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Decisions Athletic Directors Face When Allocating Funds in an Athletic Department

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Contents

Chapter 1: Introduction

Athletic administrators make many difficult decisions each day with the intent to advance success within their athletic department on and off the playing surface. One of the biggest tasks they face is the decision making and handling of finances within the department. Athletic administrators must adequately allocate the revenue their department acquires to continue athletics and expand their programs. Understanding the decision making process college athletic administrators use to allocate funds across their departments will provide insight on how to maintain and grow a successful athletic department.

Some of many crucial decisions that athletic administrators must make include paying extra money to hire the supposed best coach, signing large contracts with media groups, having the proper resources for each athletic program, and investing in facilities. Not only are these decisions important for the future of the athletics department, but they are also under the public spotlight and scrutinized by others.

According to the National Collegiate Athletic Association (2019), $18.1 billion was spent on nearly 1,100 NCAA schools in 2018. Of that $18.1 billion, $3.5 billion was allocated into student-athlete financial aid and another $3.5 billion was given to coaches in contracts. Facilities, competition expenses, and administration compensation and severance were the other top expenses. As expenses continue to rise in college athletics, it is important for athletic departments to establish operations for expense control and resource allocation to sustain success in college athletics.

Problem Statement

Financial decisions college athletic administrators make are more important now than ever before. Universities are battling back to recover lost revenue from the recent pandemic and there is a heightened pressure on athletic departments to correctly manage their budget (Novy-Williams, 2022). Athletic directors and other administrators must be more cognizant of where money is spent, and they must be creative to reserve their budget while not deploying too many cost-cutting measures. Recent world-wide financial struggles have intensified the decisions athletic administrators face when budgeting their department, but according to Carroll (2022), budgeting a collegiate athletic department has been a tough task since the NCAA came about in the early 1900's. A major shortcoming of athletic departments is the failure to allocate resources properly.

Coaching salaries, student-athlete financial aid, facilities expenses, competition expenses and administration compensation are key areas of an athletic department's budget (NCAA, 2019). Financial aid, medical expenses, etc. are fixed costs and are built into the budget each year, while coaching salaries, facilities, and competition expenses may vary from year-to-year and create tougher decisions for administrators. For example, from 2005 to 2020, coaching salaries for female head coaches increased by about 136 percent, and assistant male coaches rose by 172 percent (Wittry, 2021). As coaches fight for higher salaries, it gives less wiggle room for athletic directors in other parts of their budget.

Athletic administrators face tough decisions regarding where the money will be spent in their athletic department, as well as how much will be spent. It is necessary for each individual program to receive sufficient funding to remain competitive and be successful. Athletic directors are the driving force behind the decisions to allocate funds within their department, and it is necessary to do so efficiently.

If an athletic department is not funded properly, it can derail the athletic success of a school and could have stronger implications on the university. Winning serves a critical role in the success of an athletic department. If teams are not funded properly, winning is hard to come by and losing programs emerge. According to Cobanovic (2018), losing programs may result in low retention and high-turnover rates for coaching staff, recruiting would become more difficult, and the longevity of the athletic department would be in danger.

Finances in athletics, especially at the collegiate level, can be described by the arms race theory. Arms race theory stems from the Cold War, when enemy nations were trying to produce bigger, better, and stronger weapons to outdo their counterparts (History, 2019). According to Caro and Elder (2017), when one university decides to spend their money on something not in their regular budget, other universities follow suit. This may be building new facilities, reaching media deals with local television companies in a small-school setting, or other financial decisions that may create a competitive or recruiting advantage. Athletic departments face the challenge of allocating resources to remain competitive in the financial arms race with other schools. The relationship between spending money and the success of an athletic program is evident among schools that have the highest opportunities for returns on their investments (Cobanovic, 2018).

The NCAA offers transparency regarding the finances of each division. The annual revenue from the NCAA is published to the public, as well as the funding each division receives from the NCAA. Each institution, in one way or another, receives a certain amount of funding from the NCAA, but the league does not have full control for how each institution decides to spend their money (NCAA, 2019). The NCAA is just one of many funding sources for college athletic programs. The funding obtained falls into the hands of university leaders and athletic administrators to decide how they want to utilize funding for their own athletic department.

It is important for college athletic departments to be able to lean on strong models or structures that offer efficient practices of the allocation of funds to drive athletic success.

Identifying the best approaches athletic departments use to organize and manage their budgets will allow for insight on the benefits a well-run athletic budget can offer. However, few studies have been done to show what types of strategies and models are used when looking at the allocation of resources within an athletics department. The purpose of this study is to understand the decision-making process athletic directors use when allocating funds within an athletic department.

Background of the Problem

Making the correct funding decisions and allocating resources properly within an athletics department is a main area of focus to drive success. According to the National Collegiate Athletics Association (2021), there were $18.5 billion of expenses in 2020. Just over twenty percent was given out to coaches in compensation. About twenty percent of the total expense was given in student athletics aid, seventeen percent was spent on facilities as well as administration compensation and severance, and ten more percent was spent on game and travel expenses. The remaining fifteen percent was spread out among other expenses, including but not limited to, medical expenses, recruiting expenses, and guarantee expenses (National Collegiate Athletics Association, 2021). Having a plan to execute each of the expense areas is key to make sure that an athletic department is fully funded.

As explained by McEvoy et al. (2013), there are five laws of the Revenue Theory of Cost that can be applied to collegiate athletics. The first goal is that athletic departments want to be known by their prestige and excellence. Next, athletic departments will spend what they need to reach their goals. Third, institutions and athletic departments strive to raise as much money as possible. Fourth, whatever money that is raised, is spent within the athletic department. And lastly, each of the previous four laws points to an increase in spending. Athletic departments, unlike a for-profit company, don't focus their resources on profit as explained by Suggs (2009), rather they target success and prestige.

