and endowment. Central to this plan was for athletics to participate and compete in NCAA Football Bowl Subdivision and big-time basketball. Campus administrators at SMU believe that fielding a Football Bowl Subdivision program is a key component in how the university is viewed by outside constituencies. One of the central themes gathered from participants 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 these institutions (Adler & Adler, 1991). This increase in media attention is often followed by an increase in monetary support for athletic programs. Indeed, one administrator noted that “the problem with athletics at this institution is that it is the primary tool in selling the school.” However, the problem that this administrator articulated is indeed the model that top campus administrators have adopted. The below statement from an athletic administrator describes the university’s vision:

We have a three pronged approach regarding what we expect from athletics. We want athletics to help us build our institutional brand. If we have a strong brand that will help us attract students, something we are always mindful of, and we think it will help us grow our endowment long term.

Numerous participants stated that the money spent on athletics at SMU is being spent with the hopes of increasing the visibility of the university. Participants believe this increase in visibility will help better position the university in the minds of prospective students. A former full professor also stated that the increased visibility will help increase institutional enrollment:

Academically, we’re not Harvard, Vanderbilt or Rice; we have to make this school relevant to students and particularly their parents. Student fees (tuition) drive the finances here.

*Student Enrollment.* Similar to the majority of small, private higher learning institutions, student enrollment is important. This is especially true at SMU, where campus administrators have been attempting to increase the number of university applicants for years. By increasing the number of applicants through the use of institutional branding, the university can be more selective in whom they admit. This increase in applications is thought to lead to higher caliber students. According to a senior level university administrator:

It is important for us to keep up the number of applicants to the school. This allows us to be more selective in admitting students. We honestly feel football helps us in achieving the goal (of attracting students).

Further, campus administrators believe that intercollegiate athletics play an important role in both promoting the SMU brand to future students and serving as an entertainment vehicle for current students:

As a private institution, a sizable portion of our operating budget comes from student tuition. This reliance on tuition places an emphasis on student enrollment and retention. These kids pay a lot of money to come here.

The above descriptions demonstrate a perceived link between institutional branding through sports and student enrollment. In SMU’s model, campus administrators also draw a link between institutional branding and an increased endowment.

*Increased Endowment.* Within the higher education setting, an endowment can be defined as funds donated to an institution, typically with the stipulation that these funds be invested and only the interest be used for operational expenses. The total value of these investments is referred to as the institution’s endowment. It is the financial benchmark by which

educational institutions are measured. This is true at most higher learning institutions, especially small, private universities who cannot depend on state support. As stated by a senior level university administrator:

One of the main focuses of this administration is increasing the school's endowment, as is the case at all universities. I don't know if there is any empirical data to back me up on this but yes, I think football helps.

Although university administrators identified a link between institutional branding and increasing the university's endowment, they assumed such a link despite no empirical evidence that would suggest one:

We believe there is a link between branding this institution and increasing the endowment. Central to our branding strategy is athletics, particularly football. In order to increase the endowment we have to make the school relevant to different constituents. Athletics helps us do that by allowing us to reach many of those constituents.

As a small, private institution, university administrators must constantly monitor the university's endowment. Administrators continually provided a link between how the outside world viewed SMU and the university's endowment. One campus administrator noted that "we need to publicize this university to the outside world as much as possible. Athletics helps us meet that goal." Once again, this administrator makes an assumption that there is a link between publicizing the university and athletics.

### *Importance of Campus Atmosphere*

Many participants believed the new on-campus stadium enhanced the quality of campus atmosphere. One faculty member, a full professor at the university, stated:

So much of our athletic history has happened off campus. At all the other schools I taught at prior to coming to SMU, athletics added something to the campus. When I got here (SMU) it was a shock to find out that the football team played its home games twenty miles away from campus.

Central to the plan was the construction of the on campus Gerald Ford stadium. A faculty member stated that "we had to invest in a new stadium. The old one was decaying and our rivals, particularly Texas and Texas A&M, did not want to play us at home." A former university dean added:

You have to remember that all home games used to be played at the Cotton Bowl. Until the new stadium was built, there was no on-campus atmosphere. Now, we close off the street before each home game and it's like a party atmosphere. We call it "The Boulevard at SMU." It truly has made a difference in the perception of athletics at the school. The business and law schools can have their alumni out to game and show off their buildings and then walk over to the game.

