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EXISTANCE OF ECONOMIES OF SCALE WITHIN ATHLETIC  
DEPARTMENTS AT PRIVATE, FOUR-YEAR INSTITUTIONS

Abstract

This study investigates the size-cost relationship within college athletic departments using economies of scale as the tool for measurement. It examines data from 578 private, four-year institutions. The athletic department expense data gathered is as reported to the US Department of Education Office of Postsecondary Education Equity in Athletics Disclosure Act (EADA) website. Currently, no information indicates what the optimal size of an institution's athletic department should be. The data from the study will allow university decision makers to determine if the athletic department should be bigger or smaller in an effort to increase efficiency. This study provides pertinent information that will allow athletic departments to be sized in a manner that would produce the lowest average total cost per athlete. In theory, this would make the operating expense of the athletic department more efficient.

The main research question is as follows: Is there a correlation between athletic department size and average total cost per athlete within college athletics of private, four-year schools? Expectations are that there are economies of scale present within college athletic programs. Generally, the hypothesis is supported.

It is possible to model the cost structure in college athletics with a flexible single-product cost function. Using the data for athletic departments for the academic year 2004-2005, the statistical results of the study clearly imply the existence of economies of scale within college athletics. As anticipated, the independent variables do affect the dependent variable. The statistical results of this study also imply that many athletic departments can reduce their average total cost per athlete by increasing the number of participants in the athletic department. Additionally, the results suggest that there are a

few institutions that may be producing athletic output at a diminishing level of returns, that is, at an inefficient level.