The success of the overall department lies in the hands of each individual athletic program, including the steps to fund every sport team. Cobanovic (2018) outlines that budgets for each athletic program should cater to facilities, equipment, recruiting, competition expenses, and other operational expenses. Athletic directors or other administrators sign off on these expenses and track them for the athletics budget. Within a specific team, the head coach is the main controller of the budget and has the task of meeting the team's needs (Caro & Elder, 2017). Oftentimes, the athletic director will work with their coaches to develop plans for how the money will be spent and what it will be spent on.

Many of the expenditure decisions made in an athletic department, by coaches or athletic administrators, are often impacted by what other programs are doing. Hoffer et al. (2014) explains this as the "athletics arms race." Arms race in athletics is exemplified by striving for the highest prestige. Athletic directors have the understanding that their chances of success increase by having an edge over rival schools with respect to facilities, coaches, and other athletic necessities (Hoffer et al., 2014). Investing in areas that drive recruitment and success are most beneficial to athletic directors, as it creates an advantage over conference and division counterparts. Gaynor (2011) notes that expenditure surges are often seen within athletic departments due to collegiate sport arms race, as athletic directors are putting more stress on their budgets to gain a competitive advantage.

A changing landscape within an athletic department's budget includes the rise of Name Image and Likeness (NIL). In June of 2021, the NCAA officially rescinded its original prohibition on a student-athlete's ability to capitalize on publicity (Nuss, 2022). NIL deals have since flooded the universities and student-athletes across the NCAA and have allowed for space to maneuver within an athletic department's budget. For example, collegiate sports teams are now allowed to have direct sponsors for meals, equipment, and other expenses (Petersen & Judge, 2021). Especially at smaller universities, such as NCAA Division II or III institutions, these NIL partnerships are starting to lessen the stress on athletic budgets and are allowing athletic directors to be more creative in their budget management.

When looking at athletic budgets, Gaynor (2011) noted a critical issue within collegiate athletics is the imbalance between rapidly increasing expenditures and the slow growth of revenue. Athletic departments are always increasing their coaching salaries, upgrading their facilities, and bettering their internal operations, but they don't have the revenue growth to match their added spending (Renshler, 2007). This requires athletic directors to be creative with their funding strategies. As athletic teams fight for top-notch facilities, equipment, and treatment, athletic directors face a state of conflict as they try to address and meet the needs of their athletic teams. According to the National Collegiate Athletic Association (2021), from 2011-2020 the median expense of an athletic department among NCAA Division II institutions who have a football program has risen by over two percent in relation to the institutional expenses. This equivalates to about a $4,000 expense increase per student-athlete.

Collegiate athletics, for nearly every university, is not a form of profit. Many schools rely on limited sports programs to provide profits for other areas of the athletic department. In 2020, just 12 women's athletic programs and 144 men's programs reported a positive net generated revenue from over 19,000 total athletic programs (NCAA, 2021). That equivalates to less than one percent of athletic programs making profit. According to the NCAA (2021), 115 of the 156 profit-generating programs are NCAA Division I men's basketball and football programs.

Due to the limited sports that create a profit, athletic directors often make decisions to benefit revenue-making sports to help the overall athletics budget, but such decisions can be seen as unfair treatment to other programs (Renshler, 2007). These critical and consequential decisions need to be made under the athletic director's discretion with the focus on growing their athletic department. Understanding ways and methods to manage an athletic department's budget effectively will allow for optimal prestige.

Research Questions

Athletic directors and other administrators manage budgets and make important financial decisions. As the competitive finance market in collegiate athletics intensifies, athletic directors must spearhead decisions to help stay financially viable while effectively allocating their funds to produce high-caliber athletic programs. However, there is limited literature that provides explanations to the process athletic directors take regarding the allocation of funds within their departments.

The research questions posed in this study are:

RQ1: What strategies do athletic directors at NCAA Division II and Division III schools use when allocating funds throughout their athletic department?

RQ2: How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?

Limitations/Delimitations

Limitations exist in the study due to the conflict of collecting data through interviews with athletic directors. Athletic directors are continuously busy, especially during crossover season between winter and spring sports, so scheduling conflicts may exist to conduct the interviews.

Another limitation exists in the budget transparency of the athletic directors interviewed. Athletic directors are not fully open about how they manage their budget, or about budget issues, which lessens the depth of the interview conducted.

The delimitations regarding the study consist of the types of schools focused on. The boundaries set for the study are set to include only NCAA Division II and Division III institutions, to provide a focus on smaller budgets within NCAA member athletic departments.

Definitions of the Terms

Athletics arms race is the investment in facilities, coaches, and athletic necessities to gain a competitive edge over other athletic departments (Hoffer et al., 2014).

Name Image and Likeness (NIL) is the ability for collegiate athletes to earn profit off their name, image, and likeness (Nuss, 2022).

Summary

This chapter contained an overview of the decisions collegiate athletic directors face when managing their athletic budget. The study is displayed through five chapters. Chapter 1 overviews research on athletic budgets, the problem statement, the purpose of the study, research questions, limitations and delimitations and the definitions of terms. Chapter 2 will review the literature regarding athletic directors, collegiate athletics, and athletic department finances. Chapter 3 will explain the research method used, which includes the design of research, how research will be conducted, and the collection of research data. Chapter 4 will describe and analyze the findings from the research. Chapter 5 will provide a summary of the findings from the study, including possible future research, along with study conclusions.

