Circumstantial Factors and Institutions’ Outsourcing Decisions on Marketing Operations

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Abstract

During the past decade, the outsourcing of marketing operations has become a common practice in American college athletics. While the reasons that an intercollegiate athletics program might choose to outsource its marketing operations are numerous, the decision to do so really depends on various circumstances. This study was designed to reveal both the advantages and disadvantages of outsourcing and the circumstantial factors affecting athletic administrators’ outsourcing decisions. Also, three real cases were presented and examined to substantiate motives as well as the importance of reviewing circumstantial factors before an outsourcing decision is made.

Circumstantial Factors and Institutions’ Outsourcing Decisions on Marketing Operations

Introduction

Historically, outsourcing was a strategic initiative used by the general business community as a solution to a particular problem (Gay & Essinger, 2000). However, during the past decade, the outsourcing of marketing operations has become a common practice in American college athletics. According to Li and Burden (2002), more than one half of all NCAA Division I-A athletic programs have outsourced some or all of their marketing operations and rights to a growing number of nationally prominent outsourcing agencies. Among the operations commonly outsourced are the production of radio game broadcasts, production of radio call-in shows, coaches’ television shows, sales of media and venue advertising, sales of “official sponsorship” rights to corporations, and production and management of Internet websites, etc. (Li & Burden, 2002).

Outsourcing simply means acquiring services from an external organization instead of using internal resources (Butler, 2000). By using outsourced resources, organizations can gain a competitive advantage by using contingent staff to accomplish strategic goals without incurring the fixed overhead. By focusing on the leading edge and highly specialized skill sets, outsourcing providers can often offer services better, or at a lower price than the client organization. Typical reasons for outsourcing go beyond simple contingent staffing. Outsourcing providers are able to maintain economies of scale with regard to specialization (Butler, 2000).

The outsourcing movement has been energized by the increasing commercialization of intercollegiate athletics, largely a result of the enormous competition among the largest programs in the NCAA and their mandate to be successful, self-supporting, and economically profitable. Intercollegiate athletics has grown into a $3 billion-a-year annual industry (Padilla & Baumer, 1994; Sneath, Hoch, Kennett, & Erdmann, 2000) with more and more money being spent for new stadiums, celebrity coaches, and better training facilities, etc. Some schools have independent athletic departments that support themselves, but the majority is funded by the university. Approximately 100 athletic departments in Division I are “sucking money from the schools” (Rozin & Zegel, 2003). Those that cannot pay the bills are often forced into painful downsizing of their sports programs (Rozin & Zegel, 2003).

Since outsourcing in intercollegiate athletics is fairly new, the amount of information available regarding the advantages that athletic programs gain from outsourcing is limited. However, the information available concerning outsourcing and the broader business community is more abundant. With such characteristics as advantages and disadvantages, business strategies, business goals, quantity and types of functions outsourced, the availability of experienced service providers, and
even the proportion of companies that have out-
sourced, outsourcing has affected intercollegiate athlet-
ics in similar as well as dissimilar ways as the general 

Many of the reasons that an intercollegiate athletics 
program might choose to outsource are the same as the 
general business community. In addition to the advan-
tages previously stated, by outsourcing, organizations 
can alleviate time pressure, draw from a varied base of 

The advantages in outsourcing can be operational, 
strategic, or both. Operational advantages usually pro-
provide for short-term trouble avoidance, while strategic 
advantages offer long-term contributions in maximiz-
ing opportunities. Outsourcing can cost more than 

there is a downside to outsourcing. One major 
international study concerning the biggest outsourcing 
deals of the 1990s concluded that more that 35 percent 
of the deals failed. The causes for the failures included 

tional business contacts, outsourcing has enabled the 
university to generate significantly more revenue than 
it would have on its own.

The general business community can select from 
numerous well-established service providers within 
each particular industry. However, since outsourcing 
is still relatively new in intercollegiate athletics, there are 

and in some instances can be a risky proposition 
(Chin, 2003). Withcoach Lacity (1998) stated that 
among its disadvantages are the potential loss of con-
control over critical functions such as timeliness and quali-
ty of service, difficulty in monitoring vendor 
performance, difficulty in explaining the business 
needs to vendors, the potential for loss of company 
secrets as well as intellectual property, and the high 
cost of outsourcing contracts. Schools also risk develop-
ing a dependency on outside agencies, lowering
employee morale, loss of development skills for employees, and having to face the prospect of managing relationships that go wrong (Kakabadse & Kakabadse, 2000; Hayes, 2001). By outsourcing, not only do schools lose some of the personal touch in servicing their employees but their clients as well (Rombel, 2002).

