Managing the Commons: the Case of NCAA Conferences

Managing organizational reputations is a central strategic challenge for public and nonprofit managers. Because an industry reputation is a collective good, individual organizations do not always have the incentive to promote their industry’s collective reputation. As in common property settings generally, individuals have greater incentives to boost collective reputations when consumption of the reputation is excludable and nonrivalrous. Analyses of USA Today “Top 25” college football polls from 2005 through 2010 reveals that college football coaches engage in strategic behavior when rating their peer teams. Conferences provide an exclusion mechanism that induces coaches to inflate ratings of their co-conference. Coaches rank teams less favorably when they compete with them for the same recruits.

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Individual and collective reputations

Managing organizational reputations is a central strategic challenge for public and nonprofit managers. A reputation is the belief among stakeholders about how an organization produces value relative to its competitors (Rindova et al.). A strong and positive reputation is of great value to public and nonprofit organizations, helping them attract political support, funding, volunteers and talented employees. Such reputations are built over time by providing quality services, avoiding scandal, and smart public relations. Organizational reputations are important for public and nonprofit organizations because so much of what they do is difficult for outside stakeholders to observe and evaluate (Akerlof 1972). In many settings, organizations sharing an industry or policy area end up holding a reputation in common in that the reputation of each organization is partly affected by the collective reputation of them all. Community homeless shelters in a city may have a strong collective reputation – the city is known for its well run nonprofits serving the homeless – which helps each shelter attract better funding and more volunteers. A scandal in one organization can likewise spill over to tarnish others in the same industry. To the extent organizations hold a reputation in common, they have a collective interest in ensuring that it be maintained, which explains why many public and nonprofit organization associations produce publicity campaigns and promote standards of good behavior for their members. Sometimes organizations in an industry band together to build a coalition for managing their collective reputation to attract more resources.

But individual public and nonprofit organizations do not always have the incentive to promote their industry’s collective reputation (Prakash and Potoski 2007, Potoski and Prakash 2009). Because the quality of their services are often difficult to externally evaluate, public and nonprofit organizations are often judged less by their absolute performance – how well they are doing in some objective sense – but by their relative performance – how well they are doing compared to their peers. A donor may have a hard time judging the quality of different homeless shelters around a city, but can infer from their relative reputation which one is the best. The implication of this is that, to the extent there is competition for resources in an industry, organizations have the incentive to differentiate themselves from their peers, either by enhancing their own reputation or by tarnishing their competitors’, even if this comes at the expense of their collective reputation.

Translating collective reputation dynamics into common social science terms, an industry reputation is a collective good held in common by organizations in the industry. Consumption of the reputation occurs when a firm receives something positive by virtue of its affiliation with the industry. The collective reputation is non excludable in that all organizations in the industry benefit from it, with more members diluting the good’s quality. Exclusion mechanisms, such as coalition membership boundaries, counter such dilution effects, thereby increasing members’ incentive to boost their coalition’s reputation. Consumption of the reputation is rivalrous to the extent that the good’s one organization receives comes at the expense of others in the industry, a situation which in all likelihood varies across industries. Rivalrous consumption of a collective resource such as a reputation held in common decreases incentives to produce it (Ostrom 1990).
Perhaps nowhere are these competing incentives more pronounced than when public and nonprofit managers are called upon to rate each others’ performance. Managers have incentive to inflate ratings when they are evaluating organizations with which they share a common reputation, because some of the benefit of the higher rating will spill back to the rating manager’s organization. Such incentives are even stronger when the manager is rating an organization with which it shares a coalitional affiliation that excludes non-coalition members from receiving the reputational spill over of the higher rating. Conversely, managers have incentives to deflate ratings to the extent.

We investigate the strategic incentives for managing individual and collective organization reputations in the context of NCAA college football, focusing on how coaches rate their peers in the USA Today end of season Top 25 poll. College football coaching is a neglected corner of nonprofit management, perhaps rightly so. But these rankings provide a near perfect research setting for empirically studying the varying incentives to promote individual collective reputations. First, along with a clear peer ratings system, the setting provides clear variation along both the excludability and rivalry dimension. The excludability dimension varies because college football is organized along conference lines, with teams in a conference enjoying a common reputation that non-conference members are excluded from consuming. The rivalry dimension varies because some teams compete for the same high school recruits and a higher ranking makes a team a more attractive destination to play. Second, the structure of the data is such that we are able to test these effects with near experiment like precision.

The remainder of the paper is structured as follows. The next section describes the setting of college football, focusing on the conference structure and player recruiting process. The second section presents the data and analytic methods. The third section presents results and the final section concludes the paper.