Chapter 2: Literature Review

Introduction

Athletic directors have many important roles and are the most important person within an athletic department. They head the athletic department, which operates like an organization, and are the bridge between athletics and the university (Mossovitz, 2019). Athletic directors play a major role within collegiate athletics and lead individual athletic departments under NCAA guidance (Paitson, 2016). Managing the finances of an athletic department can be one of the most critical roles of an athletic director (Novy-Williams, 2022), and it is important to understand how finances are handled in collegiate athletics.

The purpose of this study is to understand the decision-making process athletic directors use when allocating funds within an athletic department. The research is intended to identify the decision-making process athletic directors use when dealing with finances in their department. Also, research will allow for light to be brought upon areas of financial hardship that athletic departments face. This literature review is organized in the following categories: theoretical framework, athletic directors, intercollegiate athletics, and athletic department finances.

Theoretical Framework

Theory is used to explain how athletic department budgets are managed through the athletic arms race theory. The athletics arms race theory is the investment in facilities, coaches, and athletic necessities to gain a competitive edge over other athletic departments (Hoffer et al., 2014). Caro and Elder (2017) explain how athletic departments follow the lead from competitors when it comes to allocating budget funds. When one university decides to build a state-of-the-art facility, it creates a competitive and recruiting advantage. Thus, competing universities oftentimes follow suit to create bring an advantage to their athletic department (Hoffer et al., 2014). Hoffer et al. (2014) adds that the chance of succeeding and reaching prestige increases when a university has the upper hand on facilities, equipment, and recruiting. Gaining an edge over other schools helps an institution reach the peak of athletic success. Expenditure surges are visible within athletic departments because of athletics arms race, and Gaynor (2011) explains athletic directors must manage their budgets effectively to remain financially stable and athletically successful.

Athletic Directors

The director of athletics at a university once was a position held by retired coaches but has now transformed into a desired executive role (Wood et al., 2019). In the past, athletic directors were appointed to the position due to their loyal commitment to an athletic department, often successful retired head football coaches (Wood et al., 2019). Having knowledge of the university and having connections within the athletic department is critical, but athletic directors often lacked administrative leadership skills (Day, 2013). Engbers (2012) suggests athletic directors lacked these skills due to the fact they were chosen for the job based on their coaching longevity and service to the school.

In today's age, athletic directors have a much larger role within the athletic department. They play many different roles within their position, including hiring decisions, compliance, athletic supervision, and budget management (Marburger, 2013). Often looked upon as the chief executive officer (CEO) of the athletic department, athletic directors are the driving force for their institution's athletics (Wood et al., 2019). Day (2013) noted that athletic directors must wear a variety of hats on the job, especially at smaller institutions. These hats consist of finances, policymaking, campus relations, game management, and many other sport and administrative duties (Day, 2013). The tremendous responsibility of the success or failure of an athletic department relies on the athletic director's decisions and duties (Swift, 2011).

Due to the important tasks and roles athletic directors take on, effective leadership is necessary and at the forefront of their position. As the main manager, or CEO, of athletics, the director must have strong leadership traits (Snoberger, 2021). Leadership, as described by Snoberger (2021), is necessary to run an effective organization. Creating positive relationships with others allows for motivation to succeed. Leadership styles of athletic directors play a strong role in the achievement and overall climate of their department (Christian, 2017). Day (2013) adds that when displayed effectively, leadership is one of the most effective traits to gain organizational commitment. Creating buy-in from others within the athletic department allows for a path towards prestige headed by the athletic director's leadership.

Along with the necessity of effective leadership comes the need to fulfill many tasks that athletic directors face. Whether it is leading meetings or managing a budget, athletic directors are at the forefront of many decisions within the department (Mossovitz, 2019). Athletic directors are tasked with managing their athletic administration department, which can range from three people at the Division III level to over 15 people in the Division I level. These roles include external and internal positions. Wood et al. (2019) describes external positions as marketing or development administrators and media relations personnel, while the internal positions are filled by directors of compliance, business operations, and facility or game management. Athletic directors must be knowledgeable in each area as they oversee the individual sections of an athletic department (Paitson, 2016).

Athletic directors must have diverse skill sets to lead their respective athletic departments. Belzer (2015) explains how athletic directors must be able to negotiate and evaluate media deals, sponsorship deals, and other financial agreements. Also, athletic directors need knowledge to manage a budget strategically and operate their athletic department like a business using planning both operationally and financially (Belzer, 2015). Hiring of staff is one of the most crucial parts of an athletic director's job. The hiring decisions often loom over their success, or their lack of, and Belzer (2015) notes it can be one of the biggest financial burdens on the athletic department's budget.

With respect to the university, athletic directors are the bridge between athletics and the university. Mossovitz (2019) states that the athletic director has a strong influence on how athletics operate through the university's mission. Athletics is a main driving force for enrollment at a university, and Hammond (2021) characterizes athletics as the "front porch" to recruitment and enrollment at a university. Not only does athletics serve as a major recruitment tool for universities, but it also provides structure to attract ethnic and geographic diversity to enrich the college experience (Hammond, 2021). Athletic directors serve as leaders of both their athletic department and university to build toward success and prestige both in the classroom and on the playing surface.

Intercollegiate Athletics

In 1852, the first intercollegiate athletic contest was held between Yale and Harvard in a boat race (Engbers, 2021). Intercollegiate athletics then evolved and in 1906, the NCAA was formed to provide a governing body to collegiate sports (NCAA, 2022). In 1973, the NCAA split into three separate divisions: Division I, Division II, and Division III. All three divisions authorized their own criteria for membership and governance, and schools chose which division they were to join (Day, 2013). It was noted by Day (2013) that Division III is currently the largest regarding both member schools and student-athletes. Division I consists of 363 institutions, Division II has 313, and Division III holds 442 member schools (NCAA, 2022).