With respect to colleges, while outsourcing has become one of the measures taken by colleges to support their need to gain a competitive advantage, it has not always been the most ideal alternative for attaining marketing goals. The Air Force Academy is a good illustration of what could go wrong if a college makes a poor decision about outsourcing. By outsourcing, The Air Force Academy lost control over their radio network and team travel package, and from a competitive standpoint was disadvantaged by their partnership with the service provider. Their relationship with the business community soured and the outsourcing with the service provider. Their relationship with the outsourcing agency contracted sponsors that were a poor match for the Academy. Because the service provider benefited more from the arrangement than the athletic department it became necessary to dissolve their contract.

As mentioned previously, among the largest NCAA Division I programs, some schools have chosen the outsourcing option while others have not; outsourcing has advantaged some schools and not others; and, some schools have been successful while keeping everything in house and managing the job themselves. Under what circumstances should a school choose one option over the other? Burden and Li (2002) stated that circumstantial factors play a significant role in differentiating those athletics programs that have outsourced their marketing operations from those that have chosen to keep their operations in-house.

Other circumstantial factors affecting outsourcing decisions

In addition to the perceived advantages outsourcing could bring to the institution, other situational issues play a significant role in the decision-making process. For example, the athletics director at Georgia Tech might oversee; however, if that same person subsequently takes the job at Washington, a school in a very different environment, he or she might easily decide against it. When the athletic administrators at a particular institution are contemplating whether or not they should outsource their marketing operations, they need to examine their institution’s mission, assess the attractiveness of their athletic product, establish who controls the property rights, determine the nature and status of the relationship it has with its local business community, and determine whether or not in-house resources are sufficient to get the job done.

First, the institution’s mission, philosophy, and goals, etc., should be consistent with an outsourcing strategy. Further, the mission defines the purpose and goals of the organization, what its products, services, markets, and customers will be. It describes what core competencies will be necessary to achieve the goals, how the organization will distribute the products and services, and how it will interact with customers (Greaver, 1999). A couple of questions administrators need to consider are “what is the organization in business to do?” and “what resources does the organization need in order to do what it is in business to do?” (Gay & Essinger, 2000, p. 30). If outsourcing plays a critical role in the organization’s overall strategy or service offerings, then outsourcing makes good sense for the organization and administrators can more effectively align its outsourcing objectives with the organization’s overall strategies (Issacs, 1999). Otherwise, in-house operations would be more appropriate.

Next, if the institution is to derive some benefits from outsourcing, it must be positioned to do so. Butler (2000) maintains that the decision to outsource or not, really depends on various circumstances. In arriving at the correct solution, sport organizations contemplating the outsourcing option should examine their unique characteristics. For example, their athletic product needs to be attractive enough to attract a top-notch service provider as well as the interests of potential, new corporate partners. Outsourcing agencies are less likely to pursue a relationship with those programs that have few followers, are not widely recognized or do not command the interests of advertisers. To determine the attractiveness of their product, they need to evaluate such information as (1) the level of national or regional recognition and exposure of their athletic programs (e.g., number of games or events that have been televised by the national and regional media), (2) the level of success of all of their athletic programs, (3) the degree of alumni and fan support or following, (4) membership in one of the NCAA elite conferences, (5) national ranking of football and men’s basketball programs, (6) availability and/or use of state of the art facilities, and (7) accessibility of high profile coaches and blue chip athletes, etc. One rule of thumb in determining the attractiveness of an institution’s athletic program is to see whether or not the responses from outsourcing agencies to the institution’s request for proposal (RFP) for outsourcing collaboration are favorable. If the athletic administrators do believe their product is attractive enough, they should move on to the next step. Otherwise, they should not go for the outsourcing option (Li & Burden, 2004).

Who controls the property rights? This is a fundamental question that needs to be answered after the
attractiveness of the product has been determined. In most cases, the athletic department has complete control over the rights of their athletic properties (e.g., sales of media advertising and venue signage, coaches’ TV shows, TV and radio game broadcasts, licensing and merchandising, “official” sponsorships and venue naming rights, luxury seating, and production and management of Internet web sites, etc.). Nevertheless, there are some colleges and universities whose administrations want to exercise close control over all property rights, including those in athletics. As such, the athletic department cannot make any unilateral decisions in terms of outsourcing. If the athletic department has the ultimate authority to determine the use of athletic properties then it can certainly exercise its right to do so. In this scenario, the relationship between the athletic department and the business community is the next issue that needs to be examined.

The depth of an institution’s relationship with the business community is another importance consideration (Li & Burden, 2004). If it were strong, the collaboration with an outsourcing agency will not diminish the relationship but increase leverage and synergy. If the relationship is weak, the institution risks losing support from local businesses by introducing an unfamiliar intermediary.

If the athletic administrator is still uncertain, then he or she should determine whether or not in-house resources are sufficient to get the job done. Finally, if it is determined that in-house resources are not sufficient, and, after all of the issues have been thoroughly reviewed, then outsourcing logically becomes a viable alternative for achieving the organization’s goals.