The "Boulevard at SMU" is the university's way of creating an exciting place to be prior to football games. Modeled after "The Grove" at the University of Mississippi, the Boulevard is

SMU's way of getting alumni to come back on-campus and rekindle that college atmosphere. A former senior level athletic administrator stated:

SMU is marketing what they call "The Boulevard at SMU" to develop more of a campus atmosphere. This involves closing off the street and creating a festival type of feel before and after the games.

### *Perceived Alumni Status within the Community*

Alumni often view their university alma mater through the lens of athletics. More specifically, these participants continuously viewed their status in the community through SMU and its athletic programs. Participants noted that this viewpoint was the result of the importance of football in this geographic region. One of the factors in continuing to participate in Division I athletics was the role of alumni. An executive SMU administrator noted "Our alumni want and need athletics to be successful, and we (SMU) need those alumni to give donations to the school." Unlike corporate executives who only have firm shareholders to satisfy, university administrators are responsible for several stakeholders with varying degrees of influence. In college athletics, one of these influential stakeholder groups is alumni. Particular alumni often hold influence over athletic department decision making. It was evident from the interviews that alumni, and more accurately the alumni's status within the community, played an important role in the decision making process at the university. One alumnus stated:

When I was at SMU, our rivals were the University of Texas, Texas A&M University, and Baylor. I still associate SMU with those schools. When we (SMU) got left out of the Big 12, it hurt and my colleagues let me know it!

As is the case at most institutions of higher education, SMU's alumni constitute a major constituency within the university. Participants consistently expressed the opinion that SMU alumni and their status within the Dallas community were intertwined. A former full professor stated:

You have to remember that our alumni live in the neighborhoods directly across the street from campus. I'm exaggerating a bit; however we do have an inordinate amount of alumni nearby. Most residential universities don't have that.

In addition to its connection with escalation of commitment, this association of status with athletic success among alumni stakeholders is representative of Funk and James' (2001) Psychological Continuum Model. According to Funk and James, the Psychological Continuum Model provides a comprehensive view of sport spectatorship and sport fan involvement. Specifically, this model proposes that "the psychological connections between an individual and a sport or team are governed by the complexity and strengthening of sport related mental associations" (p. 119). Accordingly, Funk and James determined four levels of connection (awareness, attraction, attachment, and allegiance) that fans/stakeholders progress through as they develop an increased affinity for a sport or team. This model provides an explanation for an individual's movement from the first level of initial awareness of a sport or team to the final level of ultimate allegiance.

With particular relevance to this theme, the final level of allegiance within the Psychological Continuum Model best explains SMU alumni's association of athletic success

with status. At the allegiance level, an individual has developed loyalty and commitment resulting in prominent attitudes that yield consistent and long-lasting behavior. Such loyal and intense attitudes are exhibited by SMU alumni within the community as they view their university alma mater through the lens of athletics. As such, this finding well represents and is characteristic of the Psychological Continuum Model culmination.

### *University Location and Identity*

When Gerald Turner took over the presidency of SMU in 1995, he implemented a strategic plan to increase the national reputation of the university and restore ties to the Dallas community (Hacker & Meyer, 2008). Participants were consistent in stating that one of the reasons for continuing competition at the Division I level was for the university's identity and a belief that both local and national stakeholders viewed the university through the lens of athletics. This theme had two meanings. The first dealt with the university's identity as the only research institution in the Dallas area that participated in Division I athletics. Participants for this study repeatedly stated that if the university was going to reach its full potential, it needed to take advantage of its location. According to a senior level athletic administrator:

The best thing SMU has going for it is its location (Dallas) and the fact that it is the only Division I football playing school within the city. One of these days, one of the main (BCS) conferences is going to expand and when they do, we (SMU) want to be able to offer that conference this city. It is essential that we sell our assets. And our biggest asset is our location and the fact that we are the only Division I athletic program in Dallas.