Each division of the NCAA has different criteria for membership. According to the NCAA (2022), each division is set to provide different opportunities:

> Among the three NCAA divisions, Division I schools generally have the biggest student bodies, manage the largest athletics budgets and offer the highest number of athletics scholarships. Division II provides growth opportunities through academic achievement, learning in high-level athletics competition and a focus on service to the community. The Division III experience offers participation in a competitive athletics environment that pushes college athletes to excel on the field and build upon their potential by tackling new challenges across campus.

As well as providing different opportunities each division offers, the NCAA has specific requirements for each division (Snoberger, 2021). In general, Division I schools have the largest enrollment and largest athletic budget. These schools offer full athletic scholarships to athletes. Division III schools have the smallest athletic budget and are primarily private institutions, and athletic scholarships are not offered. Division II universities are found in the middle as most athletes are on partial scholarships and the size of the schools are smaller than Division I, but larger than Division II (Snoberger, 2021).

Even though the details of athletic departments at each division differ, the general makeup is the same. Each athletic department consists of athletic directors and supporting athletic administration staff, sport teams, coaches, budgets, and other athletic department necessities (Paitson, 2016). When most people in the public think about athletic departments, the first thing that comes to mind are the sports teams at an institution. This is because the teams are the most public facing part of an athletic department. Christian (2017) describes that the organizational structure of an athletic department is simple, but there is a deeper complexity to the department's operation. University support, athletic administration, facilities, and the funding and allocation of funds are all factors that have a role in the effectiveness of an athletic department (Carroll, 2022).

An NCAA Division II university located in Minnesota has fifteen athletic programs and within their athletic department staff directory, there are nine employees in the athletic administration category. There are more than fifty other staff members within their athletic department including athletic trainers, strength and conditioning coaches, and the head and assistant coaches for each team. Looking strictly within athletic administration, there is the director of athletics and two associate athletic directors. Also, there is an associate athletic director for student-athlete services, assistant athletic directors for development and compliance, two athletic communications personnel, and the NCAA Faculty Athletic Representative (FAR). This is just an example of one institution, but these positions, and staffing numbers, are similarly found across NCAA Division II programs. Division III programs often combine several of these positions, and Division I programs generally have more positions due to the extensive work that is required.

Athletic departments are like any other organization. They must be aligned under a common understanding of goals that are desired (Heil, 2018). Steele (2016) explains that athletic departments must have an organizational culture that pushes employees towards the values and mission of the department. Each member of the athletic department, whether it may be a part-time assistant coach or the associate athletic director, must buy into the mission of the department and work with their counterparts to achieve prestige. Within an athletic department, people are going to be involved in several organizations throughout the university or department itself, states Hoch (2012). Creating a strong culture within any organization, and especially within athletics, is one of the most powerful tools for having success (Heil, 2018).

Athletic Department Finances

In 2018, there was over $18.1 billion spent on athletics across all NCAA universities (NCAA, 2019). Student-athlete financial aid and coaching contracts were the largest categories, with each totaling about $3.5 billion in expenses (NCAA, 2019). Other expenses include administration compensation and severance, facilities, and competition expenses. Cobanovic (2018) details that facilities, recruiting, equipment, and operational expenses are expenses that fluctuate year-to-year but are essential to properly budget for within an athletic department.

Trends in collegiate athletics show that athletic spending is growing at twice the rate of spending on academics (Mosely, 2021). Athletic departments are constantly increasing expenses within their budget. Renshler (2007) notes that facilities, coaching salaries, and internal operations are seeing the highest rise in expenses due to athletic departments reaching for the top benchmarks within their leagues. A slow growth in revenue creates a critical issue with athletic departments increasing their expenses due to the lack of revenue growth matching increased expenses (Gaynor, 2011).

Collegiate athletics is rarely a form of revenue for athletic departments and universities. According to the NCAA (2021), there were a total of 164 athletic teams that created a net revenue out of over 19,000 total teams in the NCAA. Also, nearly all the programs generating profit are NCAA Division I men's basketball and football programs (NCAA, 2021). Renshler (2007) notes that limited profit opportunities from athletic programs puts athletic department budgets in critical financial positions. Decisions that athletic administrators and school officials make regarding athletics are often of high importance and there is heightened pressure to effectively manage the budget (Novy-Williams, 2022).

One of the key explanations for increased expenses within intercollegiate athletics can be described by the arms race theory. Hoffer et al. (2017) describe athletics arms race as the investment into an athletic department to gain an edge on athletic department counterparts. When one institution builds a new facility, adds media deals, or makes other decisions to gain a recruiting or competitive advantage, other schools try their best to follow suit (Caro & Elder, 2017). Spending money on athletics can be very beneficial for universities and athletic departments. Mosely (2021) raises the concern that administrators of athletic departments must be able to justify their reasoning for added expenses and the impact it has on students. Cobanovic (2018) details that there is a relationship between the success of an athletic program and the expenses of their athletic department, and it creates for the best opportunities to have positive returns on investment. Also, McKay (2022) adds that increasing investment in an athletic department helps application, retention, and graduation rates, along with funding for the university and athletic programs.