Figure 1 is a flowchart illustrating the decision-making process for outsourcing recommended for intercollegiate athletic administrators in NCAA Division I institutions.

**Case Studies**

In the following sections, three cases involving NCAA Division I institutions are discussed. These cases illustrate some of the advantages as well as the
disadvantages of outsourcing in the context of each institution's unique circumstances affecting the athletics administrator's decision regarding outsourcing some or all of their marketing operations. One institution has chosen the outsourcing option; another has decided to keep its marketing operations in-house, while the third initially outsourced its marketing operations, and then moved everything in-house and later on decided to outsource part of their operations. The three institutions presented are the University of Virginia, Stanford University, and The Air Force Academy.

University of Virginia - Making the Case for Outsourcing

The first case involves the University of Virginia (UVa). UVa is an NCAA Division I-A institution that has fully embraced the outsourcing option. Currently, it works with three outsourcing agencies, Collegiate Licensing Company (licensing), College Sports Online (website), and Cavalier Sports Marketing (Viacom, multi-media). "The outsourcing agencies meet our needs in terms of staffing, budget, expertise, and red tape (the state of Virginia's cumbersome procurement regulations). It also frees up our marketing staff to concentrate on other important activities that we are responsible for," said Andrew Rader, UVa's director of marketing. Clearly, this arrangement provides advantages for the athletics program.

For the past eight years, the university has worked most closely with a company called Viacom (otherwise known as Cavalier Sports Marketing). When considering the outsourcing option, the university acted upon several factors related to its particular position. First, it is a major university competing in one of the big-time athletic conferences—the Atlantic Coast Conference (ACC). Most, if not all, of the schools in the conference outsource their major marketing operations to prominent national outsourcing agencies like Viacom.

Second, the principal advantage that Viacom brings to the table is their manpower, expertise, and experience in selling, something that the university lacks internally according to Mr. Rader (2002). Viacom sells radio and television rights, corporate sponsorships and signage, etc. Additionally, "Viacom has a broader base of resources and contacts than we do," said Rader. "For instance, we got a deal with Nickelodeon and nine free roadway billboards from Viacom that we would not have received otherwise."

When the partnerships were initiated the institution had concerns about their relationship with the business community as well as the issue of whether or not the different staffs could effectively co-exist. However, no major problems have been evident (Rader, 2002; Terri Mattie, telephone conversation on May 26, 2004). Assistant director of marketing, Katie McFadden (telephone conversation on July 2, 2002) stated "the staff at the university works closely with the Viacom staff, even sharing the same office area, and is involved in the marketing and promotions process." Involving a third party in marketing operations has been a good business decision for the University of Virginia.

Conducting Business In-house Is the Right Choice at Stanford

Stanford University is an NCAA Division I-A member that competes in the prestigious Pacific 10 Conference. From a competitive standpoint, the institution has done extraordinarily well, perennially finishing among the top 10 schools for the Sears Director's Cup, emblematic of overall program excellence. However, in order to maintain its competitive edge, it is important that Stanford continues to generate the needed revenues to support its more than 30 intercollegiate men and women's sports programs. The athletic department's marketing operations are a large and vital part of the revenue generating effort.

Director of marketing Bob Carruesco (telephone conversation on July 15, 2002 & May 26, 2004) stated "Stanford's marketing operations are conducted 100% in-house; however, we are contemplating the outsourcing of corporate sponsorship sales beginning summer, 2004." Even though Mr. Carruesco admits there are some distinct advantages to outsourcing, when schools contract out services and/or give away marketing rights, they are disadvantaging their program in numerous ways. In Carruesco's view, "If Stanford were to contract out its major marketing operations, first, we would not be getting the attention or value that our university deserves, and second we would lose that personal contact with the business community. It is important that we maintain the ability to generate entertainment and client satisfaction. Our philosophy is 'nobody can sell our product better than we can!'"

This attitude stems from the high value that the institution places on its product. They have recruited and trained quality people to market and sell their product in-house and provided them with the tools necessary to do the job. The evidence has been reflected in their financial success. "We would not have had such phenomenal success if someone else were selling our product," said Carruesco.

Stanford's success has been predicated on other core values as well. First, retaining their property rights has allowed the athletic department to maintain total control of its product. Second, it requires that the staff stay involved in everything that is going on. This has signif-
icant implications related to maintaining close contact with friends in the business community and ensuring that contractual obligations and promises are fulfilled. Carruesco explained “the business community likes to feel that they are doing business with the athletics department instead of someone else. Something is lost when they are working with an outsourcing agency.” Therefore, vigilant management and control is a fundamental part of Stanford’s marketing philosophy. When Stanford does bring in an outside agency in summer 2004, these core beliefs will serve as the foundation for structuring the relationship with the service provider.