Participants also spoke about the importance that football plays in the state of Texas as a mechanism for promoting the university's identity. Participants noted that the university clearly hopes to leverage its identity as the only institution with a Division I athletics program in the city of Dallas into an invitation to a more prestigious conference. The best scenario would be an invitation to a BCS conference. One athletic administrator noted:

Every ten years or so, conferences within Division I realign. When that happens, we want to have a winning football program and a large fan base. Those factors, plus our location as the only Division I program in a huge city should put us into play (for a spot in a BCS conference).

This mindset of athletic participation at the highest level was also noted by another administrator at the university. As such, this university administrator added the following:

For us to be taken seriously as an institution there is a large segment of this school that believes we need to play athletics, particularly football, at the highest levels.

The above statements exhibit a perceived link between university identity and the university athletics program.

It would seem that SMU's past problems with athletics would cause the university to examine the possibility of moving their athletics programs out of Division I to a lower, less competitive classification. One faculty member stated that "we (SMU) had a perfect opportunity to leave Division I after the death penalty, but the administration balked." However, another long

time faculty member that had been on numerous athletic committees over the years stated that “there was no thought put in to not playing at the Division I level after the death penalty. The football heritage at the school is simply too great.” Nevertheless, this same faculty member admitted that in the early 1990’s, the university was at a crossroads with football:

The school formed a committee to discuss athletics in the early 90’s. Obviously, football was not successful. We did look at the issue of moving to Division III, although I’m not sure it was ever a serious consideration. What league would we play in? The schools in Texas that play Division III are not research institutions and that is an important part of this school.

## **Analysis and Discussion**

### *Project Determinants*

One goal of the SMU administration was to improve the campus atmosphere at the university. This is an interesting goal given the university’s beautiful combination of red brick buildings and abundance of green grass located in one of Dallas’s wealthiest suburbs. One of the centerpieces of SMU’s plan to improve campus atmosphere was Gerald J. Ford stadium. This stadium represents the university’s biggest expenditure (excluding scholarships) since football’s reinstatement. University administrators have explicitly tied the importance of campus atmosphere with maintaining a Division I athletics program. Although the phrase ‘campus atmosphere’ is vague in meaning, it should be noted that many premier research universities have an abundance of campus atmosphere despite not participating in Division I athletics. This is what Ross and Staw (1993) define as a project determinant. Campus atmosphere is defined differently by many university stakeholders. Due to the vague aspects of this phrase, university administrators can continue to escalate spending without having any benchmarks of which to be judged.

### *Psychological Determinants*

The Gerald J. Ford stadium, named after an alumnus of the university who made a generous donation toward its construction, was built at a cost of \$42 million. According to Ford, “Having substandard facilities make it hard to recruit. If you can’t recruit, you can’t win. If you don’t win, people don’t come. If people don’t come, the program loses more money” (McGill, 1998, p. 10). While the football stadium was the biggest facility expense, it certainly was not the only one. Attached to the stadium is the Paul Lloyd All-Sports Center which was built in 2000 at a cost of \$15 million. In 2007, SMU opened a \$13 million basketball practice facility. These expenditures on athletic facilities represent what organizational theorists call a sunk cost.

Table 1 - *Selected Cost and Expenditure Estimates for the SMU Athletic Department*

| <b>Date</b> | <b>Cost</b> | <b>Expenditure</b>                        |
|-------------|-------------|---|
| Fall 2000   | \$42M       | Expenditures for New Football Stadium     |
| Winter 2004 | \$12M*      | Amount lent to Athletic Department by SMU |
| Winter 2005 | \$13.7M*    | Amount lent to Athletic Department by SMU |
| Winter 2006 | \$12.9M*    | Amount lent to Athletic Department by SMU |
| Spring 2007 | \$17.9 M*   | Amount lent to Athletic Department by SMU |
| Fall 2007   | \$13M       | New Basketball Center                     |
| Spring 2008 | \$16.8 M*   | Amount lent to Athletic Department by SMU |
| Winter 2008 | \$10 M+     | Head Football Coaches Salary              |
| Winter 2009 | \$16.3M*    | Amount lent to Athletic Department by SMU |

\* Cost includes athletic scholarship payments that should be made to school by athletic department.  
 + Reflects ten year guaranteed contract that pays June Jones \$2 million annually. The former coach Phil Bennett was paid \$500,000 annually. June Jones salary is paid for by a group of donors dubbed "The Circle of Champions," not athletic department funds.

