

Team sports economics assignment

Sport & Tourism



**ASSIGN
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Name: James Sumner Student ID: 33255189 Question: Critically evaluate the approaches and policies to achieve competitive balance in North American Sports and European sports through an examination of competitive balance philosophy and policy in North American and European professional sports organisations. Illustrate your analysis with examples from both the European and North American professional sports leagues. Tutor: John Embery Statement of Authenticity: I confirm that this submission is all my own work. Any quotations are properly referenced using the Harvard referencing method.

All errors and omission are my responsibility alone. Word Count: 1744 There is a lot of distinction today between the North American and the European model for sport in order to achieve what each seems to perceive as the right competitive balance. This can be defined as ‘ the actual performance of a league to the performance that would have occurred if the league had the maximum degree of competitive balance in the sense that all teams were equal in playing strengths. The less the deviation of actual league performance from that ideal league, the greater is the degree of competitive balance’ (1).

This essay will outline what policies and approaches both the American and European sports models have in order to achieve competitive balance by looking at each continent's system of competition, the extensive system of team and player restraints in America such as salary caps compared to the relaxed system Europe has and also amateur and professional sports in both models. It is important to note that not all sports adhere to their so called ‘

model'. Sports in America such as football, baseball, hockey and basketball are very diversified in terms of rules, scheduling, commercialization etc.

The European model is largely based on one sport, football/soccer which we know is not what other sports follow. In North America there is a closed system of competition meaning no promotion or relegation from a league. This means that the same teams compete in the same league every year. From this we can conclude that the North American model supports equality and fairness not competitiveness, which could then be perceived as good for achieving competitive balance in the sense that teams do not have to worry about being relegated to a lower division.

This would also mean that teams get to know their counterparts very well which would also add to the competitive balance aspect of sport. However no promotion or relegation may also be deemed as uncompetitive and unbalanced because teams know each year they will still be competing in the same league the season after. This could lead to clubs getting complacent and happy to be in mid-table of their respective leagues as the amount of money all teams earn is astronomical. In NFL the Dallas Cowboys were valued in 2012 at \$2. billion (2.) yet didn't even finish in the top 6 of their respected league (3). In Europe teams can fluctuate up and down divisions therefore making our sports more based on competitiveness and the will to win which could also be interpreted as competitively balanced or unbalanced. It could achieve higher competitive balance because it allows better teams to move up and play against other better teams but it could also be unbalanced because teams moving up may not have the same resources as other teams in that league.

For example Barnsley does not have the same amount of resources Manchester United has if they were promoted. An extensive system of team and player restraints in America certainly improves the goal of competitive balance. There is a salary cap on not just players but also clubs as well. Since most leagues compute their caps on the basis of revenues for the preceding season, the cap is actually a fixed sum. In North America the NBA, NFL, NHL and Canadian football league have all installed salary caps (4).

For example in 2006 the NFL had a salary cap of approximately \$102 million. If a team breaches the league's salary cap for the season then the fines and penalties incurred are then shared between the rest of the teams in that league (5). These salary caps were put into place to achieve two main objectives: increasing competitive balance and for clubs to be financially stable. To say this has been a success is an understatement as many clubs not just in the NFL but also the NHL and NBA are now worth more than half a billion dollars.

Competitive balance is also extremely high as 13 different clubs have won the NFL in the last 21 years compared to that of only 5 in the English Premier League (6). Salary caps have prevented large clubs becoming too dominant in America which is exactly what has occurred in Europe, in Spain there is only Barcelona or Real Madrid, in England there is Manchester United, Manchester City and Chelsea competing for the titles. This is partly due to player's demands for wage rises and bonuses. Most clubs simply cannot offer a player ? 80, 000 per week.

To give an example in terms the amount big clubs spend on wages to compared to smaller ones in 2009 Manchester United spent ? 123. 1 million

while West Bromwich Albion spent ? 30. 0 million (7). This is the main reason why competitive balance in the EFL has drifted further apart in recent years. The media, other big organisations from different industries and even governments have heavily criticised the way European football clubs are run because of this and also because clubs can then not afford to pay off their debts. There is one sport that is an exception in Europe and that is rugby union.

