HURON

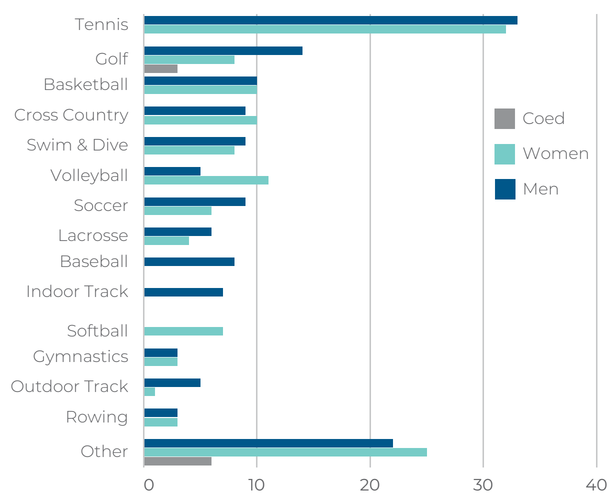
Refreshing the Playbook

INTERCOLLEGIATE ATHLETICS PORTFOLIO MANAGEMENT

By Tim Walsh and Clare Conaty

In response to increased financial pressures across higher education, the economic and operational profiles of individual athletic programs have come under review, inspiring analysis of funding profiles and success metrics both on and off the playing field. To effectively evaluate an athletic program offering, leaders must consider each program holistically and understand its strategic benefits to grasp the full value it brings to their institution.

Figure 1. Programs Cut by Sport, 2020-21



Recent Events by the Numbers

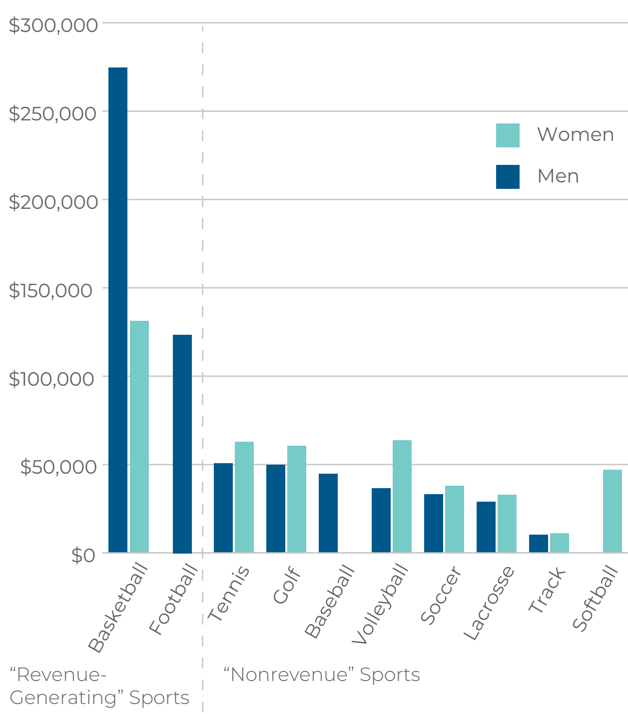
Reexamining and reducing athletics portfolios have proven to be a common response throughout the pandemic for many institutions, as at least 88 institutions have eliminated 280 sponsored teams as of February 2021. Disparities by sport in the eliminations of programs have only widened since the pandemic began, with tennis programs making up over 23% of all cuts that have occurred since early March 2020 (see Figure 1).

Over the past few months, several prominent institutions have moved to eliminate programs, highlighting financial and other portfolio considerations that influenced their decisions. Stanford University announced the elimination of 11 varsity programs on July 8, 2020, noting the "incremental" investment level required for each sport as a key criterion in evaluation. Similarly, Clemson University announced November 5 that three programs would be cut after identifying "substantial cost savings as well as the ability for long-term Title IX compliance".

Benchmarking Sports by Cost

A common question inspired by recent program cuts is: How have these institutions chosen which sports to eliminate? The obvious criterion institutional leaders must consider is the financial performance of each program, even as they review nonfinancial value (discussed further in the section below). Football and basketball are considered the typical "revenue-generating" sports, so when institutions are financially pressed, "nonrevenue" sports can become early targets for reduction. However, the expense profiles across these sports often tell varied stories (see Figure 2). Delving further into expenditures by sport and by peer set can shed light onto why institutions have chosen to eliminate sports such as tennis and golf at a much higher rate than track and field or soccer.