At SMU, this is evident in comments regarding stadium expenditures. "We've put too much money into our stadium to throw in the towel," said Lance McIlhenny, former president of the SMU Letterman's Club" (Buchanan, 2008). In previous escalation research, Ross and Staw (1993) note that a psychological determinant in escalation is the need to base decision making on past expenditures. Further, escalation research has also revealed that decisions on continuing a course of action are best decided when parties involved examine the merits of the project moving forward rather than adding up the cost that has been previously invested (Ross & Staw, 1993).

### *Organizational Determinants*

As exhibited in escalation research, external parties may aid a declining organization by threatening to persist in the failing course of action (Ross & Staw, 1993). Often, the external party that helps the university absorb the cost of athletics is alumni. As an example, the majority of head football coach June Jones's \$2 million a year salary is paid by a group of wealthy alumni. The previous head football coach's entire salary of roughly \$500,000 was paid using athletic department funds. Appeals to SMU alumni for cash infusions might change the short term economic fortunes of the athletic department, therefore making withdrawal unlikely. However, this will likely do little for the long term financial health of the athletic department. In essence, wealthy alumni are manipulating the economic merits of the argument by taking away short term losses which serve to mask long term problems.

Ross and Staw (1993) note that part of an ongoing escalation situation is the role of organizational determinates. An organizational determinant that played a key role in the SMU case was the role of institutionalization. Although athletics was initially started at the university in the early 1900's as a recreational activity, the purpose evolved over an extended period of time. In its present state, SMU football has come to define how many external and internal

stakeholders view the university. Since athletics at SMU has become part of the institution's fabric, many of those interviewed stated that the university would continue to fund athletic programs at any cost.

The decision to continue participation in Division I athletics involves far more investments than simply supplying scholarships to prospective student-athletes. The university must hire such employees as coaches, trainers, administrators, and game day staff. One of the main characteristics of organizational determinates are what Ross and Staw (1993) term as "side-bets." These side-bets are defined as additional investments that depend on continuing a certain course of action. In the SMU study, the university has made a side-bet with alumni to continue participation in Division I athletics as long as athletics is supplemented by these external stakeholders and university funds. Another example of a side-bet is tying athletic programs with the overall university identity.

### *Social Determinants*

The location of SMU, in the heart of one of college football's most popular geographic areas, has been both the university's greatest strength and biggest obstacle. The wealthy alumni that live in the area surrounding the university helped SMU achieve the 51<sup>st</sup> largest endowment of any university in the country (NACUBO, 2009). However, social determinates within escalation research address an unwillingness to lose credibility in the face of unexpected losses. The research conducted for this investigation noted that campus administrators appeared averse to exploring the possibility of leaving Division I athletics. When pressed for a reason, most participants noted the social pressures of being located in a state that places considerable emphasis on college football.

Regarding the institution's location in a large metropolitan city, university administrators appear to be stating that because Dallas is such a large city, the BCS conferences should consider extending an invitation to SMU. Based upon this logic, smaller towns such as Waco, TX, Pullman, WA, and Auburn, AL should not be considered a priority area for the location of a BCS school. SMU's strategy appears to be the leveraging of university location with an increase in spending on athletics in hopes of receiving a BCS conference invitation. In previous escalation studies, Brockner et al. (1984) notes increased spending on projects often involves situations "where there is no objective or physical yardstick of comparisons" (p. 81). Moving an athletics department to BCS status is one of those situations.

As an invitation only organization, the BCS has no guidelines for entry. By falling prey to a belief that increased spending and location will help increase membership chances, university administrators' motivations have switched from making rational decisions to simply rationalizing their increasingly large expenditures on athletics (Brockner et al., 1984). Ross and Staw (1987) note that as projects proceed, the need for external justification grows as budgets are increased. When SMU started an intercollegiate athletics program, the costs of maintaining the program were relatively small. Due to the growth in college athletics, those costs have risen significantly. Further, the public has established a link between the credibility of universities and their athletics program. Thus, the university's credibility is tied to maintaining a Division I athletic program.

