

Article and video question answers

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Michael Lewis- Competitive Imbalance What is the point of solution to solve MLB competitive imbalance?

Lewis proposes that the only solution to competitive imbalance is revenue sharing. The small market teams will have enough incentive to perform well and win and hence return the revenues. The league will have not be affected much by the revenue sharing since they always win but they will now be at par with the small market teams and the revenues from the winnings will therefore be distributed. With the winnings and the revenues being shared, there is bound to be an increase of investments in the payroll hence bringing reducing and if this continues eliminating the competitive imbalance brought about by the difference in market size (Lewis 547). This solution will however not be as simple and straight forward as has been explained and challenges as reduced incentives are to be expected and counteractive measures developed.

2. Do you see any potential problem when we would adopt Dr. Lewis idea?

Dr. Lewis' idea is very theoretical and appealing, however, its practicality is problematic. One of the potential problems is the lack of winning of the small market teams even after being given all the incentives necessary. Their lack of winning will bring all the plans to a dead end as there will be no returns on revenue sharing and not investments forthcoming. The league may also not buy the idea of revenue sharing as their payroll and investments are still high. They may also not want to offset the competitive imbalance in existence as this puts them way higher on the category and they may not want to change that. Having investors on the small market teams even with a few wins is not guaranteed and this whole solution is unreliable.

Work Cited

Lewis, Michael. Individual Team Incentives and Managing Competitive Balance in Sports Leagues: An Empirical Analysis of Major League Baseball. *Journal of Marketing Research*, October, 2008, vol. XLV, pp. 535-549.