Finding funds for an athletic department is one of the most critical issues that athletic administrators face. The NCAA provides funding to all NCAA-sponsored universities to be able to run their athletic programs (NCAA, 2019). These funds help athletic departments, but there is still much more funding needed to be able to finance the department. Many schools rely on corporate sponsors to fund their programs. Zullo (2022) explains that sponsorship deals are necessary for athletic departments, especially those in Division II or Division III. Division I programs receive more funding from the NCAA than their Division II and III counterparts, and they also gain more revenue from ticket sales and can rely on larger contract deals for sponsorship and advertisement due to their larger competition venues (Zullo, 2022). No matter the division, it is important for athletic departments to be creative and effectively utilize any stream of revenue to fund their programs.

With the funds athletic departments receive, athletic directors are in charge having the final say on how funds are dispersed to their programs. One of the biggest factors athletic directors take into consideration is how the funding can drive success within their athletic programs (Cobanovic, 2018). To drive success across the whole department, athletic directors must first meet needs of individual programs (Stickney, 2015). Athletic directors allocate funds based on the necessary needs such as coaching salaries, competition expenses, equipment expenses, and facility needs. Once those essential needs are met, athletic directors then look at ways they can create a competitive advantage over other schools, which Caro and Elder (2017) describes as the athletic arms race. The allocation of funds is an important task to drive success within an athletic department, and managing the athletic budget effectively is crucial for an athletic director's success.

Summary

This chapter provided a literature review of athletic directors, intercollegiate athletics, and athletic department finances. Athletic director roles have transformed since the NCAA was formed, and expectations and demands are still evolving with time. There are a lot of groups within intercollegiate athletics, and the athletic director is often at the helm of the many groups. Being able to effectively manage finances is a key factor in the success and longevity of athletic departments. Each part of college athletics plays a role in how budgets are maintained, and athletic directors have the important task to be the leader of financial efforts.

Chapter 3: Research Methodology

Little is known about methods athletic directors use to allocate funds within athletic departments. Managing an athletic department's budget is one of the biggest and toughest tasks an athletic director takes on (Carroll, 2022). While many athletic departments have similar budgets and budget management, there is a shortage of research on the decision-making process athletic directors use to manage their department's budget. The purpose of this study is to understand the decision-making process athletic directors use when allocating funds within an athletic department. In this chapter, research design, methodology, instrumentation, data collection, and data analysis will be outlined.

Research Design

This is a qualitative study to explore athletic directors' decisions regarding the allocation of funds within their athletic department. Qualitative research methods allow for an in-depth understanding of phenomena, especially when research is done through interviews (Gill et al., 2008). According to Tomaszewski et al. (2020), qualitative research provides deepened knowledge in the subject matter. This analysis spotlights budget management and the financial decisions that athletic directors face to effectively run an athletic department.

This study consists of interviews with athletic directors at NCAA Division II and Division III universities to explore the allocation of funds within their athletic departments. Each interview subject was treated separately, and each interview was analyzed separately. To draw conclusions, inductive reasoning was used to generalize findings from all interviews. Documentation from the subjects allows for identification of common ideas and findings. Surveys are used to confirm data gathered through interviews.

Sample and Setting

The research sample spotlights athletic directors leading NCAA Division II and Division III athletic departments. The participants selected for this study come from a list of athletic directors from different NCAA Division II and Division III universities. This research focuses on budget management strategies of athletic directors, specifically at NCAA Division II and Division III institutions. All athletic departments under consideration are NCAA institutions, mainly in the Upper Midwest and Minnesota region. This study focuses on similar institutions with regards to athletic size and budgets and obtains an adequate sample.

Instrument

This study was conducted through interviewing subjects. The interviews were delivered via video conference and will be recorded. Questions asked during the interviews were open-ended and there was a standardized set of questions for all subjects, along with follow-up questions. The researcher recorded each interview and transcribed the answers.

Data Collection

The interviews conducted were recorded through a video recording. A written transcript was completed to gather the full interview. All personal identification was removed in the interview transcripts. To maintain confidentiality, subjects are identified as AD1, AD2, etc.

The proposal of research for this study was submitted to the Winona State University Institutional Review Board. Once the research was approved, participants were contacted to be subjects in the study through email. There was no data collection prior to IRB approval. The participation of subjects was voluntary, and information regarding the study, along with confidentiality statements and consent documents are provided to the participants.

Data triangulation revolves around using several methods and data sources to develop understanding in qualitative research (Carter et al., 2014). Data collected during this study is from interviews, which will be recorded through condensed and verbatim transcripts. Recordings will also be coded for further study, and memos of the interviews will be created. Once the interviews were completed, document review was used to create themes from the interview answers. Then, a survey was sent to different athletic directors to confirm the data collected from interviews. Using interviews, document review, and a survey provide triangulation in this study.

Data Analysis

Once all interviews have been conducted, the researcher will process and analyze the data. The data processing and analysis process consists of the transcription of interviews, data coding, and conversation memos. The researcher will be objective when looking at the data, and there will be no bias. The data will be categorized into theme topics and overarching themes will be analyzed to draw conclusions. Thematic coding involves identifying and recording common themes and ideas from the data collected (Gibbs, 2007). Thematic coding will be used to analyze the interview themes and establish a framework utilized for conclusions.

Summary

Chapter three provided the research design, sample and setting, instrument, data collection, and data analysis. How the study will be conducted is overviewed, and the IRB process is examined, along with data collection and data triangulation. The findings of the study will be reviewed in the next chapter.

Chapter 4: Results

This qualitative study was conducted to better understand the decision-making process athletic directors use when allocating funds within an athletic department. This chapter provides results from interviews and analyzes the data collected through the presentation of emergent themes.