### *Contextual Determinants*

SMU clearly thinks it has a competitive advantage in that it is the only research university that participates in Division I athletics in Dallas. However, as a relatively small

university, SMU graduates a much smaller number of students per year than larger state schools. As such, the university does not have an equal level of fan support compared to the large state institutions. For example, participants in this investigation acknowledged that even during the years when the university fielded nationally ranked football teams, they struggled to fill their off-campus stadium to capacity, thus signifying the university's lack of a major fan base.

SMU also must contend with being a small private university located in a state that has several large publicly supported institutions. Many of these public universities, including the University of Texas, Texas A&M University, and Texas Tech University, have far more alumni in the Dallas metropolitan area than SMU, further negating administrator's hopes of delivering the city of Dallas a BCS conference invite. This is an example of a contextual determinant. It is important to note that SMU is forever tied to the larger research institutions that participate in Division I football in the state of Texas. These external forces play a critical role in the culture and political arenas in which SMU competes. In SMU's case, the decision to continue participation in Division I athletics "became larger than the organization itself, involving forces beyond the organizations boundaries" (Ross & Staw, 1993, p.719). In essence, SMU has wedded itself to the decisions of other institutions that have far more resources in which to compete in Division I athletics.

### *Implications and Organizational Exit*

While not part of the escalation of commitment framework, organizational exit is an important factor to consider because of the rising costs associated with operating a Division I athletics program. As college athletics moves toward a more commercial model, university administrators must ask themselves tough questions regarding the direction of their athletic programs. According to Ross and Staw (1993), "much of organizational theory can be reduced to two fundamental questions – how do we get organizations moving and how do we get them stopped once they are moving in a particular direction" (p.701)? How to stop intercollegiate athletics when it is moving down the wrong path is particularly challenging. University administrators should be aware of two important factors when discussing the future direction of their athletic programs: 1) the purported link between increased enrollments and athletic success (Turner, Meserve, & Bowen, 2001) and 2) the endowment myth (Fulks, 2009).

### *The Purported Link between Expenditures and Institutional Branding*

The central theme of this research has been the purported link between excessive athletic department expenditures and institutional branding. Division I football has been referred to as a positioning tool by university administrators attempting to "reshape the peer group with which their institutions are associated through participation in 'big time' college football" (Roy, Graeff, & Harmon, 2008, p. 15). While reshaping a university's peer group with the help of college athletics is a worthy goal, problems arise when money is redistributed from university funds to accomplish this objective. Increasingly, this is the case in college athletics.

### *Athletics and Student Enrollment*

Another primary goal of the SMU administration is to consistently address student enrollment. Participants stated that student tuition and fees help drive the university's finances. Clearly, a large student application pool allows for better student selection. However, a common misconception among university stakeholders is that success on the football field leads to

increases in both university applications and enrollment. Football fans have even given a name to this theory, "The Flutie Factor." Named after Doug Flutie, the famous Boston College quarterback who completed a last second touchdown pass in a game against the University of Miami in 1984, the play produced a 12% increase in university applications for the following year (Frank, 2004). Certainly, the majority of students enjoy attending a football game on the SMU campus. Nevertheless, whether or not Division I athletics increase student enrollment is debatable.

Research has indicated a lack of consensus concerning the correlation between successful football teams and student enrollment. A study by Toma and Cross (1998) stated that football championships at the University of Miami (1987) and Georgia Tech (1990) were followed by 33% and 21% increases in university applications. Five other football championship seasons were followed by application increases that ranged between 10% and 20%, with the remaining championship seasons followed by "only modest gains." These increases are expected given the enormous media attention focused on national championship football games. However, according to Frank (2004), Toma and Cross (1998) were unable to reveal "any measurable impact of these increases in the quality of admitted or entering students" (p. 19). Such gains should be prefaced by noting that the visibility of a national championship may have increased impact on the college student search phase, with less emphasis on the choice phase (Frank, 2004). These points deserved mentioning given SMU's goal of increased enrollment, as opposed to an increase in mere applications.