They have imposed salary caps on players since 1999 and it has been largely successful for them as well. No clubs have fallen into financial meltdown since the measure was introduced and players have been happy to comply with the cap (8). As previously outlined there are also lots of player restraints that come with playing sport in America. For example clubs have the power not the players. The players are owned by the league not the clubs and must go as a group/union to the league if an issue arises. The ‘ draft’ is a system where players are chosen from the colleges/universities by the clubs.

The picking order for this is determined by the clubs previous season’s finish in the league with the clubs occupying the lower league positions getting the first pick. This hugely increases competitive balance as obviously they will pick the best players which in theory would bring the teams closer together in terms of quality for the next season. Therefore before the start of each season each team has just as good a chance of winning the league as the others. With the NFL having 13 different champions in 21 years it shows that that the system works and is a lot more competitive than football in Europe.

9) The policy or approach that ties these team and player restraints together in North America is called ‘ the collective bargaining system’. These are

largely labour agreements between the league, clubs and players where issues such as minimum and maximum salary caps are agreed. This system has been described as the 'very essential difference compared with Europe, where the sports industry concept and player unions have been relatively weaker and not equipped with the necessary bargaining powers' (10).

According to Fort there are also 3 other major differences between the American and European models that affect competitive balance. The fans, sports organisations and team objectives are all different. There is evidence to support this assumption as studies have shown that both sets of fans want different things. America does have better policies to keep the competitive balance fair but in terms of the rules of the games the balance is a lot closer in Europe. For example in Europe we have draws in football making the balance higher, Americans have overtime in the NFL until one of the teams score.

Also in Europe we have lower scoring games such as 1-0 or 1-1, in America this is considered boring and teams regularly score over 30 points in a game. Therefore some aspects of European sports do have a higher competitive balance than some American sports. There are also major differences between amateur and professional sports. In America there is a sharp distinction between the two levels each with its own integrated structures. Athletes that compete in Amateur sports in America are unpaid whereas quite a lot of amateur players in Europe are.

These athletes are also governed by more than one organisation. The National Collegiate Athletic Association (NCAA) and the Amateur Sports Alliance of North America (ASANA) are just two of these. This is a more

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horizontal system rather than the vertically integrated system Europe has which means that professionals and amateurs do not compete against each other. This could be seen as a good approach to achieve competitive balance as there are amateur and professional levels for a reason, mainly because the level of skill required in professional sports is a lot higher.

Therefore by keeping them separate each athlete knows where they stand. You are either a professional and get paid or you're an amateur, not a mixture of both like we have in Europe. The pyramid structure of European sports organisations such as UEFA and the FA for example brings together amateur and professional sports into a vertical system governed for the common good by integrated associations and federations. In this vertical system there is not such a sharp distinction between amateur and professional sports.

For example Bath City, an amateur team, beat Grimsby Town, a professional team in the 2009 FA Cup first round (12). Therefore the two different levels of sport in Europe can compete against each other. This approach to achieving competitive balance could be seen as both positive and negative in terms of achieving competitive balance. The positive side is the fact that with our promotion and relegation system amateur teams can develop into professional ones. AFC Wimbledon set up after Wimbledon FC was liquidated by the supporters and had amateurs playing.

They had five promotions in nine years propelling them into the football league making them a professional club (13). The negative side to having little distinction between the two levels is that big professional teams can play small amateur teams which would not be good in terms of achieving

competitive balance as the gap in skill level would be too much for the smaller teams. It has been shown therefore that the North American and European sports models are very different in their policies and approaches to achieving competitive balance.

Salary caps for players and limiting the amount sports teams can spend in America has proved positive for achieving competitive balance. Thirteen different champions in 21 years proves it has been a success. The closed system and promotion and relegation system both have aspects that bring competitive balance closer but also aspects which take it further away.

References/Bibliography 1) Noll 1991 2) Mike Ozanian. (2012). Dallas Cowboys Lead NFL With \$2.1 Billion Valuation. Available: <http://www.forbes.com/sites/mikeozanian/2012/09/05/dallas-cowboys-lead-nfl-with-2-1-billion-valuation/>. 3)