I. NCAA Football:

In NCAA team reputations are most determined by the quality of the services they produce over time: teams that win more games have stronger reputations, though other factors influence a team’s reputations, including the passion and loyalty of their fan base, the quality of other sports teams at the university, and even the university itself. Teams with stronger reputations can sell more game tickets to games, ticket prices, sell more merchandise, and receive higher TV ratings. Teams attract recruits based on their own reputation and the reputation of their conference. Sometimes teams recruit the same players, in which case a team the reputational gain of one team comes at the expense of the teams with which it competes for recruits.

Conference reputations function in ways similar to team reputations, with the crucial distinction that conference reputations are collective goods. Conference reputations are raised by member

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1 We refer to NCAA football teams instead of their parent universities in recognition of the importance of the connection between the two.
2 Conferences provide other collective goods for members. First, members receive a share of conference revenues. More prestigious conferences receive revenues from TV contracts; the Big 10 has its own cable TV
teams winning, fan interest and spill overs from other sports. Individual team’s reputations influence the strength of their conference’s reputation; teams’ reputations carry externalities for other teams in the conference. Teams consume the reputation of their conference when they acquire valuable goods they would not otherwise have received. Consumption of the resources is generally non-rivalrous in that the extra fan who attends a game because of the strength of the conference does not come at the expense of other teams in the conference.

Team and conference reputations are also affected by standings in various college football polls, the most prominent of which are a poll of sportswriters sponsored by the Associated Press (known as the AP Poll) and the Coaches’ Poll, sponsored by USA Today. The USA Today Division I-A Coaches’ Poll is a weekly ranking of NCAA Division I A football teams based on the votes about 60 members of the American Football Coaches Association Division I A Board of Coaches. The poll is conducted each week beginning with a preseason poll and updated weekly during the regular. The results are released as a ranking of top twenty five teams, showing the number of first places votes and the points each team received, where points are allocated as 25 for rank one, 24 for rank two, etc. summed across all coaches’ ballots. The coaches’ ranking ballots have historically been secret. From 2005 through 2010, the final regular season USA Today poll has released the ballots cast by each coach. Higher poll rankings raise the reputation of the teams and their conferences. Advertisements for an upcoming game routinely boast about the teams’ rankings. The USA Today poll is thus an opportunity for college coaches to influence their peers’ reputation by rating their peers’

In the US Today rankings, we might expect coaches to assess teams fairly and accurately, without any bias or taint from individual gain. After all, these are professionals, with their own professional association and code of ethics. Coaches, however, are as fallible as the rest of us, which means their assessments of teams and hence their ranking of them may be colored by how the costs and benefits of their decisions affect themselves and their teams. Coaches have incentives to rank teams lower when they are competing with them for the same recruits because in such circumstances consumption of their common reputation is rivalrous: the recruit that plays for one team cannot play for the other. Coaches have incentive to rank co-conferees higher relative to non co-conferees because they receive in return benefits from the resulting growth in their conference reputation. In rare circumstances, improving a co-conferee’s ranking can influence a very large payoff to the conference. A BCS team receiving an at large bid to play in a BCS can gain network. Conferences also receive revenue when members play in end of season bowl games; more prestigious bowls provide higher payouts. Some conferences distribute revenues equally among conferences. In 2009, the Big 10 gave each member about $19 million, with the highest payout being only a few hundred thousand more than the lowest. Other conferences have unequal shares. In the 2009, Big 12 the largest share, about $14 million to Texas was about 40 percent larger than the smallest share, about $8 million to Baylor.

3 Publicizing the ballots appears to have been controversial for the coaches and appears to have been a requirement for keeping the poll as part of the BCS rankings. In 2004 the University of Texas overtook Cal in the final rankings for a lucrative spot in the BCS bowls. The change in rankings followed reports of “lobbying” by Texas Coach Mac Brown and did not appear to reflect any on field performance, as neither Texas nor California played in the intervening week. Citing potential conflicts of interest and lack of transparency in the poll, ESPN dropped its sponsorship of the poll after AFCA chose not to release full ballots for the weekly poll.
up to several million dollars for its conference beyond it would have gained playing in the next lower bowl.

II. Data and Methods

We estimate the following equation

Equation 1: \[ Y_{ijt} = X_{ijt} + e_{ijt} \]

Where \( i \) refers to the coach doing the rating, \( j \) refers to the team being ranked and \( t \) refers to the year representing the college football season. The dependent variable \( \text{rank} \) \((Y)\), measures the bias in coach \( i \)'s ratings of team \( j \) in year \( t \). The independent variables in \( X \) measure conditions that affect coach \( i \)'s incentive to inflate or deflate their rating of team \( j \)'s performance. \( e \) is the error term. In describing the data and results we use the convention of referring to the “coach” as the coach doing the ranking and “team” to refer to the teams that the coaches are ranking. The coaches’ rating occurs at the end of the reason (\( t \)) and after all recruits have made their commitment to play for a team, a process that begins in February of year \( t \) and continues through the summer.