### *Endowment Myth*

Although research has indicated that people prefer to contribute donations to successful non-profit campaigns (Mahony, Gladden, & Funk, 2003), it is a popular myth that there is a direct correlation between successful athletic teams and alumni giving. In the Knight Commission on Intercollegiate Athletics, Frank (2004) examined numerous studies to find out whether this theory holds true. According to Frank (2004), results revealed that even if athletic success does generate some form of indirect benefits, such benefits are considered to be extremely small. The above examples of increased enrollment and endowment describe what Staw and Ross (1987) categorize as information processing errors. Information processing errors include continuing to support a perseverance of beliefs despite evidence to the contrary. Campus administrators continually stated that one of the benefits of continuing participation in Division I athletics was the correlation between athletics, alumni giving, and increased endowment. However, research displays that if there is a correlation, it is surely small (Frank, 2004).

Daniel Fulks (2009), an accounting professor at Transylvania University, has examined NCAA finances and found that only 56% of the 119 Division I football participating universities showed a profit in 2006. Rational economic thinking should dictate that the universities which lose money should move down in classification or eliminate the non-revenue sports. This thinking seldom enters the discussion at most higher learning institutions. In the economics of college athletics, market forces and "going out-of-business" simply do not apply. For instance, reasons that regular market forces do not apply within intercollegiate athletics includes conference revenue sharing, marketing community identity, political elections, conference growth, and media rights through cable networks. In SMU's case, the university has and will likely continue to subsidize athletics. Administrators interviewed for this investigation admitted that even when the university's football team was successful, it still did not generate a profit.

By absorbing third party resources or generating a sufficient revenue stream to offset continual losses, it appears possible for an entity to become a permanently failing organization (Ross & Staw, 1993). In college athletics, particularly at small, private Division I institutions, the university is often the third party that absorbs the losses. However, the recent economic downturn has forced administrators to acknowledge that there might be a problem with continuously subsidizing athletics at the expense of other academic needs more aligned with the institutional mission. With the recent conference reorganizations and creation of the BCS, an unintended consequence has been the creation of a group of institutions that do not have the resources to compete at such a level, yet battle constant isomorphic pressures to stay the course regarding their athletic pursuits. Similar to SMU, these institutions tend to be small, private universities. Over time, however, these institutions must evaluate the benefits of continued participation in big-time college sports.

There are numerous examples of high quality academic institutions that do not participate at the Division I level. Institutions comprising the Ivy League participate at the Division I-AA classification. Research institutions like the University of Chicago, Washington University, and Carnegie Mellon participate at the Division III level. There are also examples of academically prestigious, non BCS institutions that continue participation in Division I athletics on a strict budget (e.g., Tulane University, Rice University, University of Tulsa). As with any case study, there are factors which make athletics at SMU unique. One of those factors is that athletics, particularly football, has been associated with the university for years. However, this case study acknowledges that seldom does a major course of action, like continuing to participate in Division I athletics, come down to one major mistake in decision making. Rather, it is usually a process of assumptions developed over time. As such, universities must be aware of the consequences of escalating spending on athletics programs. As illustrated by Ross and Staw (1993), “once a project is structurally embedded, it may be extremely difficult to reverse courses of action” (p. 295).

### *Limitations and Future Research*

Although the qualitative analysis proved to be an effective and beneficial methodological strategy, additional qualitative analysis should be considered for a more detailed understanding of each thematic emergence revealed in this study. Further, a quantitative analysis would provide more knowledge and understanding from specific stakeholder groups concerning each theme. Additionally, a second limitation of this study relates to the small number of participants. Although this limits the research from gaining a multitude of perspectives, the qualitative methodology is designed to gather a more detailed account of interviewee experiences. Finally, this investigation addresses the specific context of one university. Certainly, the resulting themes can be applied to additional situations. However, specific contextual differences may apply in differing scenarios.

Future research may involve the financial implications of escalation of commitment. Specifically, future research should examine the financial commitment that university’s make to underperforming athletic departments. The exploration of how these athletic departments do not cover their expenses would help in de-institutionalizing college athletics. Additionally, the examination of de-escalation of commitment strategies within other universities should be examined. Contrary to the SMU model, other universities have decided to discontinue or redirect participation in Division I athletics. An examination of the causes for such decisions would be helpful in better understanding this phenomenon.

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