Participant Demographics

Eight participants were interviewed as a part of this study. All participants are current athletic directors at NCAA Division II and III institutions. Of the participants, three were from NCAA Division II universities and five were from NCAA Division III universities. Two were female athletic directors and six were male athletic directors. The participants who completed the follow-up survey were also from NCAA Division II and III institutions, with three from NCAA Division II and three from NCAA Division III.

Interview Findings

The findings for both research questions in this study were derived from six interview questions which helped answer the two research questions:

> RQ1: What strategies do athletic directors at NCAA Division II and Division III schools use when allocating funds throughout their athletic department?
>
> RQ2: How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?

Interview questions aimed to address Research Question 1 were:

> Interview Question 1 (IQ1): What are the biggest components to your athletic budget?
>
> Interview Question 2 (IQ2): Who/what are the biggest contributors to the athletic department's funding?

Interview Question 3 (IQ3): What is your process when allocating funds to individual programs in your department, and are there any set strategies when allocating those funds?

In response to IQ1, “What are the biggest components to your athletic budget?”, all eight participants included operational budgets within their responses. As stated by AD5,

> Operational budgets would be everything it takes to run a program, from practice to competition for the entire year.

Seven of the eight participants specifically noted travel as one of their largest expenses within the operational budget. Salaries was also a focus among the participants, as seven of the eight noted staff salaries were a major component to their athletic department’s budget.

Fundraising was noted by all eight participants when asked IQ2, “Who/what are the biggest contributors to the athletic department’s funding?” When asked IQ2, the participating athletic directors discussed various forms of fundraising with regards to both athletic-department wide fundraising and program fundraising. Another theme from IQ2 was university funding. AD1 explained,

> About 70 percent to 80 percent of our dollars are allocated by the institution, and then about 20 percent of our total spending is taken care of through fundraising.

Seven participants noted university funding is driven heavily by student fees and revenue from tuition that is directly given to the athletics budget.

In response to IQ3, “What is your process when allocating funds to individual programs in your department, and are there any set strategies when allocating those funds?”, all eight participants answered by explaining they have a plan when budgeting. The plans include zero-based budgeting, rolling budgets, budgeting exercises, and other budgeting strategies. AD8 discussed their way of planning for budgets:

> All of our coaches go through an exercise where they take their upcoming schedule and go through and budget some of those travel numbers and things like that, and then they also propose their equipment budget on that side of things.

The theme that emerged for RQ1, "What strategies do athletic directors at NCAA Division II and Division III schools use when allocating funds throughout their athletic department is: create annual budgeting plan.

Interview questions aimed to address Research Question 2, "How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?" were:

Interview Question 4 (IQ4): What are the biggest challenges regarding the funds of your athletic department, and what do you and your staff do to get over the challenges?

Interview Question 5 (IQ5): How much do other schools affect spending decisions? i.e. if a rival school builds a state-of-the-art facility, what are your next steps?

Interview Question 6 (IQ6): What does your athletic department and university do to remain competitive regarding the funding of the department and athletic programs?

IQ4 offered a variety of answers but each participating athletic directed stated their budget is not sufficient to be able to provide everything they want to. Declining enrollment is a factor six of the eight participants mentioned. AD4 commented,

> Enrollment across the country, and in this area, is down at most of our institutions. So, there's an impact and a hit that you have less students, you have less students paying fees which is where some of our budgets come from.

Five athletic directors answered with discussion of needs versus wants, and how their budgets are unable to allocate all the wants of coaches and student athletes.

Of the eight participants, all eight recognized their institution is impacted by what competing universities are doing with spending. IQ5 asked, "How much do other schools affect spending decisions? i.e. if a rival school builds a state-of-the-art facility, what are your next steps?" and participants explained their answers. The participating athletic directors illustrated how athletic arms race fits into their decisions, with AD3 explaining,

> It doesn't affect you tomorrow, but it does affect you over time. We did a project many years ago and we're still in really good shape. It won't affect us now, but in 20 years if another school is clearly head and shoulders above our facilities, it makes an impact.

Although all eight participants expressed other universities can affect spending decisions, each participant countered that it was not an immediate priority.

The final question, IQ6 asked "What does your athletic department and university do to remain competitive regarding the funding of the department and athletic programs?" All eight participants conveyed working together with university administration is high priority to remain competitive. AD6 discussed how their athletic department and university coincide:

> Athletics is part of the bigger university plan. So, if there is a new facility, or if there is something going up for bonding, what is it and how does it impact us? We're the largest driver of enrollment here on campus, so just together, making sure we're working together.

Six of the eight participants pointed out athletics is a key factor in overall university decisions. The themes that emerged for RQ2, "How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?" include: fundraising; benchmark analysis; advocating for funding.

Survey Findings

Two survey questions were asked to athletic directors as follow-up questions to the findings of the six interview questions:

SQ1: Do you follow set strategies when allocating funds to programs within your athletic department?

SQ2: Does athletics arms race have an impact on the athletic budget plans at your university?

SQ1 was aimed to address RQ1: "What strategies do athletic directors at NCAA Division II and Division III schools use when allocating funds throughout their athletic department?" SQ2 was aimed to address RQ2: "How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?"

Table 1

Survey Findings

Survey Question	Yes	No
SQ1	6 (100%)	0 (0%)
SQ2	5 (83%)	1 (17%)

Table 1 illustrates that 100% of participants follow set strategies when allocating funds to athletic department programs. The table also shows how five participants believe athletics arms race impacts their budget plans, while one participant believes their budget plans are not affected by athletics arms race.

Summary

Chapter four provides demographics of the participants in this study and how the data was collected. Also, chapter four highlights emergent themes and research findings. The following chapter will discuss the objective data results relate to research findings.