Dependent Variable

Data on coaches’ rankings cover the years 2005-2010, as released on the USA Today’s website. Sixty NCAA Division 1A head football coach submit ballots rating college football teams from top (ranked 1) to the bottom (ranked 25). We use the final regular season ballots, following the final regular season games of the season.\(^4\) These rankings take on added significance because they are used along with the AP poll and ratings from six computer algorithms to form the BCS ratings that determine which teams will play in the national championship game and which other teams are eligible to participate as at large selections in the very prestigious (and lucrative) BCS Bowls. The computer rankings provide an opportunity to measure the “objective” quality of teams. The rankings’ use slightly different algorithms to rank all NCAA Division 1A football teams. Six computer rankings are used in the BCS ratings.

The key to our research design is that while the USA Today poll provides coaches’ subjective ratings, the computer rankings provide an objective measure. The dependent variable, \( \text{rank} \), is difference between the coaches’ subjective ranking of each team in his top 25 as revealed in the USA Today poll and the average of the six computer rankings used in the BCS ranking formula. A negative/positive rating indicates that the coach rated the team more favorably (e.g., ranked them with a lower number by rating them closer to number one) than did the computer algorithms.

\(^4\) In recent years the final “regular season” games are the conference championships.
Independent variables:

We measure if the coach and the team share a common conference affiliation scored one, else zero. Coaches have incentives to rate their co-conferencees more favorably because conference boundaries create an exclusion mechanism that concentrates the collective benefits of the higher rating to fewer teams.

Recruiting competition: Recruiting data were downloaded from Scouts.com website. For each team for each year, the website lists all high school players offered scholarships from every football team in the country and the team with which the player ultimately signed to play, if any. We use two measures of recruiting competition between the coach and the team. Common offers is the proportion of recruits offered a scholarship to play for the coach in year $t$ who were also offered scholarships to play for the team. Recruits lost is the proportion of recruits offered a scholarship to play for the coach in year $t$ who accepted scholarship offers to play for the team. Higher levels of recruiting competition increase coaches’ incentives to lower their ratings of teams.

We also include dummy variables measuring if the two teams played each other in year $t$ (played) and if the coach’s team won (won).

We estimate equation 1 using normal OLS with robust standard errors clustered by coach year.

III. Results:

Table 1 presents the two primary analyses, one with the variable common recruits and the other with the variable recruits lost. Note that negative coefficients indicate that the coach ranked the team more favorably (closer to one) relative to the computer ratings. Note that we exclude cases where coaches ranked their own team because recruiting measures for these instances are null. In unreported analyses excluding the recruiting measures we found that coaches rated their own team more favorably.

Overall, the results suggest that NCAA division 1A football coaches respond to incentives when rating teams in the US Today college football poll. Coaches rate their co-conferencees more favorably by about one spot, holding constant the effects of other variables. This suggests that an exclusion mechanism that restricts the benefits of the common reputation increases incentives to produce the collective good. Coaches also inflate by one spot their ratings of teams they played during the season, though they do not change their rating if they won or lost the game. Coaches have an incentive to rate their opponents more favorably because, win or lose, higher quality opponents improves the coach’s reputation. Together, these results suggest that coaches have bias to rate teams more favorably when they capture some of the benefits of the inflated rating through a common conference affiliation or from having directly played them.

The results for recruiting competition and recruits lost indicate that coaches rank teams less favorably when they compete with them for recruits. Note that the variables are scaled as proportions, with a mean of .038 for common recruits and .007 for recruits lost. Translating these
coefficients into more intuitive measures, consider a case where 20 percent of a coach's recruits were also offered scholarships to play for the team he is ranking (common offers = .20). In our analyses, this coach would rate the team on average about one spot less favorably (4.86 x .20 ≈ 1). Likewise, in the case of where 10 percent of a coach's recruits ended up playing instead for the team he is rating (recruits lost = .10), the coach would rate the team on average about 2.5 spots less favorably (-24.78 x .10 ≈ 2.5). These results suggest that rivalrous competition of the reputation decreases cooperative incentives to build the common reputation.

IV. Conclusion:

This paper makes several contributions. First, it identifies sources of bias in a prominent college football coaches' rankings mechanism, which is important because these ranking are used for the high profile and lucrative college football BCS system. Second, the results suggest that incentives for cooperative behavior depends on both the excludability and rivalry of consumption for the collective good being produced. Despite its theoretical importance (Ostrom 1990), the rivalry dimension of consumption is often neglected in research, perhaps owing to the difficult of measuring it in empirically tractable ways, a problem we overcome in this paper. These results have important implications for strategic management of public and nonprofit organizations. The rivalry and excludability of collective recourses such as reputations held in common structure organization's incentives to engage in collective action. The prospects for successful inter-organizational collaborations, for example, reflect how the costs of participation and the fruits of success are shared.
References


### Table 1: NCAA Football Coaches’ ratings

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