Figure 2. Average Expenditure per Divisions | Participant, 2018



Teams with smaller rosters and larger, more expensive footprints paired with higher expenses are often more attractive options to eliminate than their counterparts that require smaller or more easily scaled investments. The University of Akron eliminated three programs May 14, 2020, including men's golf and cross country and women's tennis, and cited the relative cost of these programs as a driving criterion for the cuts.

An efficiently managed athletics portfolio affords leaders the opportunity to continually invest in programs, which can pay dividends for the entire institution. Creating an awareness of financial outcomes by program is just one criterion to be evaluated to fully understand the strategic value a program possesses.

Filling the Stat Sheet: What Else Do Programs Have to Offer?

While potential savings are often a primary consideration when discussing program eliminations, it is critically important also to consider nonfinancial attributes and strategic characteristics that each program brings to the institution.

A program may operate at a deficit but could heighten student interest in attendance, enhance the institution's brand image, trigger alumni philanthropy and have student-athletes actively volunteering in the community. For example, in some smaller schools, offering men's sports has helped reverse declining applications among male students. Thus, it could be in an institution's best interest to offer the program despite a financial loss.

Several other factors that should be evaluated in alignment with institutional strategic goals are summarized in figure 3.

Figure 3. Athletics Portfolio Considerations

CONSIDERATIONS	REPRESENTATIVE QUESTIONS	CASE STUDIES
Competitive Performance	· Has the program had recent success? · Does the program have a historical reputation of success?	The men's squash team at Trinity College won 252 consecutive matches over 14 years, the longest winning streak in intercollegiate varsity athletics history.
Student Experience	· Does the program positively contribute to student success and engagement? · Does the program attract applicants to the institution?	In 2018, Loyola University Chicago had a successful run in the NCAA men's basketball tournament and saw an ensuing 31% spike in requests from prospective students.
Student Success	· Does this program prepare student-athletes for success post-graduation, in alignment with the institutional mission?	A 2020 Gallup study of about 80,000 U.S. adults with a bachelor's degree or higher found that former student-athletes had more positive "long-term life outcomes" than nonathletes.
Diversity and Equity	· Does the program's sponsorship contribute to institutional compliance with Title IX? · Would elimination of this program disproportionately affect one demographic more than others?	Brown University announced June 9, 2020 a reversal of a May announcement to eliminate men's track, field and cross-country teams, citing the potential impact it could have on diversity at the institution.
Community Engagement	· Does the program inspire community involvement and alumni engagement? · Does the program generate philanthropy for the institution?	In 2006, T. Boone Pickens donated a record $165 million to Oklahoma State University's football program to fund facilities upgrades.
Facilities Status	· Do facilities require significant investment? · Are other programs at the institution able to leverage the program's facilities?	On June 19, 2020, Winthrop University announced the elimination of both its men's and women's tennis teams, citing the need for significant investment in its tennis facilities as a presiding determinant.

Looking Downfield

The financial burdens from the pandemic have introduced and will continue to increase pressure on institutional leaders to operate in a lean and strategic manner, and athletics departments cannot be an exception to this attention. Wake Forest University Athletics Director John Currie stated that "allocation of resources is among the most difficult decisions that leaders have to make, and the prioritization of how they're going to allocate those resources [is critical]. ... We can't do everything, if we want to do things in an excellent fashion."

Momentum for change in intercollegiate athletics continues to build, with conversations around payment of players looming and evolving youth sports trends on the horizon. Leaders must remain agile to stay alignedwith the strategic goals of their institution and focus on the balance and benefits of optimizing the entire athletics portfolio. It can be tempting for institutional leaders to pursue opportunities within their portfolio with the greatest short-term financial benefits, but it is critical that a long-term holistic strategy is used in any decision made.

Key Takeaways

Intercollegiate athletics departments and the programs in their orbit represent a tremendous force in shaping an institution's reputation, culture and financial health. Given the important role that athletics often plays in collegiate landscapes, higher education leaders have the opportunity to:

Think differently.

When assessing athletics programs, it is important to consider both the long-term, holistic impacts and the near-term financial costs and benefits. Consider counterpoints to prevailing perspectives and seek data to inform the business case.

Plan differently.

Remain focused on the institution's strategic goals when defining the mission of the athletic department and understand the financial and operational implications of each program in the portfolio.

Act differently.

Link the mission and strategy with the financial understanding and take action to rationalize decisions. Then, install proper controls and establish an effective crisis and risk management plan.

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