Chapter 5: Discussion and Conclusions

Previous chapters overviewed research, reviewed literature, discussed the research method and design. The most recent chapter described the participant demographics, analyzed the findings, and summarized the data using emergent themes. This chapter provides a summary of the findings, including possible future research, along with study conclusions.

The purpose of this study is to understand the decision-making process athletic directors use when allocating funds within an athletic department. Two research questions examined the decisions athletic directors face, and how they make budget decisions for their athletic departments. Research questions in this study are:

RQ1: What strategies do athletic directors at NCAA Division II and Division III schools use when allocating funds throughout their athletic department?

RQ2: How do NCAA Division II and Division III athletic departments remain competitive with the funding of their department and programs?

Eight participants were interviewed as a part of this study. All participants are current athletic directors at NCAA Division II and III institutions. Four themes emerged from the research data, including one from RQ1: 1) create annual budgeting plan. Three themes emerged from RQ2: 1) fundraising; 2) benchmark analysis; 3) advocating for funding.

Theoretical Connection

Theoretical framework used in this study focused on athletics arms race and the ways athletic departments remain competitive. Athletic directors continually try to create space in their budgets to improve and remain competitive. Many times, remaining competitive comes from having state-of-the-art facilities and equipment, which in return improves recruitment and success (Gaynor, 2011). Once one institution builds the new best thing, other universities follow suit (Hoffer et al., 2014). Athletic directors are driven to outdo their competitors, and gaining a competitive edge ultimately increases the chances of athletic success.

Athletic success can oftentimes be linked to institutional growth. Cobanovic (2018) expresses investment in athletic departments leads to a positive return on investment for universities. When athletic departments succeed, university application, retention, and graduation rates increase which boosts competitive standards (McKay, 2022). Athletic departments and their universities affect one another regarding enrollment, success, and finances. Hammond (2021) characterizes athletics as the “front porch” to a university, and both parties must work together to reach desired success and drive competition in athletics. Working with their universities allows for athletic departments to grow and improve on competitiveness.

Understanding how to manage budgets effectively and plan expenses is a key role in an athletic director’s day-to-day job, explains Marburger (2013). Being the chief executive officer of their athletic department, athletic directors must be creative. Day (2013) acknowledges athletic directors wear a variety of hats, but managing finances is one of the most important roles an athletic director has. Athletic directors use many different strategies when making budget decisions, and each strategy used is to enhance their budget planning accuracy. In modern college athletics, expenses continue to rise but there is not a matching revenue growth (Gaynor, 2011). The rise in expenses creates a budget problem for athletic directors, and the increasing pressure of budget management falls heavily on an athletic director’s shoulders (Novy-Williams, 2022). Creating annual budget plans and following strong budget strategies helps drive strong economic decisions within an athletic department. Ultimately, as Cabonavic (2018) explains, athletic directors must be strategic when making decisions to drive success in their athletic programs to reach the prestige all universities desire.

Research Question 1 Discussion

Theme 1: Create Annual Budgeting Plan

A steady rise in expenses with unmatching revenue growth creates a budget crisis in intercollegiate athletics (Renshler, 2007). The ability to follow models of budget management allows for athletic directors to be creative in financial planning (Caro & Elder, 2017). Having a budget plan and following it is a strong financial decision athletic directors make. All fourteen participants in this study acknowledged they follow a yearly plan or model when creating budgets for their respective athletic departments.

Discussions relevant to this theme:

AD2: We do zero-based budgeting. And so really, we're budgeting for a hotel. We're budgeting for a meal in season, out of season. Every program here is filling out the same information. So, a soccer student and baseball student are getting the same per meal. We have a big pot. We build it every year, and it's just based on needs. So, for the most part, your budget is not going to change from year to year too much.

Research Question 2 Discussion

Theme 1: Fundraising

Research indicates that less than one percent of athletic programs across all divisions of the NCAA generate profit (NCAA, 2021). Aside from the institutions with profitable athletic programs, especially in NCAA Division II and II, there is not enough revenue to outweigh the expenses of the athletic department. Ultimately, athletic directors have to make important financial decisions to regulate the difference between the needs of a program to operate versus the wants that coaches and athletes may see beneficial (Mosely, 2021). Fundraising is a key factor in fulfilling the budget needs of an athletic department. All participants noted that fundraising is an important part of the funding of their athletic programs.

Discussion relevant to this theme:

AD3: We’re finding different ways to go out and ask and primarily that’s through three types of fundraising. So, one is kind of sweat of the brow: a team can go work an event and do something special where they’re actually transacting a good and/or time for money. We’re also doing donor visits and sending out appeal letters. And then the third is, we’re really pursuing some major gifts that could be through foundations or through high-level donors who are picking up the tab to support some of the initiatives that we’re creating.

Theme 2: Benchmark Analysis

An athletic department’s main goal is to reach prestige. Suggs (2009) discusses how athletic departments don’t focus their resources on profit, rather they target success and prestige. Caro and Elder (2017) describe the strive for success in college athletics as the athletics arms race. When competing universities see what their counterparts are doing, oftentimes it also affects their own plans (Hoffer et al., 2014). Athletic departments use benchmark analysis to determine how they fare against competing institutions. All eight participants interviewed, and five of the six surveyed, acknowledged that their athletic budgets are impacted by what competing institutions are doing.

Discussion relevant to this theme:

AD4: A competing school was never in the picture with us in some of our sports but with their new facilities, boom, it makes a difference. Today’s students, and student-athletes like new stuff. They like new locker rooms. They like that, and that’s important. It still comes down to the people and the majors and things. But in our league, there is definitely some haves, and there are some have nots as far as facilities and staffing structures, so it is an arms race. We keep plucking away and try to catch up.