**Air Force Academy Makes an Adjustment to Create a Better Fit for Its Marketing Operations**

The Air Force Academy is a unique member of the NCAA Division I-A, Mountain West Conference. It has an enrollment of just 4,000, all cadets, and competes against institutions like Brigham Young University, the University of Wyoming, and the University of Nevada, Las Vegas.

In the Air Force Academy’s case, outsourcing did not bring the anticipated benefits. According to Steve Becvar, former associate athletic director (telephone conversation, January 11, 2002), “like many other institutions, we outsourced our major marketing operations until approximately seven years ago. Then the decision was made to bring everything back in-house.” “Subsequently, we decided to outsource the stadium scoreboard advertising to Viacom,” stated marketing director Clayton Zenner (telephone conversation, May 26, 2004). Via the 27 intercollegiate sports (men and women) the Academy sponsors, the quality facilities on base and competitiveness within the league, the Academy feels that their product is highly attractive. Also, the department of athletics has control over its property rights.

The Air Force Academy made the decision to bring everything back in-house because “it better fit our mission as well as our emphasis on developing relationships with the business community, generating more support and interest in the program, and having the ability to host many national and regional events,” said Mr. Becvar. Their goals included maximizing athletic revenues, regaining control of their property rights, and enhancing the image of their program. Outsourcing simply was not providing the Academy with the competitive advantage it needed to accomplish these goals. Unreasonable financial demands, issues related to contractual arrangements, and conflicting goals with the service provider were some of the concerns that caused the Academy to rethink its marketing strategy.

Although they had to add the staffing and the skills necessary to get the job done, they are now able to maximize returns. “We purchased a new scoreboard for the stadium and sold the sponsorships ourselves. The board was paid off in five years and now everything we make is revenue,” proclaimed Becvar. By contrast, the outsourcing agency wanted a 10-15 year deal to sell the board and share in the revenues, which would have been too costly a venture for the Academy (The recent arrangement with Viacom is much more advantageous). Additionally, intercollegiate athletics regained control over their radio network and team travel package because they felt that the outsourcing agency was benefiting more from these arrangements than the athletic department. Mr. Becvar added “the outsourcing agency contracted sponsors that otherwise would not have been approved by the Academy.” Now, the Academy is back in control and that has translated into additional revenues for the department.

In short, The Air Force Academy lost trust in its contracted property rights holder. Bringing everything back in-house gave the Academy the competitive advantage it needed. From a financial standpoint Becvar proudly stated “revenues from radio rights have increased from just under $48,000 to $150,000; sales of game programs went from $1,500 per game to a net of $25,000 and ad sales are now $150,000. The Falcon Stadium scoreboard that originally cost $225,000 now nets $275,000 per year.” Now they feel that they are in a position where the arrangement with Viacom can take them to the next level in advertising sales. Services to clients have been substantially enhanced, which leads to quality programming and hospitality for contributors, sold-out stadium skyboxes, more attractive and satisfactory packages for corporate partners, and enhanced fanfest experiences (inflatable, pony rides, bands, etc.) at games for patrons. Evidently, the move in-house was the right choice for the Air Force.

**Summary**

The fiercely competitive nature of intercollegiate athletics, escalating cost of doing business, and mandate that campus athletics programs be self sufficient has made outsourcing marketing functions fashionable in recent years. Outsourcing has been described as an important tool for attaining and maintaining a competitive edge in intercollegiate marketing programs. Additionally, outsourcing is growing in appeal to individual institutions because of a variety of reasons important to them. The advantages in outsourcing can be operational, strategic, or both, ranging from alleviating time pressure on understaffed departments to generating large sums of revenues that were not available to the institution before. The disadvantages
include the potential loss of control over critical functions such as timeliness and quality of services to managing dysfunctional partnerships.

This study discussed the process of making outsourcing decisions in intercollegiate athletics and proposes that the decision to outsource is circumstantial. Cases involving three NCAA Division I-A institutions were reviewed and used to support the central theme. Essentially, athletics administrators must complete a strategic analysis of their business environments to determine if outsourcing is a good fit for their institutions. However, according to Butler (2000) it must be emphasized that an organization's philosophy, goals, and strategic directions strongly influence the decision whether to outsource and what work to contract out. Consideration of these factors helps the institution determines whether it is advantageous to outsource or keep everything in-house.

Additionally, it is evident that outsourcing in intercollegiate athletics is an evolving process. Some schools are positioned to gain a competitive advantage by outsourcing. Others have the necessary resources in-house to get the job done. However, some schools still need to better position themselves if they are to gain benefits from outsourcing. Also, what about those schools that do not have a top 10 athletics program, how do they retain their competitiveness? In order to address these issues future study is needed.

References