Theme 3: Advocating for Funding

Athletic departments are oftentimes labeled as “the front porch” to their university. Athletics drives enrollment and athletic success can be a big factor in recruitment for all students (Hammond, 2021). It is also explained by Hammond (2021) that athletics provides structure and attracts diversity to better the overall college experience. University support is necessary for athletic departments to succeed and in return, universities reap benefits from athletics (Carroll, 2022). Athletic departments must work together with university administration and advocate for funding to meet the needs of athletic programs. All eight athletic directors who were interviewed explained how working with the administration at their university is an important part of their job.

Discussion relevant to this theme:

AD5: I think consistently making sure that the administration understands why a strong athletic program can help other areas of campus. We are looked at as an important piece of our overall enrollment strategy; having good athletics helps people want to come here. You know, some students who have no intention of even trying to play sports at our level are coming here partly because they want to go somewhere where you've got a good athletic program. So, it's not just an investment in our 375 student athletes. Hopefully it's a point of pride: pride for our alums, our history, all those types of things.

Conclusions and Leadership Implications

The results of this study illustrate the decisions athletic directors face when managing their athletic department's budget. The results are important to be ale to understand what goes into the budget management at NCAA Division II and Division III institutions, as well as how athletic directors must be creative to provide necessary funding for each of the athletic programs. By reviewing the data collected, the research concluded several practical leadership implications.

Conclusion 1: Athletic directors make important decisions that affect not only the competitiveness of their athletic programs, but also their university as a whole.

Implication 1: Leaders are often put in situations where every decision matters. Good leaders are able to make these important decisions with respect to all parties involved. It takes many trials and errors to be able to gain experience and knowledge in decision making practices, especially regarding finances. Making the correct budget decisions allows for athletic directors to oftentimes see success with their athletic programs. Ultimately, the budget decision within an athletic department can influence the university's trajectory.

Conclusion 2: The relationships between athletic departments and their universities are critical for success.

Implication 2: Just as athletics are to many universities, leaders are the front porch to their organization. Leaders are oftentimes seen as the front of an organization and looked up to the most. Being able to have strong relationships that foster a growing environment is an important attribute leaders must have. Athletics rely heavily on funding from the university, and athletic directors must be able to be a strong advocate for the financial growth of athletics. In the realm of college athletics, athletic directors must be able to work with university administration to bridge any differences and to work towards a desired, common goal.

Conclusion 3: Athletic directors are creative with budget management.

Implication 3: Creativity is a key characteristic of effective leaders. Working through difficult situations, relationship building, and organizational growth are just some of many ways leaders use creativity in their daily lives. In athletics, athletic directors must be creative with their budgets. Working with individual programs in their department, athletic directors often face a lack of funding to give the coaches and athletes what is necessary to succeed. Being able to be creative and work through conflicts with their budget is an important task. Creating budget plans is necessary to accurately project fiscal year spending. Having the ability to adapt and make changes on the fly is also a key creative skill that athletic directors, as leaders, use to have athletic department success.

Conclusion 4: The race to prestige is prevalent in college athletics.

Implication 4: Individuals step into leadership roles to help advance the current state of their organization. Leaders set organization goals to obtain success in many different fashions. In college athletics, success is usually defined as winning and reaching a higher status. This results in reaching to have individual athlete and coach accolades, team honors, and ultimately national championships. In order to reach these goals, many steps must be taken. Athletic directors try their best to provide state-of-the-art facilities, equipment, and other luxurious items to attract staff and recruits in hopes for reaching their defined success. As leaders, athletic directors help set these goals and are at the forefront of the important financial decisions made to meet the goals. Managing budgets, hiring staff, and acting as the CEO of an athletic department hold athletic directors accountable for the important leadership roles they take on. Being an effective leader in an athletic director role strengthens the competitiveness of the whole athletic department and leads to success.

Recommendations for Future Research

This study identified themes regarding athletic directors and the budget decisions they face. Future research is needed to explore the differences in athletic directors' decisions between private and state universities. It would be helpful to understand the processes needed to follow between private and state universities, as well as the difference in funding methods between the two types of institutions, and how that affects athletic directors' management of their athletic department budgets. Future research on the differences in budget planning and institutional support between private and public universities would also allow for more in-depth knowledge of the decisions athletic directors face.

Conclusion

Athletic directors take on many roles to help achieve desired success of athletic departments. Managing budgets effectively is one of the most critical tasks athletic directors face. Being creative and building relationships are key roles athletic directors must foster to effectively lead athletics at their university. Through trials, continued learning, and experiences, athletic directors gain valuable knowledge and skills to reach the ultimate goal of athletic success.

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Appendix A

Interview Questions

IQ1: What are the biggest components to your athletic budget?

IQ2: Who/what are the biggest contributors to the athletic department's funding?

IQ3: What is your process when allocating funds to individual programs in your department, and are there any set strategies you follow when allocating those funds?

IQ4: What are the biggest challenges regarding the funds of your athletic department? What do you and your staff do to get over the challenges?

IQ5: How much do other schools affect spending decisions? i.e. if a rival school builds a state-of-the-art facility, what are your next steps?

IQ6: What does your athletic department and university do to remain competitive regarding the funding of the department and athletic programs?

Survey Questions

SQ1: Do you follow set strategies when allocating funds to programs within your athletic department?

- Yes
- No

SQ2: Does athletics arms race have an impact on the athletic budget plans at your university?

- Yes
- No